



MEETING : AUDIT AND GOVERNANCE COMMITTEE
VENUE : COUNCIL CHAMBER, WALLFIELDS, HERTFORD
DATE : TUESDAY 30 SEPTEMBER 2025
TIME : 7.00 PM

PLEASE NOTE TIME AND VENUE

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<https://www.youtube.com/user/EastHertsDistrict>

MEMBERS OF THE COMMITTEE

Councillor Martin Adams (Chair)
Councillors B Deering, C Hart, S Nicholls, G Williamson, D Willcocks, D
Woolcombe, Mr M Poppy and Mr N Sharman

Substitutes

Conservative Group: Councillor J Wyllie
Green Group: Councillors M Connolly and N Cox
Labour Group: Councillor D Jacobs
Liberal Democrat Group: Councillors S Marlow and M Swainston

(Note: Substitution arrangements must be notified by the absent Member to Democratic Services 7 hours before the meeting, i.e. by midday on the day of the meeting)

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- must not participate in any vote taken on the matter at the meeting;
- must disclose the interest to the meeting, whether registered or not, subject to the provisions of section 32 of the Localism Act 2011;
- if the interest is not registered and is not the subject of a pending notification, must notify the Monitoring Officer of the interest within 28 days;
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AGENDA

1. Apologies

To receive any apologies for absence

2. Minutes - 28 May 2025 (Pages 6 - 20)

To approve as a correct record the minutes of the meeting held on 28 May 2025.

3. Chair's Announcements

4. Declarations of Interest

To receive any declarations of interest.

5. External auditors completion report - 2023/24 (Pages 21 - 194)

6. External Auditors Audit Plan 2024/25 (Pages 195 - 234)

7. Annual Procurement Report 2025 (Pages 235 - 267)

8. Assets of Community Value Report 2025 (Pages 268 - 276)

9. Shared Anti-Fraud Service - Anti-Fraud Report 2024/25 (Pages 277 - 290)

10. Shared Anti-Fraud Service - Anti-Fraud Progress Report 2025/26 (Pages 291 - 295)

11. Shared Internal Audit Service - Progress Report (Pages 296 - 306)

12. Provisional Outturn 2024/25 & Draft Statment of Accounts 2024/25 (Pages 307 - 401)

13. Annual Governance Statement 2024/25 (Pages 402 - 438)

14. Treasury Management 2024/25 Outturn (Pages 439 - 453)

15. Financial Management 2025/26 - Quarter 1 Forecast to year end (Pages 454 - 465)
16. Strategic Risk Register Monitoring Q1 2025/26 (Pages 466 - 488)
17. Audit and Governance Committee Work Programme (Pages 489 - 498)
18. Urgent Items

To consider such other business as, in the opinion of the Chairman of the meeting, is of sufficient urgency to warrant consideration and is not likely to involve the disclosure of exempt information.

Agenda Item 2

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MINUTES OF A MEETING OF THE
AUDIT AND GOVERNANCE COMMITTEE
HELD IN THE COUNCIL CHAMBER,
WALLFIELDS, HERTFORD ON
WEDNESDAY 28 MAY 2025, AT 7.00 PM

PRESENT: Councillor M Adams (Chair)
Councillors C Hart, S Nicholls, G Williamson
and Sharman

ALSO PRESENT:

Councillors C Brittain, B Crystall, J Dumont
and S Hopewell

OFFICERS IN ATTENDANCE:

Michele Aves	- Committee Support Officer
Brian Moldon	- Director for Finance, Risk and Performance
Alison Street	- Financial Planning Manager
Tyron Suddes	- Information Governance and Data Protection Manager

ALSO IN ATTENDANCE:

Dan Humphries	- Contracts Manager, Everyone Active
Simon Martin	- Shared Internal Audit Service
Amar Varsani	- Grange Paddocks Leisure Centre

34 APPOINTMENT OF VICE-CHAIR FOR 2025/26

It was moved by the Chair and seconded by Councillor

Williamson that Councillor Nicholls be appointed as Vice-Chair of the Audit and Governance Committee for 2025/26. After being put to the meeting and a vote taken, the motion was declared CARRIED.

RESOLVED – that Councillor Nicholls be appointed as Vice-Chair of the Audit and Governance Committee for 2025/26.

35 APOLOGIES

There were apologies for absence from Councillors Deering, Woolcombe and Willcocks, and from Mark Poppy, Independent Person.

36 MINUTES - 22 APRIL 2025

It was moved by Councillor Nicholls and seconded by Councillor Williamson that the Minutes of the meeting of the Committee held on 22 April 2025 be confirmed as a correct record and signed by the Chair. After being put to the meeting and a vote taken, the motion was declared CARRIED.

RESOLVED – that the Minutes of the Committee meeting held on 22 April 2025 be confirmed as a correct record and signed by the Chair.

37 CHAIR'S ANNOUNCEMENTS

The Chair welcomed Councillor Nicholls as Vice-Chair for 2025/26. He said that he hoped it would be a joyful year.

38 DECLARATIONS OF INTEREST

There were no declarations of interest.

39 DATA PROTECTION UPDATE

The Information Governance and Data Protection

Manager introduced the report which provided an update on the council's response to data breaches and subject access requests from 1st October 2024 to 1st April 2025.

The Information Governance and Data Protection Manager said that there had been 11 breaches in the period, none of which had required reporting to the Information Commissioner's Office (ICO). He said that 9 of these breaches were due to incorrect email recipients, 1 was due to a BEAM data transfer error and the other due to an error in publication on the planning portal.

The Information Governance and Data Protection Manager said that in relation to the breaches, apologies had been issued to the affected data subjects, with recipients asked to confirm deletion of the data received. He said that responsible staff had been issued handling reminders and had retaken the data protection e-learning module.

The Information Governance and Data Protection Manager said that the incorrect data had been removed from the planning portal immediately, with the process updated to prevent further breaches. He said that there had been other preventive measures taken during the period, including updates to Council Tax account processes, assurance from software providers and attempted email recalls where applicable.

The Information Governance and Data Protection Manager said that the number of breaches remained acceptable given the volume of data which the council processed. He said that staff were effectively recognising and reporting any breaches within policy time limits and that the council's data breach incidents and responses were audited in October 2024, receiving a substantial assurance.

The Information Governance and Data Protection Manager said that 11 Subject Access Requests were received in the period, all of which had been processed

within statutory time limits.

The Chair thanked the Information Governance and Data Protection Manager for his report.

Councillor Nicholls said that the report was very reassuring and asked how the number of breaches council compared against other local authorities. She also asked if the data protection e-learning module had been effective.

The Information Governance and Data Protection Manager said that the number of breaches was regarded as normal, with any more than 20 in the period a cause for concern. He said that the annual e-learning training was mandatory for all staff, with a retake required by employees involved in a breach.

The Chair asked if there was need for concern amongst residents who were required to provide personal details in an online form to obtain their bin collection cycles, asking if this was an increased threat.

The Information Governance and Data Protection Manager said that the need for the data should have been questioned.

The Director for Finance, Risk and Performance said that this matter had been raised at Leadership Team. He said that the process was being moved away from, and that residents would no longer have to register their details to obtain the required information.

Councillor Hart questioned why the form had been intrusive in the first instance. The Information Governance and Data Protection Manager said that the form should have been seen by him earlier – and the need for data would have been questioned.

It was moved by Councillor Williamson and seconded by Councillor Nicholls, that the recommendations, as

detailed, be approved. After being put to the meeting and a vote taken, this motion was declared CARRIED.

RESOLVED – that (A) the contents of the report be noted, and any observations be provided to the Information Governance and Data Protection Manager.

40 ANNUAL ASSURANCE STATEMENT AND INTERNAL
AUDIT ANNUAL REPORT 2024/25

The Shared Internal Audit Service (SIAS) Manager introduced the report which summarised the audit activity and outcomes for 2024/25. He drew Members attention to page 28 of the report which gave the annual assurance opinion.

The SIAS Manager referred to pages 33 and 34 of the report which showed how the service fared against performance indicators, which almost without exception were met and gave detail on service developments, such as securing new business outside of Hertfordshire.

The SIAS Manager said that the Audit Charter for 2025/26 could be seen from page 44 of the report, which remained almost unchanged from last year apart from paragraphs 6.1 and 6.3.

The Chair thanked the SIAS Manager for his report.

Councillor Nicholls asked if the issues relating to premises licenses were now resolved, and if there were any operating difficulties for SIAS.

The SIAS Manager said that record keeping and status on licences was now in place, with management assurance, which would be followed up. He said that regular liaison meetings were held, including catch ups with Heads of Service, and that any delays with field work (which was dependent on staff engagement) was picked up later in the year.

The Chair asked if the council was a contributor who could influence the content of the audit charter.

The SIAS Manager said that the charter followed a template, with the Global Internal Audit Standards reflected. He said that the council did not influence, with content driven externally.

The Chair referred to the report recommendations and sought verbal assurance from the Director of Finance, Risk and Performance that the scope and resources for internal audit were not subject to inappropriate limitations in 2024/25.

The Director of Finance, Risk and Performance gave this assurance.

It was moved by Councillor Williamson and seconded by Councillor Nicholls, that the recommendations, as detailed, be approved. After being put to the meeting and a vote taken, this motion was declared CARRIED.

RESOLVED – that (A) the Annual Assurance Statement and Internal Audit Annual Report 2024/25 be noted: and

(B) that the results of the self-assessment required by the Global Internal Audit Standards (GIAS) and the Quality Assurance and Improvement Programme (QAIP) be noted: and

(C) that the SIAS Audit Charter 2025/26 be approved: and

(D) that management assurance that the scope and resources for internal audit were not subject to inappropriate limitations in 2024/25 be sought.

The Service Manager (Strategic Finance) introduced the report which presented the 2023/24 provisional outturn and draft statement of accounts for 2023/24. She said that as highlighted in the report and at previous meetings of the Committee both items had been subject to delay due to the ongoing 2021/22 and 2022/23 audits, the review of aged debts and the minimum revenue provision and capitalisation of salaries.

The Service Manager (Strategic Finance) said that the 2021/22 and 2022/23 audits were concluded at the Committee's meeting on 22 April, and that the impact of the completed reviews in 2023/24 were included in the outturn position and the draft statement of accounts. She said that the 2023/24 outturn position showed an underspend of £224k, which had been transferred to reserves to fund future overspends and that the 2024/25 provisional outturn would be presented to Members at the next meeting.

The Chair thanked the Service Manager (Strategic Finance) for her report.

Councillor Williamson sought clarification regarding the reason for the variance of funding reported in Table 1.

The Service Manager (Strategic Finance) said that this was due to the budget being set with a net deficit on council tax and business rate collections, and the outturn position having a surplus – mainly due to changes in the appeals process, giving movement of £3.3 million.

It was moved by Councillor Nicholls and seconded by Councillor Williamson, that the recommendations, as detailed, be approved. After being put to the meeting and a vote taken, this motion was declared CARRIED.

RESOLVED – that (A) the general fund revenue outturn of £224k underspend to be transferred to the general reserve be noted: and

(B) that the capital outturn position be noted: and

(C) that the 2023/24 draft statement of accounts be received.

42 2024/25 ACCOUNTING POLICIES

The Service Manager (Strategic Finance) introduced the report which presented the accounting policies to be used in the production of the 2024/25 Statement of Accounts. She said that agreement of these policies would help the authority to fulfil its statutory duty to prepare accounts in line with current legislation, codes of practice and standards.

The Service Manager (Strategic Finance) said that there had been no significant changes to the previously used standards, other than some small presentational changes.

The Chair thanked the Service Manager (Strategic Finance) for her report.

Councillor Williamson said that the policies were mostly unchanged and was happy to accept them.

It was moved by Councillor Nicholls and seconded by Councillor Hart, that the recommendations, as detailed, be approved. After being put to the meeting and a vote taken, this motion was declared CARRIED.

RESOLVED – that the accounting policies, as set out in Appendix A, be approved for use in the 2024/25 Statement of Accounts.

43 MONITORING 2024/25 QUARTER 4 CORPORATE RISK REGISTER

The Director for Finance, Risk and Performance introduced the updated corporate risk report. He said that there had been no change to any scores, with no new

risks added or deleted.

The Director for Finance, Risk and Performance said that it was too early for local government reorganisation to be included on the register, as there were too many unknowns. He assured Members that this issue was on the radar.

The Chair thanked the Director for Finance, Risk and Performance for the report.

Mr Sharman noted that there were now mitigations in place regarding the production of accounts, which enabled continuous monitoring.

The Director for Finance, Risk and Performance said that such risks were covered around financial resources, such as resources in the team. He said that a report went to Council in May 2025 which also recommended regular reports around these risks.

The Chair asked if target dates could also be populated in the table as seen on page 166 of the report.

The Director for Finance, Risk and Performance said that such dates could be included.

It was moved by Councillor Williamson and seconded by Councillor Hart, that the recommendations, as detailed, be approved. After being put to the meeting and a vote taken, this motion was declared CARRIED.

RESOLVED – that the 2024/25 quarter four corporate risk register and actions being taken to control and mitigate risk be noted.

44 SOCIAL VALUE POLICY 2025-2030

The Director for Finance, Risk and Performance introduced the report regarding a refresh of the Social Value Policy adopted by the council in 2021. He said that

following review with all service areas which undertook procurement, the number of Themes, Outcomes and Measures (TOM's) had been greatly reduced.

The Chair thanked the Director for Finance, Risk and Performance for the report.

Councillor Nicholls welcomed the suggestion that social value be considered in planning applications, and asked how penalties would be monitored for contractors who did not comply.

The Director for Finance, Risk and Performance said that obligations would be included within contracts, signed between the parties, which would be weighted and scored with consequences and penalties for non-compliance included.

Councillor Hart asked how social detriment was evaluated.

The Director for Finance, Risk and Performance said that any detrimental impact was considered pre-contract.

Councillor Nicholls asked if the added costs of including social value would act as a deterrent to some contractors.

The Director for Finance, Risk and Performance said that the policy had been in place since 2021, and each contract was looked at on a case-by-case basis.

It was moved by Councillor Nicholls and seconded by Councillor Williamson, that the recommendations, as detailed, be approved. After being put to the meeting and a vote taken, this motion was declared CARRIED.

RESOLVED – that the draft Social Value Policy 2025-2030 set out in Appendix A, be approved.

With the consent of the Chair, the Annual Leisure Contract Performance report was moved up to agenda item 7, however the minutes are written in the order of the original agenda.

The Executive Member for Wellbeing introduced the report to the Committee, which detailed the 6th year of the 15-year leisure contract with Everyone Active. She said that 2024 contained a lot of positives, including in excess of 1.6 million visits to the leisure facilities.

The Executive Member for Wellbeing reflected on the loss of funding for Leventhorpe and Fanshawe resulting in the closure of these facilities, despite huge efforts within the community to keep them open. She said that alternative solutions at Fanshawe continued to be explored, but the ability for many of the users of these closed facilities to transfer to alternative centres within the district was positive.

The Executive Member for Wellbeing highlighted the wider work which had been carried out over the period, including the relaunch of the exercise on referral scheme, and the introduction of dedicated senior and wellbeing programmes.

The Chair thanked the Executive Member for Wellbeing for her report.

The Everyone Active Contracts Manager and the General Manager of Grange Paddocks gave a presentation to the Committee, which gave an overview of the 2024 year.

The Executive Member for Corporate Services said that the numbers within the report and presentation were fantastic, and asked how much more headroom was available with regards to capacity at the facilities.

The Everyone Active Contracts Manager said that this question was difficult to answer, as facilities had 'peak times' when habitually people wished to use them and that if people could not use the facilities when they wished they would not renew their memberships. He said that as part of a planned £600,000 refurbishment at the Grange Paddocks gym,

sensors had been deployed to measure the use of equipment, enabling a design which made better use of the space.

The Executive Member for Corporate Services asked if Everyone Active were aware that the limit to the number of younger people who could use the gym was causing parents to not be able to book for their children.

The Everyone Active Contracts Manager said that they were aware of this issue and were looking to change age and availability times. He said that it was a struggle to meet the demand for younger people, but other users did not want to use the facilities alongside them. He said that exercise classes could be offered to this age group, but research had shown that they did not want 'watered down' versions of activities.

Councillor Williamson said that there was lots of good news in the report, which was impressive. He asked if there were numbers relating to those who had not transferred from Leventhorpe and Fanshawe, and if there had been any efforts to entice these users.

The Everyone Active Contracts Manager said that this was around 400 people, with some not transferring to other facilities due to practicalities and others deciding to do other activities. He said that pricing for transferees had been held for 12 months.

Councillor Nicholls asked if there was data which showed where those who used Ward Freeman had transferred to.

The Everyone Active Contracts Manager said that these users had transferred to Ware facilities or had moved out of district to North Herts.

Councillor Nicholls asked if there was any offsetting of the facility's high energy consumption.

The Everyone Active Contracts Manager said that this was a national challenge. He said that active travel was

encouraged for patrons and staff, with work with Neighbourhood Police Teams ongoing in relation to bike thefts.

Councillor Hart said that she was an advocate for 'Save Fanshawe' and that it would be good motivation to know if its closure meant that capacity could not be met by other facilities.

Mr Sharman said that the statistics within the report looked great and asked if targets were on track.

The Everyone Active Contracts Manager said that results were significantly higher than expected. He said that commercial activity could not be discussed in such an open forum, but the council were very happy from a financial perspective.

The Director for Finance, Risk and Performance said that the information was included in the budget setting report.

It was moved by Councillor Williamson and seconded by Councillor Nicholls, that the recommendations, as detailed, be approved. After being put to the meeting and a vote taken, this motion was declared CARRIED.

RESOLVED – that the Annual Leisure Contract Performance Report (2024) as set by the service leisure provider be reviewed and received.

46 AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME

The Director for Finance, Risk and Performance introduced the report. He drew Members attention to page 207, which as per previously requested by the Committee, now included a table (with due dates) relating to the publication of the statement of accounts.

The Director for Finance, Risk and Performance introduced the report and said that the programme for

2026/27 was currently being scheduled with the Chair, in anticipation that this would consist of 5 Committee meetings, and a further joint meeting with the Overview and Scrutiny Committee to take place in January for budget reports.

The Chair thanked the Director for Finance, Risk and Performance for the report and said that the table was very concise.

Councillor Williamson said that the dates, as added, were very helpful, giving clarity. He said that the joint meeting held with the Overview and Scrutiny Committee was very positive.

Councillor Nicholls asked for confirmation of training for the Committee.

The Director for Finance, Risk and Performance said that training would be scheduled for treasury management, fraud, and risk. He welcomed suggestions from the Committee for other training subjects.

Mr Sharman said that the Leisure Report, as received at the meeting, was not as described, and sought clarity regarding this. He referred to the BEAM report, which was scheduled on the work programme, and asked if the business case could be seen by the Committee. He added that the BEAM report appeared to be duplicated for both September and November.

The Director for Finance, Risk and Performance said that the BEAM report was duplicated and should only be scheduled for November's agenda. He said that this report would give an update on BEAM's performance and would feed into outturn – therefore possibly requiring it to be heard in Part 2.

Mr Sharman said that the Committee needed assurances that the council was receiving what it anticipated/ good value with the Leisure Contract, and that there was a gap

in the earlier conversation around this.

The Director for Finance, Risk and Performance said that with regards to the Leisure Contract, Everyone Active paid the council to operate the contract, with the council receiving additional profit share to this. He said that this was currently beyond expectations.

The Director for Finance, Risk and Performance said that with regards to BEAM, the report would give achievements to date.

Mr Sharman asked if a target was set by the Council for the contractor.

The Director for Finance, Risk and Performance said that this would be a conversation for the Director of Place.

It was moved by Councillor Nicholls and seconded by Councillor Williamson, that the recommendations, as detailed, be approved. After being put to the meeting and a vote taken, this motion was declared CARRIED.

RESOLVED – that (A) the work programme as set out in the report be approved; and

(B) any training requirements be specified.

47 URGENT ITEMS

There were no urgent items.

The meeting closed at 8.43 pm

Chairman
Date

East Herts Council Report

Leadership Team Meeting

Date of meeting: Tuesday 23 September 2025

Report by: Brian Moldon, Director of Finance, Risk and Performance

Report title: External auditors completion report - 2023/24

Ward(s) affected: All Wards

Summary – The external auditors, Azets will present their Audit Completion and Annual Auditors Reports for the 2023/24 Statement of Accounts to the Committee setting out the results of their audit.

This report presents the 2023/24 Statement of Accounts to the Audit and Governance Committee for approval.

RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE:

- a) Receive and make any comments on the external auditor's Completion Report for 2023/24 and the Annual Auditors Report 2023/24.
- b) Approve the 2023/24 Statement of Accounts.

1.0 Proposal(s)

1.1 That Members review and comment on the external auditors Completion Report (Appendix A) and Annual Auditors Report (Appendix B) for 2023/24.

1.2 The Statement of Accounts are attached as Appendix C for 2023/24.

2.0 Background

2.1 The Government has introduced legislation aimed at bringing local authority audits up to date, with a backstop date of 28 February

2025 for the completion of 2023/24 audits. As part of this process, it is expected that auditors will issue a 'disclaimed' audit opinions, meaning no assurance can be provided on these set of accounts.

2.2 This report is presented to the Audit & Governance Committee in its role as the body charged with governance and as the designated committee responsible for approving the Statement of Accounts (see Appendix C). The Auditor's Completion Report and the Annual Auditor's Report for 2023/24, prepared by the Council's external auditors, are included at Appendices A and B respectively.

2.3 For Members' information, an updated version of the Auditor's Disclaimer of Opinion on the financial statements is provided at Appendix D. This will be incorporated into the final version of the 2023/24 Statement of Accounts once the auditors have signed them off. Also included is a copy of the Letter of Representation (at Appendix E), which will be signed by the Director of Finance, Risk and Performance ahead of the audit sign-off. This letter is a key piece of audit evidence, confirming the accuracy and completeness of the financial information provided. It also acknowledges management's responsibility for the financial statements and confirms that all material facts have been disclosed.

3.0 Reason(s)

3.1 The external auditor is required by auditing standards to present the Committee with their Audit Completion and Annual Auditor's Reports. The external auditor is presenting their report on the Council's financial statements and provide a value for money conclusion.

3.2 The report anticipates issuing a disclaimed audit opinion for the financial year ending 31 March 2024 due to the inability to meet the statutory backstop date of 28 February 2025.

3.3 The report highlights significant weaknesses in the Council's arrangement for the preparation and publication of financial statements. The Council failed to publish draft financial statements within the regulatory timeframe for the year 2023/24.

4.0 Options

4.1 Members can ask questions and make observations to the external auditor, but they cannot reject their reports.

5.0 Risks

5.1 These are contained within the body of the main report.

6.0 Implications/Consultations

Community Safety

No

Data Protection

No

Equalities

No

Environmental Sustainability

No

Financial

These are contained in the main body of the report.

Health and Safety

No

Human Resources

No

Human Rights

No

Legal

Approval of the accounts by committee fulfils the requirements of the Accounts and Audit regulations (2015).

Specific Wards

No

7.0 Background papers, appendices and other relevant material

- 7.1 Appendix A – Audit Completion Report 2023/24.
- 7.2 Appendix B – Auditors Annual Report 2023/24
- 7.3 Appendix C – Statement of Accounts for 2023/24
- 7.4 Appendix D – Auditors Disclaimer of opinion on the financial statements
- 7.5 Appendix E – Draft Letter of Representation

Contact Member

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East Hertfordshire District Council

Audit Completion Report for Those Charged with Governance

Year ended 31 March 2024

August 2025



Audit and Governance Committee
East Hertfordshire District Council
Wallfields
Pegs Lane
Hertford

SG13 8EQ

August 2025

Dear Audit and Governance Committee Members

East Hertfordshire District Council – Completion report for Those Charged with Governance for the year ended 31 March 2024

This Audit Completion Report summarises the approach and outcomes arising from our audit for the benefit of Those Charged with Governance, as required by International Standard on Auditing (UK) 260, the National Audit Office Code of Practice 2024 (the 'Code') and associated Auditor Guidance Notes. The contents of this report relate only to those matters which came to our attention during the conduct of our audit procedures and have been discussed with management.

We were appointed as auditors to perform the audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), which are directed towards forming and expressing an opinion on the financial statements that have been prepared on behalf of management with the oversight of Those Charged with Governance.

Statutory Instrument (2024) No.907 - "*The Accounts and Audit (Amendment) Regulations 2024*" (the SI) imposed a backstop date of 28 February 2025 by which date we were required to issue our opinion on the financial statements. The **Accounts and Audit Regulations 2015**, as amended by the **Accounts and Audit (Amendment) Regulations 2024**, imposed a statutory backstop date of 28 February 2025 for the publication by the Council of their final Statement of Accounts for 2023/24. The **Code of Audit Practice (2024)** (the Code) issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General (the Code) specifies that auditors are required to issue their auditor's report before this date, even if planned audit procedures are not fully complete, so that local government bodies can comply with these statutory reporting timescales.

We were unable to issue our disclaimed opinion on the financial statements for 2023/24 by the backstop date as, at this date, the Council had not actually produced any financial statements upon which an opinion could be issued. The Council subsequently published the 2023/24 accounts on 30 April 2025. As this date was two months after the backstop date, the time constraints mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK). This decision is in line with **ISA 200: Failure to Achieve an Objective 24**.

If an objective in a relevant ISA (UK) cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the audit and thereby requires the auditor, in accordance with the ISAs (UK), to modify the auditor's opinion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation).

Auditors have to consider whether the time constraints imposed by the backstop date mean that they cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support their opinion and fulfil all the objectives of the ISAs (UK). For 2023/24, the time constraints are further restricted by the fact that the statutory backstop date of 13 December 2024 for outstanding periods to 31 March 2023 – all preceding audit periods – resulted in the issue of disclaimed audit opinions by the Council's predecessor auditor for the financial years ended 2022/23 and 2021/22. These were issued on 23 April 2025, four months after the backstop date. This means we have no assurance on the Council's opening balances as at 1 April 2024.

Taking the above into account, for the year ended 31 March 2024 we have determined that we cannot meet the objectives of the ISAs(UK) and we anticipate issuing a disclaimer of opinion in our auditor's report.

In completing our work for this audit year we have taken into account **Statutory Instrument (2024) No. 907** - "The Accounts and Audit (Amendment) Regulations 2024" and **Local Audit Reset and Recovery Implementation Guidance**. We have also taken into account the requirements of the **Local Audit and Accountability Act 2014**, the National Audit Office's **Code of Audit Practice (2024)**, the **Statement of Responsibilities** (from 2023/24 audits) issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

The responsibilities of the Council and Those Charged with Governance remain unchanged. The Council's Responsible Finance Officer has a responsibility under The Accounts and Audit Regulations 2015 to confirm that the Accountability Statements included in the Statement of Accounts give a true and fair view. Those Charged with Governance have an essential role in ensuring that it has assurance over the quality and accuracy of the financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. The Public Sector Audit Appointment Limited's **Statement of Responsibilities** (paragraphs 26-28) clearly set out what is expected of audited bodies in preparing their financial statements (see Appendix III).

Alongside our audit of the financial statements, under the Code we are also required to consider your arrangements for securing economy, efficiency and effectiveness in your use of resources and to report any significant weaknesses we identify, including reporting these in our auditor's report. We consider and report on the adequacy of the Council's financial reporting arrangements and the effectiveness of the Audit and Governance Committee, as the Council's body charged with governance, in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements. We also consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

continued.....

Where, as part of our work, we identify control weaknesses we also report these to you. However, our audit is not designed to test all internal controls or identify all areas of control weakness. As such, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

This report is intended solely for the information and use of the Audit and Governance Committee, and management, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to take this opportunity to record our appreciation for the kind assistance provided by your team during our audit.

Yours sincerely

Paul Grady

Key Audit Partner

For and on behalf of Azets Audit Services

Our key team members

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Executive summary

This section summarises for those charged with governance the work we performed on the Council's financial statements, our findings on your value for money arrangements and other matters arising from the statutory audit of East Hertfordshire District Council for the year end 31 March 2024.

Under International Standards on Auditing (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice 2024 ('the Code') we were appointed to report on whether, in our opinion:

- *The Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the period; and*
- *The Council's financial statements, have been properly prepared in accordance with the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in the UK (the 'CIPFA Code') 2023/24 and the Local Audit and Accountability Act 2014.*

We are also required to report on other matters under the Code of Audit Practice (2024), including any significant weaknesses we have identified in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Context for the audit

Timely, high-quality financial reporting and audit of local bodies is vital. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and that all stakeholders in the sector need to work together to address this. The factors which have led to this situation are widespread and varied. These include the following:

- Increased complexity of financial and other reporting requirements within the sector
- Increased volume of complex capital and income generation transactions which require specialist accounting and auditing expertise and which take significantly more time to prepare and audit
- Lack of capacity within local authority financial reporting professions and audit firms with specialist public sector experience
- Increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed

The Ministry of Housing, Communities and Local Government (MHCLG), formerly the Department of Levelling Up Homes & Communities (DLUHC), has worked collaboratively with the Financial Reporting Council (FRC) and other system partners including the NAO to develop and implement measures to clear the backlog.

In July 2024, the Minister for MHCLG issued a statement confirming the government's plans to:

- **Reset** and clear the backlog through the setting of a statutory backstop date of 13 December 2024 for any outstanding financial statements for financial years to 2022/23;
- **Recover** assurance over a five-year period to 2027/28 to avoid a recurrence of the backlog through the setting of further backstop dates for financial years 2023/24 to 2027/28; and
- **Reform** the local audit system to address the systemic challenges and embed timely financial reporting and audit.

Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" (the SI), together with the updated NAO Code of Audit Practice 2024 and the Local Audit Reset and Recovery Implementation Guidance give effect to the ministerial statement and have all been developed to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)).

continued...

Executive summary

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Statutory backstop dates were published in The Accounts and Audit (Amendment) Regulations 2024, which were approved by Parliament and came into force on 30 September 2024. These regulations were subsequently incorporated into The Accounts and Audit Regulations 2015 (as amended).

Alongside this updated legislation the NAO updated the Code of Audit Practice (the Code) to reflect the statutory backstop requirements. The 2024 Code was approved by Parliament on 14 November 2024. At the same time the NAO issued the Local Audit Reset and Recovery Implementation Guidance (the LARRIGs) to facilitate auditor compliance with International Standards on Auditing (UK) (ISAs (UK), which were endorsed by the FRC.

The Council's 2021/22 and 2022/23 audits were concluded in April 2025. The 2021/22 and 2022/23 audits were disclaimed on 23 April 2025, resulting in a lack of assurance on the Council's opening balances at 1 April 2024.

As a result of the system wide implementation of backstop dates we intend to issue a disclaimer of the audit opinion on the Council's 2023/24 accounts.

Financial statements – the 2023/24 audit

The statutory deadline for councils to issue unaudited financial statements for 2023/24, as set out in the Accounts and Audit Regulations 2015 (as amended), was 31 May 2024. The Accounts and Audit Regulations 2015 required the Authority to make its financial statements for the year ended 31 March 2023 available for public inspection by the first working day in June 2023.

Whilst we had undertaken as much work as possible ahead of this date in support of the 2023/24 audit, we were not able to commence our work on the financial statements before the accounts were submitted to us.

The Council issued its unaudited financial statements on 30 April 2025, nearly a year after the statutory deadline. The public inspection period ran from 30 April 2025 to 13 June 2025. Although we undertook as much preparatory, planning and interim work as possible in support of the 2023/24 audit, we were not able to commence our work on the financial statements before the accounts were submitted to us. The Council's delay in publishing the 2023/24 accounts was due in part to the fact the audits for prior years were not completed until 23 April 2025.

The absence of assurance over opening balances resulting from the disclaimers of opinion issued over the prior years, combined with the statutory backstop date for 2023/24 having passed before the accounts were published, restricted the audit procedures that we had planned to undertake to gain assurance on the Council's 2023/24 financial statements. These planned procedures were first reported in our audit plan in January 2024 and updated in our progress reports shared with the Audit Committee in May 2024 and November 2024. We also experienced significant delays in the receipt of information from the Council, as officers were also dealing with the 2021/22 and 2022/23 audits, which impeded the progress of the 2023/24 audit prior to the production of the financial statements and resulted in additional costs. Given the backstop date had already passed two months before the 2023/24 accounts were published, there is insufficient remaining time and resource available to obtain sufficient appropriate audit evidence to conclude that the 2023/24 financial statements as a whole are free from material misstatement, including recovering missing assurance from earlier years. We therefore plan to issue a disclaimer of the audit opinion on the Council's 2023/24 accounts. We have included the draft wording of our Audit Report alongside this document for your information.

We have prioritised available resources in carrying out audit procedures which will provide us with audit information which we can accrete to future audit periods in line with the guidance set out in the LARRIGs.

Executive summary

We have undertaken the following planning tasks:

- Required independence procedures;
- Determination of materiality at the planning stage and reconsideration upon receipt of the financial statements;
- Made inquiries of management, Those Charged with Governance and internal audit;
- Procedures in relation to understanding the entity and its environment, and in assessing the control environment in place;
- Planning procedures in relation to applicable laws and regulations;
- Planning assessment and consideration of the Council's related party transactions;
- Review of key Council minutes;
- Review of internal audit reports and findings produced;
- Assessment of competence and capability of experts used by the Council in the preparation of the financial statements;
- Undertaking planning analytical procedures and follow up with management;
- Updated our understanding of the business, including through review of responses to inquiry letters, minute review and in discussion in our internal planning meetings and through our review and documentation of business processes and walkthrough procedures, where possible, including our review of IT General Controls and additional procedures required under ISA (UK) 315;
- Detailed walkthroughs of the following material systems related to identified significant risks: general ledger and journals, investment property valuation;
- Risk-based scoping of audit procedures at the financial statements level and at the assertion level;
- Identified significant risks of material misstatement;
- Considered any other matters that may require reporting to regulators, or which may result in a modification to the audit report, e.g. non-compliance with laws and regulations, objections, significant weaknesses in arrangements for value for money and any matters that may result in the use of the auditor's powers;
- Production, agreement of the audit plan (January 2024) and interim progress report (January 2024 and November 2024 respectively).

In order to issue our auditor's report, we require completion of the following matters:

- Receipt and review of the management representation letter
- Receipt and review of the final amended, approved Statement of Accounts.
- Responses from management regarding subsequent events up to the date of the opinion and completion of subsequent events audit procedures.
- Final engagement lead 'stand-back' review of the file.

We will continue to consider existing and new information which could influence our final audit report (opinion), a current draft of which is provided as an additional document alongside this report.

Executive summary

The Council's Chief Financial Officer is responsible for ensuring that the Council has adequate internal controls in place to produce financial statements that give a true and fair view and for reconfirming the material accuracy of the financial statements before they are approved by the Audit Committee.

Where, from our procedures performed, we have identified errors or misstatements in the financial statements, disclosure errors, or inconsistencies with the prior year, we report these in this report. Any such matters reported are not exhaustive due to the lack of time available to complete our work. We are unable to confirm if there are any other misstatements in the financial statements for 2023/24 beyond those reported in this report.

During our work we identified some deficiencies in your internal controls which are set out in Appendix 1.

Value for money

We are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We have completed our value for money work, and our detailed findings are presented in the Auditor's Annual Report, which will be issued alongside this Audit Completion Report.

In 2022/23 the predecessor auditor identified significant weaknesses in the Council's arrangements for the preparation and publication of financial statements. As a result the auditor made Statutory Recommendations under Schedule 7(2) of section 24 of the Local Audit and Accountability Act 2014 (as amended) (the Act).

As the recommendations were only raised formally in April 2025 there is insufficient time for any of the responses to have been implemented at this date. Accordingly the significant weaknesses remained present during 2023/24 and we have concluded accordingly.

As the Council considered the statutory recommendations at a public meeting, as required by the Act, we have not re-issued further statutory recommendations but have made key recommendations in respect of the significant weaknesses identified in respect of governance. We have also raised other recommendations for improvement across all three criteria.

Statutory duties

The Local Audit and Accountability Act 2014 (the Act) requires us to: report to you if we have applied any of the additional powers and duties available to us under the Act; and certify the closure of the audit.

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it, or to bring it to the attention of the public.

Whilst the statutory recommendations raised in April 2025 (as part of the 2022/23 audit) are not implemented as there has yet not been sufficient time to do so, the Council has commenced its response and considered the statutory recommendations in public, in line with legislative requirements. We have therefore not raised new statutory recommendations in the same area, pending the Council's implementation of responses to those previously raised. We have not exercised any other statutory powers or duties available to us for 2023/24.

We expect to certify the closure of the audit within our auditor's report.

Quality indicators

The following metrics are important in assessing the reliability of your financial reporting and response to the audit

KEY:

RED:

Significant improvement required

AMBER:

Developing

GREEN:

Mature

Metric	Grading	Commentary
Timeliness of draft financial statements	Red	Under The Accounts and Audit Regulations 2015 the deadline for the production and approval for the draft financial statements was 31 May 2024. The Council did not prepare its draft accounts in line with this deadline as, at the time, the prior year audit had not been concluded. The draft financial statements were published and made available for inspection on the Council's website on 30 April 2025, 11 months after the statutory deadline for publishing draft accounts and 2 months after the statutory backstop for publishing audited financial statements.
Quality of working papers provided and adherence to timetable	Red	There was a significant delay in the provision of the working papers, which was in part attributable to the need to finalise the closure of the 2021/22 and 2022/23 financial accounts, as these had yet to be concluded by the predecessor auditor. This also resulted in significant delays in the provision of information throughout the planning and interim phases of the audit, resulting in the need to schedule additional interim visits and resulting in substantial additional costs.
Timing of key accounting judgements	Red	Due to delays in the finalisation of the accounts and the constraints imposed by the backstop date, we have not been able to assess the timing and quality of key accounting judgements, other than noting the timeliness of these judgements being made was significantly later than the required statutory deadlines.
Access to finance team and other key personnel	Amber	The finance team responded to our audit queries to the best of their ability. However, their capacity to engage was constrained by the need to prioritise the closure of the outstanding 2021/22 and 2022/23 audits led by the predecessor auditor. As a result, interaction with the finance team during the audit was subject to cancellations, delays and resulted in the need to schedule additional interim visits and meetings.
Timeliness of Narrative Report and Annual Governance Statement	Red	Under The Accounts and Audit Regulations 2015 the deadline for the production and approval for the draft financial statements was 31 May 2024. The Council did not prepare its draft accounts in line with this deadline as, at the time, the prior year audit had not been concluded. The Annual Governance Statement and Narrative Report were published and made available for inspection on the Council's website on 30 April 2025, 11 months after the statutory deadline for publishing draft accounts and 2 months after the statutory backstop for publishing audited financial statements.
Volume and magnitude of identified errors	Amber	We have reviewed the draft financial statements for internal consistency, arithmetic accuracy and to assess whether the comparators in the 2023/24 financial statements agree with the figures in the 2022/23 audited financial statements. Our work has not identified any significant exceptions, which indicates the accounts produced are of a reasonable quality. Notwithstanding this, we have determined that the imposition of the backstop date, combined with the delayed publication of the financial statements for the year ended 31 March 2024, has created significant time constraints which impede our ability to complete all necessary procedures to obtain sufficient appropriate audit evidence and to fulfil the objectives of all the relevant ISAs (UK) in relation to balances. As a result of the material and pervasive nature of missing assurance, and the fact the statutory backstop date of 28 February 2025 for the 2023/24 audit passed two months before the draft accounts were published, we intend to issue a disclaimer of opinion in our audit report.

Audit scope and general approach

This section sets out the scope and nature of our audit and should be considered in conjunction with the [Terms of Appointment](#) and [Statement of Responsibilities](#) issued by Public Sector Audit Appointments Limited (PSAA).

The primary responsibility for the prevention and detection of fraud rests with management and Those Charged with Governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Scope and general approach

Our objective when performing an audit is to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement and to issue an auditor's report that includes our auditor's opinion.

As part of our risk-based audit approach we:

- Perform risk assessment procedures including updating our understanding of the Council, including its environment, the financial reporting framework and its system of internal control;
- Review the design and implementation of key internal controls;
- Identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement level and the assertion level for classes of transaction, account balances and disclosures;
- Design and perform audit procedures responsive to those risks, to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion; and
- Exercise professional judgment and maintain professional scepticism throughout the audit recognising that circumstances may exist that cause the financial statements to be materially misstated.

We reported the significant and other risks we had identified in our audit plan. We provided updates in our progress report shared with the Audit and Governance Committee in November 2024.

Work undertaken in 2023/24

2023/24 is our first year of appointment as external auditors to East Hertfordshire District Council. We commenced our audit in September 2023 and have undertaken planning procedures and interim testing procedures, including additional work required under ISA (UK) 315. Subsequent to our appointment, MHCLG introduced statutory backstop dates, including for the 2023/24 audit.

Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" (the SI) imposes a backstop date of 28 February 2025. By this date we were required to issue our opinion on the financial statements.

We have considered whether the time constraints resulting from the backstop date, along with the delay in producing the financial statements for the year ended 31 March 2024, prevent us from completing all necessary procedures to obtain sufficient and appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

This decision is in line with ISA 200: Failure to Achieve an Objective 24.

If an objective in a relevant ISA (UK) cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the audit and thereby requires the auditor, in accordance with the ISAs (UK), to modify the auditor's opinion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation).

Taking the above into account, for the year ended 31 March 2024 we have determined that we cannot meet the objectives of the ISAs (UK) and we anticipate issuing a disclaimer of opinion.

Materiality

Under ISA (UK) 260 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA (UK) 260 defines:

- **clearly trivial** as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria;
- **material** as an omission or misstatement that would reasonably influence the users of the financial statements.

The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the business and the needs of the users.

As set out in our audit plan, we determined materiality at the planning stage as £1.45m for the group and £1.35m for the Council based on 2% of gross expenditure of the last available draft financial statements. At the time, this was the unaudited financial statements for 2020/21. On production of the financial statements for 2023/24 we reconsidered our materiality determination. Updated materiality figures for the 2023/24 draft accounts are set out below.

We have determined that no specific materiality levels need to be set for this audit.

Materiality area	Planning (Group) £000	Planning (Council) £000	Final (Group) £000	Final (Council) £000	Explanation
Overall materiality for the financial statements	1,450	1,350	1,750	1,660	This is the equivalent of 2% of gross revenue expenditure based on the 2023/24 draft financial statements. This is based on the risk profile of the Council and its primary objective to deliver public services. This is a common measure for calculating materiality for councils as the users of the Council's financial statements are considered to be most interested in where the Council and Group has expended their income during the year.
Performance materiality	870	810	1,050	996	Performance materiality has been set at 60% of overall materiality. This is based on the internal control environment of the Council and reflects our risk assessed knowledge of the potential for errors occurring. It is intended to reduce, to an acceptably low level, the probability that cumulative undetected and uncorrected misstatements exceed materiality for the financial statements as a whole.
Trivial threshold	72.5	67.5	87.5	83	This is set at 5% of the headline materiality calculation. Individual errors above this threshold are communicated to Those Charged with Governance.

Significant risks of material misstatement

This section of our report includes a summary of the significant risk areas we identified during our audit planning that required special consideration. It provides an overview of our risk identification for the year to 31 March 2024. We set out our planned responses to each of these risks in our audit plan.

We have not amended the risks which we reported in our audit plan as formally presented to you on 30 January 2024

Significant risk	Fraud risk?	Planned approach to controls	Level of judgement / estimation uncertainty	Work completed
Prior year opinion on the financial statements	No	N/A	Low	The work we completed is set out on the next page.
Management override of controls	Yes	Assess design & implementation	Low	Due to the missing assurance for prior periods and the time constraints imposed by the statutory backstop we have been unable to complete all our planned procedures on the significant and other risks we identified.
Presumption of fraud in revenue recognition	Rebutted	Assess design & implementation	Low	
Expenditure recognition	Rebutted	Assess design & implementation	Low	As a result of the material and pervasive nature of missing assurance, and the imminent statutory backstop date of 28 February 2025 for the 2023/24 audit, we intend to disclaim the audit in our audit report.
Valuation of land and buildings and investments property	No	Assess design & implementation	High	
Incorrect capitalisation of revenue expenditure	No	Assess design & implementation	Low	
Valuation of pension assets and liabilities (IAS19)	No	Assess design & implementation	High	As above
Change in the Financial System	No	N/A	Low	The planned change in financial system was delayed and so no work was required in this respect for 2023/24.

Significant risks of material misstatement

Identified risk	Audit procedures completed	Outcome
<p>Prior year opinion on the financial statements</p> <p>In our audit plan we highlighted that we had not yet obtained a copy of the audit opinion from your predecessor auditor for the 2021/22 and 2022/23 financial years. We therefore reported that:</p> <ul style="list-style-type: none"> • There was a risk that issues not yet identified in these audit years could impact the current audit year; • There was a further risk that the audit backstop of 13 December 2024 may prevent the prior year audits from being completed, resulting in prior year audit opinions being qualified by a 'limitation of scope' or disclaimed in full. <p>As a result, we reported the significant risk that:</p> <ul style="list-style-type: none"> • there may be limited assurance available over the Council's opening balances, including those balances which involve higher levels of management judgement and more complex estimation techniques (e.g. defined benefit pensions valuations and property, plant and equipment valuations, amongst others). • significant transactions, accounting treatment and management judgements may not have been subject to audit for one or more years – or at all. This may include management judgements and accounting treatment in respect of significant or complex schemes or transactions which came into effect during the qualified or disclaimed periods. 	<p>In response to this risk, we have:</p> <ul style="list-style-type: none"> • considered the findings and outcomes of your prior year audits and their impact on our 2023/24 audit; • considered the impact on our 2023/24 audit of the prior year disclaimed audit opinions you have received from your predecessor auditor, with particular regard to opening balances and 'unaudited' transactions and management judgements made in previous disclaimed years which continue into 2023/24; and • considered the impact of any changes in The CIPFA Code requirements for financial reporting in previous and current audit years. 	<p>The Council's accounts were disclaimed for 2021/22 and 2022/23 under the statutory back stop as there was not sufficient time for the predecessor auditor to complete the audits. This means we have no assurance over the comparators in the 2023/24 financial statements and no assurance over transactions occurring in those years which impact the figures reported in the financial statements for 2023/24.</p> <p>Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" (the SI) imposes a backstop date of 28 February 2025. By this date we were required to issue our opinion on the financial statements. We were unable to do so as the financial statements had not been issued at this time. They were subsequently published on 30 April 2025.</p> <p>We have considered whether the time constraints resulting from the backstop date, along with the delay in producing the financial statements for the year ended 31 March 2024 until after the backstop date had passed, mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).</p> <p>Taking the above into account, for the year ended 31 March 2024 we have determined that we cannot meet the objectives of the ISAs (UK) and we anticipate issuing a disclaimer of opinion.</p>

Other risks and areas of focus

In our audit plan we identified a number of other risks and areas of focus for our audit. Due to the limited time available following the statutory backstop date, and the delay in producing the financial statements for the year ended 31 March 2024 until after the backstop date had passed, we were unable to complete detailed audit testing in certain areas. As a result, we have concluded that we will need to issue a disclaimer of opinion. Any matters identified during the work we were able to complete are reported in the table below.

Areas of focus	Planned audit procedures	Work completed
<p>Minimum revenue provision</p> <p>Linked to the risk of ‘misstatements due to fraud and error’, we consider specific areas where management makes significant judgements that impact charges to the General Fund balance.</p> <p>Local authorities are required to charge a ‘Minimum Revenue Provision’ (MRP) to the General Fund in each financial year related to borrowing. The calculation of this charge is based on the Capital Financing Requirement. Local authorities have flexibility in how they calculate MRP, but need to ensure the calculation is prudent. In calculating a prudent provision, local authorities are required to have regard to statutory guidance.</p> <p>There is a risk that the Council may not been appropriately prudent in its calculation of MRP and/or not followed the relevant statutory guidance.</p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> • Gaining an understanding of the processes and controls put in place by management to calculate Minimum revenue provision • Assessing and reviewing the calculation of the Capital Financing Requirement to ensure it is appropriate and consistent with other notes in the financial statements • Evaluating the appropriateness of the Council’s MRP policy • Evaluating whether MRP has been appropriately calculated in accordance with the revised statutory guidance. 	<p>In 2021/22 and 2022/23, East Hertfordshire District Council did not set aside a Minimum Revenue Provision (MRP), citing a negative Capital Financing Requirement (CFR) during those years. In 2023/24, the Council introduced an MRP provision of £0.6m. However, the level of provision remains relatively low.</p> <p>It is important that the MRP is sufficiently prudent to mitigate long-term financial sustainability risks. A prudent MRP policy ensures that the Council sets aside adequate resources to repay borrowing over time, reducing future financial pressure.</p> <p>Indicators of prudence can be assessed by comparing the MRP to the Council’s CFR and total borrowings. A level of MRP below 2% of the CFR and 3% of total borrowings may indicate increased financial risk. In 2023/24, the Council’s MRP equates to approximately 1% of the CFR and 1% of total borrowings. This suggests a higher risk that the current level of MRP may be insufficient to ensure long-term financial resilience.</p> <p>Due to the missing assurance for prior periods and the time constraints imposed by the statutory backstop and the delay in producing the financial statements for the year ended 31 March 2024, we have not audited the specific calculations behind the MRP.</p>

We request that you review the matters set out in this report (including the above, the significant risks of material misstatement, the audit differences noted within the section “2023/24 work and building back assurance”, the significant matters section and the financial statements: other responsibilities section), to ensure:

- You concur with the resolution of these matters
- There are no further considerations or matters that could impact on these issues which you need to consider; and
- There are no further significant issues which you are aware of that need to be considered before the financial statements are approved.

2023/24 work and building back assurance

Following the commencement of our appointment as external auditors from 2023/24, we began our audit in September 2023 and have worked closely with the Council by:

- Confirming and evidencing our independence to act as appointed external auditors;
- Confirming engagement acceptance and continuance arrangements;
- Establishing working arrangements with the Council's Section 151 Officer and finance team;
- Liaising with each of the three section 151 officers and Chief Finance Officers that have been in post during the period of our audit;
- Undertaking planning procedures in line with the requirements of relevant ISAs (UK) to develop our understanding of the Council, confirm the scope of our external audit and identify and assess risks of material misstatement in the financial statements;
- Issuing audit requests to the Council's finance team using our "Inflo" portal to ensure that both we and the finance team develop an understanding of audit requirements and expectations, and the nature of the information held by the Council to support the financial statements;
- Considering the implications of the statutory backstop legislation and the anticipated assurance likely to be available from the predecessor auditor and considering the impact of these matters on our approach.

As a firm we have invested considerable resources in developing our overall response to the anticipated issuing of disclaimers of opinion for 2022/23 and prior years, and the impact that this has on our audit responsibilities and audit approach for 2023/24 and future years.

Due to the audit complexities caused by the issue of previous disclaimers of opinion, the protracted duration of the audit due to the missed backstop dates and the delays and challenges encountered in progressing the audit, our work has required greater involvement from senior members of the audit team than would normally be the case.

Specific procedures we have undertaken in 2023/24 include the following:

- Responding to any actual or suspected non-compliance with laws and regulations of which we have become aware;
- Reviewing minutes of meetings including, but not limited to, full Council and the Audit and Governance Committee;
- Agreeing opening balances and comparative figures to prior year financial statements;
- Checking financial statements for internal consistency and arithmetic accuracy;
- Undertaking a high-level Audit Manager and Engagement Lead review of the 2023/24 financial statements;
- Confirming whether accounts have been issued and approved in line with The Accounts and Audit Regulations 2015;
- Updating our planning and risk assessment and procedures on receipt of the financial statements (post-statement procedures) including re-considering our materiality thresholds;
- Procedures in respect of subsequent events after the balance sheet date, including enquiries of management;
- Reviewing the form and content of the Narrative Report and Annual Governance Statement;
- Evaluating any misstatements identified;
- Considering the impact of and response to the significant weaknesses identified and statutory recommendations raised by the predecessor auditor;
- Ongoing meetings with each of the three Chief Finance Officers in place during the audit duration and meeting the former Chief Executive; and
- Drafting an Audit Plan, two progress reports, the Audit Completion Report and the Auditor's Annual Report and presenting these to the Audit Committee.

2023/24 work and building back assurance

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As per LARRIG guidance issued by the NAO there is a recognition that the process of rebuilding assurance following a previous modified or disclaimed audit opinion will take a number of years, as it will be necessary to rebuild assurance on all balance sheet and CIES areas. Where balances are inherently tied to transactions which occurred during disclaimed periods, particularly reserves, we will need to obtain assurance over these historical transactions. In the case of East Hertfordshire District Council, disclaimers of opinion issued prior to our appointment as auditors for 2023/24 cover the financial years 2021/22 and 2022/23.

As part of our work in 2023/24, we have begun assessing what procedures, carried out in 2023/24, can be used to inform the process of rebuilding assurance in future years. We reported in our progress report in November 2024 the areas in which we aimed to focus our audit efforts.

Where work was able to be undertaken in these areas, we intend to accrete this work into future audit periods to inform the future building back of assurance. We are committed to working with the Council over the term of our appointment towards a position of being able to issue an unmodified opinion. This will require us to apply a process of rebuilding assurance over all financial years for which disclaimers of opinion have been issued.

As a result of the approach adopted we have developed our understanding of the Council's systems, process, controls and arrangements for the preparation of the financial statements and have gathered information which may inform the process of rebuilding assurance in future years.

The late production of the financial statements means that, whilst audit time was consumed in liaison, planning, engagement and re-engagement, there are limited areas of the financial statements where work from 2023/24 can be accreted into future years. Specific areas in which we have undertaken work in 2023/24 which could be used as part of the rebuilding assurance process for the Council in subsequent years includes the following:

- IT General controls and work under ISA315;
- Business process documentation and walkthroughs;

Audit differences

We have reviewed the financial statements for internal consistency, arithmetic accuracy and to assess whether the comparators in the 2023/24 financial statements agree with the figures in the 2022/23 audited financial statements.

Our work has not identified any matters to report to you.

We did identify, however, that the Council had incorrectly included the pension asset within the liabilities section of the balance sheet. We have requested management amend this in the final version of accounts.

Due to the imposition of the statutory backstop, there may be other errors in the accounts which have not had time to be subject to detailed audit procedures.

Other matters

We also identified the following matters from our work:

- A number of control recommendations were raised and agreed with management as a result of our work on IT General Controls, undertaken in line with the requirements of ISA315

Group audit

As group auditors, under ISA (UK) 600 (Revised November 2019), during our audit we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process in order to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

The group position for the Council is set out below. We have updated this based on any subsequent changes to the group structure and your draft 2023/24 financial statements. The following table sets out our planned response for the components within the group.

Component	Significant?	Level of response required
East Hertfordshire District Council	Yes	Comprehensive
Millstream Property Investments Ltd	No	Targeted

- Comprehensive** The component is of such significance to the group as a whole that an audit of the component's financial statements is required for group reporting purposes
- Targeted** The component is significant to the Group, audit evidence will be obtained by performing targeted audit procedures rather than a full audit
- Analytical** The component is not significant to the Group and audit risks can be addressed sufficiently by applying analytical procedures at the Group level.

Due to the disclaimed audit position from the prior year, the statutory backstop date for 2023/24 of 28 February 2025 and delays in the production of the financial statements for the year ended 31 March 2024, we have determined that we are unable to complete all planned audit procedures, including work on the group components. As a result, our disclaimer of opinion will apply to both the Council's financial statements and those of the group.

Significant matters

As required by the ISAs, we must notify you of the significant findings from the audit. Due to the time constraints arising from the statutory backstop, we have not been able to complete all our planned audit procedures. We have therefore summarised any significant matters we identified from the procedures we completed in the table below.

<p>Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures, including concerns identified in the following:</p> <ul style="list-style-type: none"> • Consultation by management with other accountants on accounting or auditing matters; • Matters significant to the oversight of the financial reporting process; • Adjustments / transactions identified as having been made to meet an agreed budget. 	<p>Due to the time constraints resulting from the statutory backstop date and the delay in producing the financial statements for the year ended 31 March 2024, we have started but been unable to finalise all planned audit procedures. We have no matters to report in respect of this from the work undertaken to date.</p>
<p>Any significant difficulties encountered during the audit.</p>	<p>Significant delays were experienced throughout the two year audit duration, resulting in the need for additional and re-scheduled visits during the planning and interim phases. Due to the time constraints resulting from the statutory backstop date and the delay in producing the financial statements for the year ended 31 March 2024, we have started but are unable to complete all planned audit procedures.</p>
<p>Any significant matters arising from the audit that were discussed with management, including:</p> <ul style="list-style-type: none"> • Significant management judgements where there was disagreement over the judgement; • Consistency of opening balances with prior year financial statements; • Inconsistencies between the financial statements and trial balance; • Findings and issues around the material accuracy of opening balances; • Any other matters significant to your oversight of the financial reporting process. 	<p>Due to the time constraints resulting from the statutory backstop date and the delay in producing the financial statements for the year ended 31 March 2024, we have started but been unable to complete all planned audit procedures. We have no matters to report in respect of this from the work undertaken to date.</p>
<p>Other significant matters - If an objective in a relevant auditing standard cannot be achieved, we are required to evaluate whether this prevents us from achieving the overall objectives of the audit and therefore requires us to modify our auditor's opinion, or to withdraw from the audit engagement (where this is possible under applicable law or regulation). Due to the statutory backstop date, we are unable to meet the objectives of the ISAs (UK) in full and will therefore disclaim our opinion.</p>	<p>Due to the time constraints resulting from the statutory backstop date and the delay in producing the financial statements for the year ended 31 March 2024, we have started but been unable to complete all planned audit procedures.</p>

Financial statements: other responsibilities

As required by the ISAs, we must notify you of other matters if they are significant to your oversight of the Council's financial reporting process. Due to the limited time available following the statutory backstop date, and the delay in producing the financial statements for the year ended 31 March 2024, we were unable to complete all our planned audit procedures. We have therefore summarised any significant matters we identified from the procedures we completed in the table below.

Matter	Commentary	Outcome
Matters in relation to fraud	We have previously discussed the risk of fraud with management and the Audit and Governance Committee and reflected this in our audit plan. We have not subsequently been made aware of any other incidents.	Due to the limited time available following the statutory backstop date, and the delay in producing the financial statements for the year ended 31 March 2024, we were unable to conclude all our planned audit procedures. We have no further matters to report in respect of this beyond those set out elsewhere in this report.
Matters in relation to related parties	ISA 550 requires that the audit process starts with the audited body providing a list of related parties to the auditor, including any entities under common control. During our audit planning you have informed us of the individuals and entities that you consider to be related parties.	Due to the limited time available following the statutory backstop date, and the delay in producing the financial statements for the year ended 31 March 2024, we were unable to conclude all our planned audit procedures. We have no further matters to report in respect of this beyond those set out elsewhere in this report
Matters in relation to compliance with laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations.	Due to the limited time available following the statutory backstop date, and the delay in producing the financial statements for the year ended 31 March 2024, we were unable to conclude all our planned audit procedures. We have no further matters to report in respect of this beyond those set out elsewhere in this report
Written representations	A letter of management representations has been requested from the Council.	Please refer to the letter of representation included alongside this report.

continued....

Financial statements: other responsibilities

Matter	Commentary	Outcome
<p>Confirmation requests from third parties</p>	<p>We requested permission from the Council to send confirmation requests to third parties. All requested confirmations have been received.</p> <p>We also requested management to send letters to those solicitors who worked with the Council during the period. We received responses to all our enquiries.</p>	<p>Due to the limited time available following the statutory backstop date, and the delay in producing the financial statements for the year ended 31 March 2024, we were unable to conclude all our planned audit procedures. We have no further matters to report in respect of this beyond those set out elsewhere in this report</p>
<p>Going concern</p>	<p>Management is required to make and document an assessment of whether the Council is a going concern when preparing the financial statements. The review period should cover at least 12 months from the date of approval of the financial statements. Management are also required to make balanced, proportionate and clear disclosures about going concern within the financial statements where material uncertainties exist in order to give a true and fair view.</p> <p>As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management’s use of the going concern assumption in the preparation and presentation of the financial statements during our audit and to conclude whether there is a material uncertainty about the entity’s ability to continue as a going concern” (ISA (UK) 570).</p>	<p>Management prepared the financial statements on a going concern basis applying the continuation of services provision set out in the ‘CIPFA Code’ and Practice Note 10. We concur with this assessment.</p> <p>As we will be issuing a disclaimer of opinion, we have not considered whether there are any material uncertainties that would need to be disclosed in the financial statements.</p>

continued....

Financial statements: other responsibilities

Matter	Commentary	Outcome
<p>Other information included in the Financial Statements: Narrative Report and Annual Governance Statement</p>	<p>Under the Code of Audit Practice, we are required to read and report on whether the other information included in the Statement of Accounts (including the Narrative Report and Annual Governance Statement) is materially inconsistent with the financial statements and our knowledge obtained from the audit or otherwise appears to be materially misstated. We are required to report by exception if the annual governance statement does not comply with the disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit.</p> <p>Audit Guidance Note 07, issued by the National Audit Office, confirms that where a disclaimer of opinion is issued, we may report that we have not completed this work.</p>	<p>We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council.</p> <p>As we have concluded we will be issuing a disclaimer of opinion we have not concluded on this work.</p>
<p>Other matters on which we report by exception</p>	<p>We are also required to report by exception:</p> <ul style="list-style-type: none"> • If we have applied any of our statutory powers or duties • Where we are not satisfied in respect of arrangements to secure value for money and have reported significant weaknesses. 	<p>We have concluded there is an on-going significant weakness in governance arrangements relating to the publication of the annual financial statements. Further detail is set out in the Value for Money section of this report and in our Auditor's Annual Report.</p>
<p>Specified procedures for the Whole of Government Accounts (WGA)</p>	<p>We are required to carry out specified procedures on behalf of the NAO on the WGA consolidation pack under WGA group audit instructions. Group instructions were issued in July 2024 which set out the procedures that the NAO require from component auditors.</p> <p>The Council does not exceed the audit threshold for detailed testing set out in the group instructions, Submission of a partial assurance statement is therefore required, However, the instructions state that the NAO may direct auditors of components below the audit threshold to undertake additional work</p>	<p>The requirement to submit our assurance statement to the NAO has expired as the NAO has now concluded and certified the Whole of Government accounts.</p>
<p>Certification of closure of the audit</p>	<p>We are required to certify the closure of the audit on completion of all audit work for the financial year required under the Code.</p>	<p>We expect to certify the closure of the audit within our auditor's report.</p>

Audit adjustments

We are required to report all non-trivial misstatements identified during the audit to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted and unadjusted misstatements and misclassification and disclosure amendments

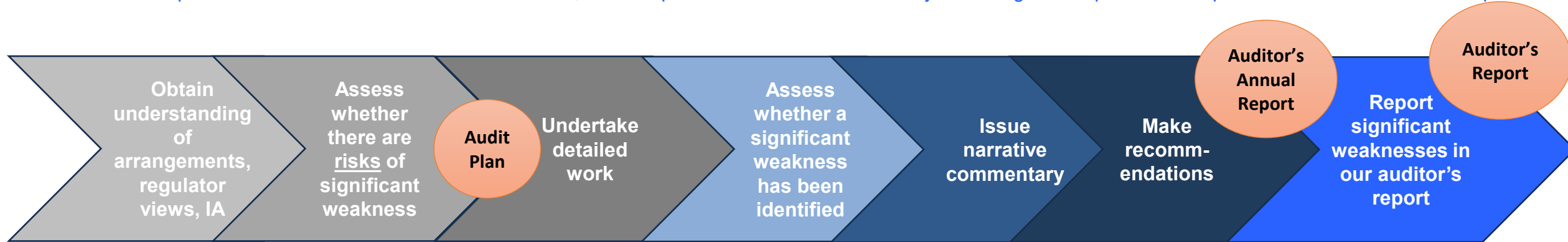
We have determined that the imposition of the backstop has created time constraints which impede our ability to complete all necessary procedures to obtain sufficient appropriate audit evidence and to fulfil the objectives of all the relevant ISAs (UK) in relation to balances.

As a result of the material and pervasive nature of missing audit assurance, the statutory backstop date of 28 February 2025 and delays in the production of the financial statements for the year ended 31 March 2024, we have been unable to obtain sufficient appropriate audit evidence to support our opinion. Accordingly, we intend to issue a disclaimer of opinion in our audit report.

The work we have undertaken to date has not identified any required adjustments to the financial statements. We have also not identified any required misclassification and disclosure changes.

Value for money

We are required to consider whether the Council has established proper arrangements to secure economy, efficiency and effectiveness in its use of resources, as set out in the NAO Code of Practice (2024) and the requirements of Auditor Guidance Note 3 ('AGN 03'). Where significant weaknesses are identified we report by exception in the auditor's opinion on the financial statements. In addition, auditors provide an annual commentary on arrangements published as part of the Auditor's Annual Report.



In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, as set out in AGN 03), we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. We undertook our planning risk assessment procedures earlier in the year and reported these were subject to the work to be undertaken by the predecessor auditor for the 2022/23 year. In completing our risk assessment procedures, we therefore did not at the time identify any risk of significant weaknesses in the Council's VFM arrangements, subject to the findings of the predecessor work.

The predecessor auditor reported their work for 2022/23 in April 2025 and identified significant weaknesses in the Council's arrangements for the preparation and publication of financial statements. As a result the auditor made Statutory Recommendations under Schedule 7(2) of section 24 of the Local Audit and Accountability Act 2014 (as amended) (the Act). We have updated our planning risk assessment to take account of these reported outcomes.

As the recommendations were only raised formally in April 2025 there is insufficient time for any of the responses to have been implemented at this date. Accordingly the significant weaknesses remained present during 2023/24 and we have concluded accordingly.

As the Council considered the statutory recommendations at a public meeting, as required by the Act, we have not re-issued further statutory recommendations but have made key recommendations in respect of the significant weaknesses identified. We have also raised other recommendations for improvement.

The significant weaknesses and recommendations made are summarised on the following pages. These and other issues identified during the course of our value for money work have been also documented in our Auditor's Annual Report.

Value for money: updated risk assessment

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The predecessor auditor has reported significant weaknesses in 2022/23 as follows, together with the associated key recommendations.

Criteria	Significant weaknesses reported in 2022/23	Key recommendations made by prior year auditor in 2022/23	Impact on 2023/24 risk assessment
Financial sustainability	No	No	No significant risks identified
Governance	Yes	Yes	Risk of significant weakness identified in the arrangements to support financial reporting requirements
Improving economy, efficiency and effectiveness	No	No	No significant risks identified

Value for money 2023/24 outcome

Reporting criteria	Initial planning – risk of significant weakness identified?	Updated planning – risk of significant weakness identified?	Final – significant weakness identified?	Key recommendations made?	Other recommendations made?
Financial sustainability How the body plans and manages its resources to ensure it can continue to deliver its services	No	No	No	No	Yes
Governance How the body ensures it makes informed decisions and properly manages risk	No	Yes	Yes	Yes	Yes
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	No	No	No	No	Yes

Value for money – significant weakness

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These recommendations relate to significant weaknesses we have identified during the course of our work. Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work.

Criteria	Significant weakness	Key recommendations	Response
<p>Governance <i>significant weaknesses in the arrangements to support statutory financial reporting requirements</i></p>	<p>There are significant weaknesses in the Council's arrangements for the preparation and publication of financial statements. In 2023/24, the Council did not produce its financial statements in line with the Accounts and Audit regulations and did not include the required notices on its website. The Council has started responding to the statutory recommendations made in April 2025 by the previous auditor in respect of the significant weaknesses but there has, to date, been insufficient time for these to have been developed, actioned and implemented in full.</p>	<p>1. Finance Function Workflow Review: Conduct a comprehensive review of the finance function workflow to identify bottlenecks in the flow of information and the completion of key finance tasks. Use the findings to redefine roles and responsibilities within the finance team, ensuring an equitable distribution of workload and preventing any single individual from being overburdened.</p> <p>2. Quality Assurance Function Review: Implement a thorough review of the quality assurance process for draft accounts and underlying workpapers. Establish clear timelines for the closedown process, ensuring appropriate segregation of duties between those preparing and those reviewing the draft accounts and workpapers. Monitor adherence to this process and report performance to the Audit and Governance Committee.</p> <p>3. Finance Team Capacity: Re-assess roles, responsibilities and resource requirements for financial reporting across the Council, including an assessment of the support required from other functions within the organisation for the financial reporting function to meet its objectives and to restore timely financial reporting in accordance with the requirements of the Accounts and Audit (Amendment) Regulations 2024.</p> <p>The Council will also need to ensure it can restructure the finance team such that there is sufficient capacity to facilitate annual external audit reviews and the building back of assurance over the disclaimed audit years.</p>	<ol style="list-style-type: none"> 1. The 2021/22 and 2022/23 Statements of Accounts were approved on 22 April 2025. The disclaimed audit opinion was issued on 23 April 2025. 2. The 2023/24 accounts were completed and published on the Council's website on 30 April 2025. 3. The 2024/25 accounts were completed and published on the website on 27 June 2025, in line with the statutory deadline set out in the Accounts and Audit Regulations. 4. The Chief Finance Officer, substantively appointed on 1 April 2025, is considering additional controls to ensure adequate time is given for reviews to be undertaken prior to publication of future financial statements. 5. A review of the Finance team will be undertaken during 2025 to propose a new structure that will address: <ol style="list-style-type: none"> i. potential 'single point of failure'; ii. capability and capacity of the team to ensure it is fit for purpose; iii. consideration of whether individuals have the necessary skills needed to deliver in line with all deadlines; iv. tasks are clearly defined and delivered on time.

Independence and ethics

The Ethical Standards and ISA (UK) 260 require us to give you full and fair disclosure of matters relating to our independence. In accordance with our profession's ethical requirements and further to our audit plan issued confirming audit arrangements we confirm that there are no further facts or matters that impact on our integrity, objectivity and independence as auditors that we are required or wish to draw to your attention. We consider an objective, reasonable and informed third party would take the same view.

We confirm that Azets Audit Services and the engagement team complied with the FRC's Ethical Standard. We confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements. In addition, we have complied with the National Audit Office's Auditor Guidance Note 01, which sets out supplementary guidance on ethical requirements for auditors of public sector bodies.

In particular:

- **Non-audit services:** We provide assurance services as set out below
- **Contingent fees:** No contingent fee arrangements are in place for any services provided
- **Gifts and hospitality:** We have not identified any gifts or hospitality provided to, or received from, any member of the Council, senior management or staff
- **Relationships:** We have no other relationships with the Council, its directors, senior managers and affiliates, and we are not aware of any former partners or staff being employed, or holding discussions in anticipation of employment, as a director, or in a senior management role covering financial, accounting or control related areas. A potential conflict was identified at the start of the audit in 2023, details of which are on the next page.

Assurance service fees

Service	Fee £	Threats identified	Safeguards
Housing Benefit HBAP	£28,000	Self-interest (recurring fee)	The level of this recurring fee in and of itself is not considered a significant threat to independence, given the low level of the fee compared to the total fee for the audit and in particular compared to Azets' UK turnover as a whole. The fee is fixed based on the volume of work required, with no contingent element. These factors, in our view, mitigate the perceived self-interest threat to an acceptable level.

Independence and ethics

As part of our periodic ethical conflict checks across our PSAA portfolio, the following conflict was identified from an associate in our firm who does not work within public sector or commercial audit:

“My mum was a councillor and portfolio holder within the council until May when she gave up her seat and I assume this falls within the financial year being audited.”

This is covered by para 2.55 of the Ethical Standard which states:

‘Where a partner or member of staff of the firm, but who is not a covered person, becomes aware that a person closely associated with them, or a close family member, holds a position described in paragraph 2.53, that individual shall report that fact to the engagement partner, who shall evaluate whether the relationship would compromise independence. If the engagement partner concludes that independence may be compromised, they shall consult with the Ethics Partner/Function to determine whether appropriate safeguards exist. If no such safeguards exist, the firm shall withdraw from the engagement.’

As a firm we have considered this conflict and concluded it is fully mitigated and adequate safeguards exist, as noted below:

- The conflict ceased as of the local government elections in May 2023, and therefore ceased 6-7 weeks into the audit appointment, and before we formally engaged with the Council to commence our appointment.
- Audit appointments are made completely independently of the Council – by PSAA – meaning that there was no opportunity or ability whereby the individual could have influenced our appointment
- The conflict relates to a close family member of a member of staff of the firm, rather than a person closely associated with them, and is therefore slightly further removed from an independence and ‘ability to influence’ perspective.
- There are safeguards in place in that the individual concerned will not work on the audit (and has had no involvement to the audit to date) or in public sector work as a whole and has no access to the audit files. He does not fall under Azets public sector supervision or line management and is otherwise wholly unconnected to the Azets public sector practice.

For these reasons, Azets is content that adequate safeguards exist to fully mitigate the conflict. We formally discussed this matter with PSAA who noted the considerations of the Azets Ethics Team and the mitigations the firm has in place and confirmed they had no concerns with our proceeding with the engagement.

Appendices

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Appendix I: Internal control recommendations

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 We set out here the recommendations we have identified during the course of our audit. The matters reported here are limited to deficiencies we have identified during the course of our audit which we feel are of sufficient importance to merit reporting to you under the auditing standards. Recommendations arising from our value for money work are reported separately in our Auditor's Annual Report.

Assessment	Issue	Recommendation	Management response
Amber	East Hertfordshire District Council maintains an up-to-date and approved risk management framework, and we viewed evidence that risks were reported against to the February 2024 SLT meeting. However, as neither a Strategic or Corporate Risk Register could be provided for review, it is unclear if there is a process in place to actively track and manage cyber risks.	The Council should ensure that they are capturing and monitoring cyber risks within existing risk registers such as Strategic, Corporate or Operational level risk registers. This will help to ensure that original risk ratings, mitigations, residual risks and risk owners etc. are clear for each risk.	This issue has been addressed since the audit took place, and the cyber risks are now included in the risk registers
Amber	East Hertfordshire District Council has an approach in place by which the results of scans are used to inform action planning. However, the planning does not include timescales that can be tracked and monitored, and an update has not been completed since the date when all actions were due to be completed	The Council should ensure that action planning is subject to ongoing monitoring to ensure that due dates can be met or mitigating controls and revised due dates put in place.	As of July 15th, we have appointed a Cyber Manager and an ICT Senior Cyber Technical Engineer. They will oversee the results of scans and implement mitigation controls based on the action plan derived from these scans.
Amber	The council has recently implemented a process by which suppliers and third-parties can be assessed with regards to their cyber security. The Council has not clearly defined how this assessment should be applied and responses assessed to identify the suitability of potential partners. There is, at present, no ongoing monitoring or re-review of existing partners in place.	The council should enhance their existing processes by defining thresholds by which response documents can be reviewed and risks/threats to third-party provisions identified. For example, this risk assessment should be based on a pre-defined set of requirements set by the Council to form a baseline maturity which third-parties must meet. The frequency of re-assessments should be based on the criticality of the supplier.	As of July 15th, we have appointed a Cyber Manager and an ICT Senior Cyber Technical Engineer. We have assessed our third-party cloud providers against the NCSC's 14 Cloud Security Principles. Additionally, we are exploring the implementation of Risk Ledger to manage and enhance these processes.

Key: **Significant deficiency** in internal control **Other deficiency** in internal control **Other observations**

Appendix I: Internal control recommendations

Assessment	Issue	Recommendation	Management response
Amber	The Council has not formally documented the key roles and responsibilities for cyber security at either an operational or management level.	The council should ensure that key cyber security roles at all levels are documented within policy, alongside their associated responsibilities. This should include the responsibilities of all staff and executive management, as well as those in named cyber security roles (e.g., SIRO).	This issue is currently being addressed and is expected to be resolved by the end of the financial year.
Amber	<p>East Hertfordshire District Council does not have an Information Security Policy which sets out the high-level objectives and requirements of the organisation, including those requirements related to training or the roles and responsibilities of individuals. The existing Acceptable Use Policy is limited in its provision of responsibilities, although it is acknowledged that an updated version (which currently remains in draft) sets out more detailed guidance for staff.</p> <p>Mandatory cyber security training is carried out and completion rates can be monitored.</p>	East Hertfordshire District Council should prioritise the approval and implementation of the new Acceptable Use Policy to ensure user responsibilities are set out in full. It may also be prudent to design, approve and implement an Information Security Policy which sets out the high-level objectives and requirements of the organisation, including key roles and responsibilities (e.g. of relevant governance groups and accountable individuals) and requirements for information security training.	The Acceptable Use Policy has been approved and is being rolled out. The Information Security Policy is pending approval from the trade unions and will go live by the end of 2025.
Amber	The Council does not have in place an Information Asset Register which records key information assets alongside details such as the relevant IAO, storage location, and retention period. There is no Asset Management Policy in place, and the Access Control Policy does not sufficiently set out approaches to and requirements for authentication, role-based access, or access rights review.	The Council should implement an Information Asset Register which records key aspects expected by the ICO (e.g., IAO, Location, Retention Period, Security Measures.) This should be supported by an Asset Management Policy which sets out the Council's approach to identifying, managing and protecting critical information assets.	We are currently creating an Information Asset Register along with an Information Asset Management Policy, aiming to roll this out by the end of the financial year

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Key: **Significant deficiency** in internal control **Other deficiency** in internal control **Other observations**

Appendix I: Internal control recommendations

Assessment	Issue	Recommendation	Management response
Amber	East Hertfordshire District Council conducts vulnerability scanning and receives alerts from the NCSC Early Warning Alerts. However, no evidence could be provided for alerts raised in response to suspicious activity such as firewall alerts, antivirus alerts or suspicious logins.	The Council should ensure that alerts are raised and can be investigated in response to suspicious activity. This should include event information from firewall tooling, antivirus tooling, and suspicious login information.	As of July 15th, we have appointed a Cyber Manager and an ICT Senior Cyber Technical Engineer who have addressed this issue
Amber	The Council has a response policy and procedure in place, although such documentation remains undated with a lack of clarity as to their validity and currency. A desktop exercise has been held and lessons learned from this are planned to be incorporated into response plans. However, for subsequent exercises (e.g., NCSC Exercise in a Box), we have not received evidence of lessons learned reporting being used to inform incident response approaches going forward.	The council should review and update their incident response policy and procedure. This will help to ensure that their approach to incident management and response is up-to-date and reviewed on a regular basis (e.g., annually and in response to any significant organisational or environmental changes).	This has been addressed and is reviewed on an annual basis.
Amber	East Hertfordshire District Council has a response policy and procedure in place, although such documentation remains undated with a lack of clarity as to their validity and currency. A desktop exercise has been held and lessons learned from this are planned to be incorporated into response plans. However, for subsequent exercises (e.g., NCSC Exercise in a Box), we have not received evidence of lessons learned reporting being used to inform incident response approaches going forward.	The council should ensure that testing is fully documented, with lessons learned activities performed and used to inform planning going forward.	This issue has been addressed, and annual testing now takes place

Key: **Significant deficiency** in internal control **Other deficiency** in internal control **Other observations**

Appendix I: Internal control recommendations

Assessment	Issue	Recommendation	Management response
Amber	<p>Access Provisioning: New or modified user access requests should be approved by the line manager, supervisor, or department head prior to access being granted. Segregation of duties should be maintained between the requestor, approver, and provisioner of access.</p> <p>However, it has been confirmed that the system administrator—who is part of the finance team and also performs financial tasks—has the authority to create and remove access and adjust permissions. This results in a segregation of duties (SoD) deficiency. Additionally, there are no formal user access reviews conducted. As a result, inappropriate (including SoD conflicts) or excessive access may be granted to new or modified users of applications relevant to financial reporting processes.</p>	<p>While partially mitigated due to regular financial reconciliations, to further mitigate this risk, it is recommended to enhance the segregation of duties by assigning the responsibility and privileged rights to provision access to the IT team. Where provision of access and access rights remains within the Finance team, the risk can be partially mitigated with the introduction of log and/or peer reviews. Regular access reviews to ensure that access privileges align with job roles and responsibilities, would further enhance the controls effectiveness and security.</p>	<p>Following a recent restructure and now being fully staffed the intention is that the system administrator will no longer perform Finance tasks and concentrate solely on the system administration. A user access review will take place as part of the move to the new version of Advanced. Regular reviews will be undertaken thereafter.</p>
	<p>Password Management: Users accessing in-scope applications or other aspects of the IT environment (e.g. database, operating system, and network layers) should do so using password management controls that are aligned with both the entity's policies and with good practice, such as the National Cyber Security Centre's regular guidance on good password management practices.</p> <p>Users are required to use passwords with a minimum of 8 characters, including at least 2 numbers and 2 alphanumeric characters. Passwords must differ from the account's user ID and be changed every 30 days. Password history and maximum logon attempts are both limited to 3, with administrator reset required after failed attempts.</p> <p>Weak password management controls increase the likelihood of brute-force attacks, a method used by cyber-criminals to crack account credentials.</p>	<p>The password history setting should be increased to retain at least five previous passwords, further strengthening protection against password reuse and enhancing overall security.</p>	<p>New password policy has been rolled out to address this. The move to a newer version of Advanced will give us enhanced password controls.</p>

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Key: **Significant deficiency** in internal control **Other deficiency** in internal control **Other observations**

Appendix I: Internal control recommendations

Assessment	Issue	Recommendation	Management response
Amber	<p>The Council's policies that relate to establishing an effective IT security environment should be documented, approved, communicated and acknowledged periodically by staff.</p> <p>There is a lack of detail in policies as well as a lack of key policies such as change management. Additionally, it is not possible to confirm policies are regularly reviewed. The lack of policy is likely to drive an inconsistent approach to the design, implementation and/or operating effectiveness of the processes and controls.</p>	<p>We recommend that a review of policies is undertaken to ensure all policies include key areas in an acceptable amount of detail. Additionally, policies should contain some form of version control and reviewed on a regular basis. Where policies are not in place, such as change management, these should be developed and approved for distribution.</p>	<p>This will be addressed by the end of the year.</p>
Amber	<p>Backup and Recovery: Backups of financial reporting data should occur as planned and such data should be available and accessible for timely recovery in the event of an outage or cyber-attack.</p> <p>Backups are not tested despite this being stipulated within the backup policy. Data errors (such as inaccurate, redundant, obsolete or missing data) may occur when converting or migrating data into new systems.</p>	<p>Backups should be tested on a regular basis, in line with the policy requirements.</p>	<p>We acknowledge the importance of regular backup testing in line with policy requirements. We will liaise with our IT colleagues to review current practices and ensure compliance. A plan will be developed and communicated in the near future to address this recommendation and strengthen our backup and recovery processes.</p>
Amber	<p>The password configuration of the Active Directory does not fully align with the council's password policy, although the enforced parameters are considered stringent.</p> <p>Weak password management controls increase the likelihood of brute-force attacks, a method used by cyber-criminals to crack account credentials.</p>	<p>Password configuration of the Active Directory should be brought in line with the Council's password policy.</p>	<p>New password policy has been rolled out to address this.</p>

Key: **Significant deficiency** in internal control **Other deficiency** in internal control **Other observations**

Appendix I: Internal control recommendations

Assessment	Issue	Recommendation	Management response
Amber	<p>User access should be periodically reviewed / re-certified for ongoing authorisation, validity and to detect leavers and / or access that could pose a risk to segregation of duties.</p> <p>No formal user access reviews are currently conducted. A lack of periodic review could result in inappropriate, excessive, or unauthorised access being retained by users or leavers.</p>	Formally documented user access reviews should be carried out, on an at-least annual basis, with documentation recorded and maintained for a clear audit trail and evidence.	This will be addressed by the end of the year.

Appendix II: Fees

PSAA set a fee scale for each audit that assumes the audited body has sound governance arrangements in place, has been operating effectively throughout the year, prepares comprehensive and accurate draft accounts and meets the agreed timetable for audit. This fee scale is reviewed by PSAA each year and adjusted, if necessary, based on auditors' experience, new requirements or significant changes to the audited body. The fee may be varied above the fee scale to reflect the circumstances and local risks within the audited body.

The proposed fee reported in our audit plan was based upon the following assumptions:

- Draft financial statements to be produced to a good quality by the agreed deadlines. These should be complete including all notes, the Narrative Report and the Annual Governance Statement;
- The provision of good quality working papers at the same time as the draft financial statements;
- The provision of agreed data reports at the start of the audit, fully reconciled to the values in the accounts, to facilitate our selection of samples for testing;
- Ensuring staff are available and on site (as agreed) during the period of the audit;
- Prompt and sufficient responses to audit queries within two working days (unless otherwise agreed) to minimise delays;
- Our accounts opinion being unqualified and there being no significant weaknesses identified in your arrangements to secure value for money;
- The auditor's report from the prior year being unmodified (clean opinion);
- An effective control environment is in place at the Council;
- The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See [Statement of responsibilities of auditors and audited bodies from 2023/24 audits – PSAA](#). In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full in Appendix III.

Due to the disclaimed opinions from the prior years and the imposition of the statutory backstop for 2023/24, the above assumptions are unable to be met. This has resulted in additional costs, which we have set out in the fee table on the next page. As set out in the joint statement on proposals to clear the backlog and embed timely audit issued by MHCLG (formerly DLUHC), PSAA will use its fee variation process to determine the final fee the Council have to pay for the 2023/24 audit.

Appendix II: Fees

Audit fee	Audit plan 2023/24 £	Proposed final 2023/24 £
Scale fee for the audit of the Council (and Group's) financial statements (as set out in the fee scales issued by PSAA) <i>This includes all of the time incurred during the elapsed two year period the audit has remained ongoing, including the time for completion of planning and interim procedures in full, as well as further costs incurred from scheduling additional visits, re-scheduling planned visits and dealing with delays in the provision of required information throughout the two-year elapsed audit period whilst officers' priorities were rescheduled to focus on previous audits. It also includes additional work on the value for money arrangements in considering and responding to the significant weaknesses and statutory recommendations raised by the predecessor auditor.</i>	165,497	149,950
New auditing standards: ISA315 and ISA240 <i>Significant work involved, over a protracted period, resulting in 15 recommendations being raised.</i>	24,825	24,825
Transfer of data to new financial ledger <i>The implementation of the new financial ledger was delayed, meaning this work was no longer required in 2023/24</i>	18,500	0
Total before impact of disclaimed opinions	208,822	174,775
Additional work arising from current and prior year disclaimers of opinion <i>This includes additional work required to consider the disclaimed audits from prior years, development of revised approach for the Council in response to the missing assurance, the production, agreement and reporting of two interim progress reports to management and the Audit Committee, the development and reporting of a revised 'Audit Completion Report' for reporting the additional considerations arising from the disclaimers, the drafting of a disclaimed audit report and the various risk, compliance and technical consultations arising as a result of this unique and unprecedented situation.</i>	TBC	15,000
Additional work in respect of future 'build back' activity <i>Work undertaken during this audit under the scale fee will also be useable in respect of future build back activity. However, to avoid double counting, we have not raised a separate fee for 2023/24 in respect of work undertaken in good faith in 2023/24 that can now be accreted to future years.</i>	TBC	0
Total audit fee	TBC	189,775
Certification of the HBAP claim <i>The planned fee represents the certification costs before the addition of additional '40+ testing' and additional workbooks.</i>	28,000	TBC
Total fees	TBC	TBC

All fees are subject to PSAA determination.

The fees in the accounts are £208k which reconcile to the original fee set out in the audit plan. The final fee is £174,775 before the inclusion of disclaimer costs, reflecting the work that was not able to be completed as planned but including costs attributable to additional work on VFM and arising from delays to the audit progress throughout the two year period.

Appendix III: PSAA Statement of Responsibilities

Our fee is based on the assumption that the Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies from 2023/24 audits. In particular the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

Preparation of the statement of accounts

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;*
- ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.*
- assign responsibilities clearly to staff with the appropriate expertise and experience;*
- provide necessary resources to enable delivery of the plan;*
- maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;*
- ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;*
- ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and*
- during the course of the audit provide responses to auditor queries on a timely basis.*

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.

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East Hertfordshire District Council

Auditor's Annual Report

Year ended 31 March 2024

August 2025



We are required to satisfy ourselves under s20(1)(c) of the Local Audit and Accountability Act 2014 that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report to you if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements are operating effectively.

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Our 2023/34 audit approach and the detailed outcomes of our audit of the financial statements are communicated in the following reports:

- the auditor's report on the financial statements for the year ended 31 March 2024
- The audit completion (ISA 260) report to Those Charged with Governance

This report has been prepared in line with the Code of Audit Practice 2024 (the "Code") and supporting auditor guidance issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General. This report is required to be published by the Council alongside the annual report and accounts.

We have complied with the Code, International Standards on Auditing (UK) and guidance issued by the NAO in the completion of our work. The NAO guidance includes both the normal Auditor Guidance Notes (AGNs) and the new Local Audit Reset and Recovery Implementation Guidance Notes (LLARIGs) which were issued by the NAO following the publication of [Statutory Instrument \(2024\) No. 907](#) under which the new statutory backstop dates for publishing of English local government financial statements were set in legislation.

Key messages

The purpose of the Auditor's Annual Report is to bring together all the auditor's work over the year. This includes the audit work carried out on the Council's financial statements and the audit work we are required to carry out under the Code on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money (VFM) arrangements).

A core element of the report is our commentary on VFM arrangements, which aims to draw to the attention of the members of the Council and the wider public relevant issues, recommendations arising from the auditor's work and the auditor's view on whether previous recommendations have been implemented satisfactorily.

Area of work	Our responsibilities	Conclusions
Financial statements	<p>We were appointed as auditors to perform an audit of the financial statements of the Council in accordance with International Standards on Auditing (UK) (ISAs (UK), which are directed towards forming and expressing an opinion on the financial statements that have been prepared on behalf of management with the oversight of Those Charged with Governance.</p> <p>However, The Accounts and Audit Regulations 2015, as amended by the Accounts and Audit (Amendment) Regulations 2024, imposed a statutory backstop date of 28 February 2025 for the publication by the Council of their final Statement of Accounts for 2023/24. The Code specifies that (except in a few exceptional circumstances) auditors are required to issue their auditor's report before this date, even if planned audit procedures are not fully complete, so that local government bodies can comply with this statutory reporting deadline.</p> <p>We considered whether the time constraints imposed by the backstop date meant that we would not be able to complete all necessary procedures to obtain sufficient, appropriate audit evidence to support our audit opinion and fulfil all the objectives of all relevant ISAs (UK). These time constraints were further restricted by the earlier statutory backstop date of 13 December 2024.</p>	<ul style="list-style-type: none"> The opinions for each of the previous two years' financial statements – 2021/22 and 2022/23 – were not able to be issued by the relevant backstop date (13 December 2024). These opinions were subsequently disclaimed by the predecessor auditor on 23 April 2025, by which time the backstop date for the 2023/24 audit (28 February 2025) had also passed. In addition, the Council had not produced any accounts for 2023/24 by the backstop date and, therefore, we were unable to issue any opinion for 2023/24 by the backstop date for 2023/24. The Council subsequently published the 2023/24 accounts on 30 April 2025. The disclaimed audit opinions issued on each of the previous two years' financial statements by the predecessor auditor result in a lack of assurance on the Council's opening balances as at 1 April 2024. The lack of assurance over opening balances, together with the statutory backstop date for 2023/24 having already passed before the accounts were published, impacts on the audit procedures that we are able to undertake to gain assurance on the 2023/24 financial statements. There is insufficient time and resource available for us to gain sufficient assurance over the 2023/24 accounts, including recovering missing assurance from earlier years. We therefore intend to disclaim our opinion on the Council's 2023/24 accounts. The responsibilities of the Council and Those Charged with Governance remain unchanged. The Council's Responsible Finance Officer has a responsibility under The Accounts and Audit Regulations 2015 to confirm that the Accountability Statements included in the Statement of Accounts give a true and fair view. Those Charged with Governance have an essential role in ensuring that they have assurance over the quality and accuracy of the financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit.

Key messages

Area of work	Our responsibilities	Conclusions
<p>Narrative report and annual governance statement</p>	<p>We are required to read and report if the other information included in the Statement of Accounts (including the Narrative Report and Annual Governance Statement) is materially inconsistent with the financial statements and our knowledge obtained from the audit, or otherwise appears to be materially misstated.</p> <p>We are also required to assess whether the Annual Governance Statement complies with the disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit.</p>	<ul style="list-style-type: none"> • We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. • As we will be disclaiming the audit we do not have any findings to report in respect of this work.
<p>Value for money</p>	<p>We are required under Section 20(1)c of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code requires us to report to you our commentary relating to proper arrangements.</p> <p>We assess the arrangements in place for securing economy, efficiency and effectiveness in the Council's use of resources and provide a summary of our findings in the commentary in this report. We are required to report if we have identified any significant weaknesses as a result of this work.</p> <p>We are required to report our commentary under specified criteria: Financial sustainability, Governance and Improving economy, efficiency and effectiveness.</p>	<ul style="list-style-type: none"> • In 2022/23 the predecessor auditor identified significant weaknesses in the Council's arrangements for the preparation and publication of financial statements. As a result of the weaknesses identified, the auditor made Statutory Recommendations under Schedule 7(2) of section 24 of the Local Audit and Accountability Act 2014 (as amended) (the Act). • As the recommendations were only raised formally in April 2025 there is insufficient time for any of the responses to have been implemented at this date. Accordingly the significant weaknesses remained present during 2023/24 and we have concluded accordingly.
<p>Recommendations</p>	<p>The Code requires that where auditors identify significant weaknesses as part of their review of the Council's arrangements to secure value for money, they should make recommendations setting out the actions that should be taken by the Council. We consider these to be key, or essential, recommendations.</p>	<ul style="list-style-type: none"> • As the Council considered the statutory recommendations at a public meeting, as required by the Act, we have not re-issued further statutory recommendations but have made key recommendations in respect of the significant weaknesses identified. We have also raised other recommendations for improvement.

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Key messages

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Area of work	Our responsibilities	Conclusions
Public interest report	Under Section 24, Schedule 7(1)(1) of the Local Audit and Accountability Act 2014 the auditor of the Council must consider whether to make a report in the public interest if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public.	<ul style="list-style-type: none"> We did not identify any matters for which we considered a public interest report to be required as part of our external audit for 2023/24.
Statutory recommendations	Under Section 24, Schedule 7(2) of the Local Audit and Accountability Act 2014 the auditor of a Council can make written recommendations to the Council which need to be considered by the Council and responded to publicly.	<ul style="list-style-type: none"> Whilst the statutory recommendations raised in April 2025 (as part of the 2022/23 audit) are not implemented as there has yet not been sufficient time to do so, the Council has commenced its response and considered the statutory recommendations in public, in line with legislative requirements. We have therefore not raised new statutory recommendations in the same area, pending the Council's implementation of responses to those previously raised.
Application to the court	Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think than an item of account is contrary to law, they may apply to the court for a declaration to that effect.	<ul style="list-style-type: none"> We did not make an application to the court.
Advisory notice	Under Section 29, Schedule 8 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if they think that the Council, or an officer of the Council, is about to make, or has made, a decision which involves or would involve the Council incurring unlawful expenditure, is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or is about to enter an item of account, the entry of which is unlawful.	<ul style="list-style-type: none"> We did not issue any advisory notices.
Judicial review	Under Section 31, Schedule 8 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure to act by an authority, which it is reasonable to believe would have an effect on the accounts of that body.	<ul style="list-style-type: none"> We did not make an application for judicial review.

Financial statements

The Statement of Accounts and financial statements included therein are an important tool for the Council to show how it has used public money and how it can demonstrate its financial health.

We were appointed as auditors to perform the audit in accordance with International Standards on Auditing (UK) (ISAs (UK)).

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

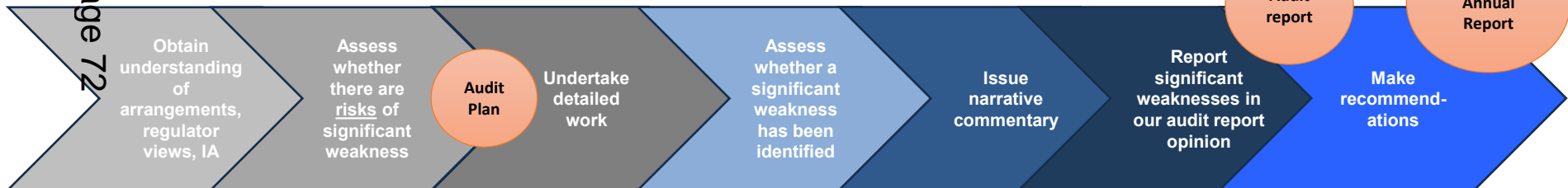
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Area of work	Conclusions
Audit opinion on the financial statements	We intend to issue a disclaimed opinion on the Council's financial statements.
Audit Completion (ISA260) report	Further details of our work can be found in our ISA260 report, which will be reported to the Council's audit committee on 30 September 2025. Requests for this report should be directed to the Council. The significant risks we identified as part of our audit are set out in our ISA260 report.
Internal control recommendations	Recommendations relating to internal control arising from our financial statements work are contained in the Audit Completion (ISA260) report. None of the recommendations reflected significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness in the Council's use of resources and, as such, are not considered key recommendations.
Whole of Government Accounts (WGA)	<p>We are required to carry out specified procedures on behalf of the NAO on the WGA consolidation pack under WGA group audit instructions.</p> <p>The Council does not exceed the threshold for detailed testing. The requirement for us to issue an assurance statement to the NAO has expired as the WGA audit has now been concluded and certified by the NAO for 2023/24.</p>
Preparation of the accounts	Under The Accounts and Audit Regulations 2015 the deadline for the production and approval for the draft financial statements was 31 May 2024. The Council did not prepare its draft accounts in line with this deadline as, at the time, the prior year audit had not been concluded. The draft financial statements were published and made available for inspection on the Council's website on 30 April 2025.

Value for money

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We are required to consider whether the Council has established proper arrangements to secure economy, efficiency and effectiveness in its use of resources, as set out in the Code and the requirements of Auditor Guidance Note 3 ('AGN 03').



Updated risk assessment

At the time of making our initial risk assessment in January 2024 the predecessor auditor had not concluded their value for money work. We reported at the time that, upon completion of their work by the predecessor auditor, we would reconsider our planning assumptions and update our risk assessment as appropriate to take account of the findings reported. The predecessor auditor reported their findings on 22 April 2025. The impact on our risk assessment is set out in the table below.

Criteria	Significant weaknesses reported by prior year auditor in 2022/23	Key recommendations made by prior year auditor in 2022/23	Impact on 2023/24 risk assessment
Financial sustainability	No	No	No significant risks identified
Governance	Yes	Yes	Risk of significant weakness identified in the arrangements to support statutory financial reporting requirements
Improving economy, efficiency and effectiveness	No	No	No significant risks identified

Value for money

In undertaking our work we have identified the following significant weaknesses in arrangements. Our detailed commentary is set out on the following pages.

Reporting criteria	Planning – risk of significant weakness identified?	Final – significant weakness identified?	Key recommendations made?	Other recommendations made?
Financial sustainability How the body plans and manages its resources to ensure it can continue to deliver its services	No	No	No	Yes
Governance How the body ensures it makes informed decisions and properly manages risk	Yes	Yes	Yes	Yes
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	No	No	No	Yes

Value for money

In addition to our financial statements work we performed a range of procedures to inform our value for money commentary, including:

- Meeting with management and regular meetings with senior officers
- Interviews as appropriate with other executive officers and management
- Review of Council and committee reports and attendance at audit committee meetings
- Reviewing reports from third parties
- Considering the findings from our audit work on the financial statements
- Review of the Council's Annual Governance Statement and Narrative Report and other publications
- Considering the work of internal audit and the counter fraud function
- Consideration of other sources of external evidence.

Councils are responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in their use of resources. This includes managing key operational and financial risks and taking properly informed decisions so that they can deliver their objectives and safeguard public money.

As auditors, we are required to consider whether the Council has established proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We performed risk assessment procedures at the audit planning stage to identify any potential areas of significant weakness which could result in value for money not being achieved. This included considering the findings from other regulators and internal auditors, reviewing records at the Council and performing procedures to gain an understanding of the high-level arrangements in place. The resulting risk areas we identified were set out in our audit plan.

For each identified risk area, we performed further procedures during our audit to consider whether there were significant weaknesses in the processes in place at the Council to achieve value for money.

The NAO Code of Audit Practice requires us to structure our commentary on VFM arrangements under three reporting criteria: financial sustainability, governance and improving economy, efficiency and effectiveness.

We have set out on the following pages our commentary and findings on the arrangements at the Council in each area.

Summary of findings

In 2022/23 the predecessor auditor identified significant weaknesses in the Council's arrangements for the preparation and publication of financial statements. As a result of the weaknesses identified, the auditor made Statutory Recommendations under Schedule 7(2) of section 24 of the Local Audit and Accountability Act 2014 (as amended) (the Act).

As the recommendations were only raised formally in April 2025 there is insufficient time for any of the responses to have been implemented at this date. Accordingly the significant weaknesses remained present during 2023/24 and we have concluded accordingly.

As the Council considered the statutory recommendations at a public meeting, as required by the Act, we have not re-issued further statutory recommendations but have made key recommendations in respect of the significant weaknesses identified. We have also raised other recommendations for improvement.

Value for money

Introduction

East Hertfordshire District Council (the Council) is a district council in Hertfordshire. It works with nine other district and borough councils, local parish and town councils and Hertfordshire County Council (which includes Hertfordshire Fire and Rescue Service) in a three-tier local government system. It serves a population of approximately 150,000 residents.

The Council is responsible for a range of local services, including planning, waste collection, and environmental health. The Council has entered into a number of significant capital investment projects, notably the £30m refurbishment of Hertford Theatre, aimed at cultural regeneration and boosting local economic activity, and the Regeneration of Old River Lane and Arts Centre. However, these projects have been problematic: initial budgets have been significantly exceeded (the Theatre was initially budgeted at a cost of £24m in March 2022 but is now forecast to cost £30m to complete), resulting in both projects being curtailed or paused.

A recent finance peer review (March 2024) highlighted several challenges, including:

- Low usable reserves, raising concerns about financial resilience.
- Heavy reliance on asset sales (over £10m planned) and ambitious income targets from capital investments.
- A need for improved risk analysis, especially regarding the commercial viability of major projects like Hertford Theatre.
- Delayed financial monitoring, with key reports being reviewed months after the reporting period.
- The need for improvement in a number of areas, including savings and reserves management and strategy

Like other councils, East Hertfordshire District Council faces uncertainty over future government funding, with only single-year settlements currently provided. This complicates long-term financial planning.

Like all councils and the wider local government sector, East Hertfordshire continues to face significant challenges. The sector faces high levels of uncertainty over future levels of government funding and, for a number of years, has had to plan on the basis of single-year settlements. This makes it harder to produce comprehensive multi-year plans as part of medium-term financial planning. The government has signaled an intention to return to multi-year settlements in the future and announced a national overhaul of local government, reorganizing multi-tier council areas into a series of unitary authorities with devolved powers at a regional, mayoral level. The changes proposed would impact East Hertfordshire which, like all districts, would be absorbed into a larger unitary council from 1 April 2028 according to the current planned timescales. Work is currently ongoing to present options for reorganization in response to government requirements.

High inflation over recent years has increased cost pressures on all councils' revenue and capital expenditure and, whilst it had been falling, since February 2025 inflation has been increasing, indicating reduced certainty about what the future may hold, economically. High interest rates have provided the Council with fortuitously higher than expected interest income on cash balances, but the combination of higher inflation and higher interest rates impacts local communities, including the community the Council serves in East Hertfordshire. This can lead to increases in demand for council services and impact on council income in areas such as car parking and collection rates for council tax, business rates and rents.

The Council has faced a challenging environment over the past few years. There have been changes at the Chief Executive and Chief Finance Officer (CFO) level, with a new substantive CFO being appointed on 1 April 2025. The Council has been unable to produce its accounts on time and this resulted in the predecessor auditor raising three statutory recommendations in April 2025.

Financial sustainability

This relates to how the Council plans and manages its resources to ensure it can continue to deliver its services.

We considered the following areas:

- how the Council identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into the plans;
- how the Council plans to bridge its funding gaps and identifies achievable savings;
- how the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- how the Council ensures that its financial plan is consistent with workforce, capital, investment, and other operational plans, which may include working with other local public bodies as part of a wider system; and
- how the Council identifies and manages risks to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

General fund overview

As at 31 March 2024, East Hertfordshire District Council's General Fund balance remained at £3.9m, unchanged from the previous year and above the Council's minimum level of £2.2m. However, the Council's earmarked reserves increased from £18.7m to £20.9m, reflecting a net contribution of £2.2m during the year. This brings the total usable General Fund reserves to £26.0m, up from £23.6m a year earlier. This is a reasonable overall level of reserves; the Council's net expenditure on services in 2023/24 was £23.9m and this level of reserves provides a buffer for unexpected short-term shocks.

However, whilst earmarked reserves can be utilised if Members decide to change their use, they are earmarked for specific purposes in anticipation of specific costs. £14.0m of the £20.9m earmarked reserves are held for two specific purposes: New Homes Bonus priority spend (£8.9m) and the collection fund reserve (£5.1m). The New Homes Bonus priority spend reserve was established from unspent New Homes Bonus monies received from DCLG and the 2014/15 general fund underspend. Over the years, further amounts of New Homes Bonus monies have been transferred to this reserve. The collection fund reserve was established to smooth the effect on the Council of income volatility following the new business rates funding regime.

This means only £6.9m of the earmarked reserves are available to manage financial risk. Of this, the most significant reserve is the interest equalisation reserve (£3.3m), established to assist the Council in managing the financial implications of adverse interest rate fluctuations. The Council also holds an additional General Reserve of £1.1m, which supports cash flow management and provides contingency funding.

Overall, this means the total combined level of general and earmarked reserves available for managing unexpected financial risk is relatively low, particularly in the context of the financial risks the Council faces. The Council may wish to consider whether this level is sufficient in the context of the current financial and macro-economic risks.

Arrangements

The Council's financial planning is guided by its Medium-Term Financial Plan (MTFP), which outlines the strategic approach to managing income, expenditure, inflationary pressures and capital investment over a multi-year horizon.

East Hertfordshire District Council has procedures in place to identify significant financial pressures for its short- and medium-term plans. It sets its annual budget and updates its Medium-Term Financial Plan (MTFP) annually for the subsequent four years, considering factors such as inflation, service demand and changes in government funding.

The finance team collaborates with service heads to identify cost pressures and model various financial scenarios. Significant changes are reviewed by the Leadership Management Team and the Council Executive before being incorporated into the MTFP. The Council also monitors its budget performance on a quarterly basis to identify and address cost pressures in the upcoming MTFP.

During the annual budget-setting process, the Council determines the necessary savings to align the expected net cost of services with the available funding. Each service area is required to identify potential savings, which may come from either reducing expenditure or increasing income. Additionally, the Council's finance team may identify savings not directly linked to service delivery.

Financial sustainability

The Council produces the Medium-Term Financial Plan and the Corporate Plan together, treating them as complementary documents. Most of the Council's spending is directed towards statutory services, which are delivered in line with its priorities. Despite reductions in government funding, the Council aims to maintain discretionary services that support its strategic goals. Future forecasts indicate that further cost reductions will be necessary, requiring difficult decisions that align with the Council's priorities.

The Council also has a budget challenge process to review the cost and delivery of its services, assessing both statutory and non-statutory services against the priorities outlined in the Corporate Plan. The Corporate Plan integrates all strategic plans and is discussed in Leadership Team Workshops, feeding into the budget-setting process.

The annual financial plan and budget, presented each March, include revenue, investment and capital planning. Treasury management and capital proposals are reviewed by the Audit and Governance Committee. The budget is allocated across Council services to align with the broader Council strategy, and regular communication between finance staff and directorates is required to maintain continued alignment.

Financial position, savings and reserves

East Herts District Council's Medium Term Financial Plan (MTFP) 2024/25 incorporates several key assumptions to address ongoing financial pressures and ensure sustainability. These include a 2.99% increase in Council Tax, generating an additional £366k annually, and assumptions around continued inflationary pressures, particularly in staff pay and major contracts. To balance the budget, the Council has outlined savings requirements over the next four years of £6.9m with a requirement of £2.2m in each of 2024/25 and 2025/26. In the subsequent years, a further £1.8m of savings are required in 2026/27 and £0.6m in 2027/28.

These savings requirements over the next four years are challenging. The Finance Peer Challenge report undertaken in February to March 2024 raised concerns over the Council's financial monitoring processes, both in terms of timeliness and usefulness of the content of the reports in informing decision making. It also noted a number of areas for improvement in relation to savings and reserves management and strategy.

- The need to incorporate comprehensive risk assessments related to the proposed savings measures, including detailing the likelihood and potential impact of not achieving the targeted savings;
- Improving the clarity of explanation in budget reports as to how the savings identified impact on future years and ensuring that all savings figures are fully reconciled;
- Improving the consideration of financial risk in determining a minimum level of reserves to be maintained, as the peer report considered the reserve levels to be comparatively low;
- Publishing an explicit statement on the Council's useable reserves position within the budget report

The review also contained other related recommendations. The Council has made minimal progress in responding to these recommendations to date but, with the appointment of a new substantive chief finance officer in early 2025, responding to the recommendations has been prioritised and actions are being actively considered.

To further mitigate financial risks, the capital programme has been adjusted, including pausing the Old River Lane Arts Centre project to save £1.5m in costs annually. Investment will focus on essential property maintenance, ICT upgrades, and invest to save initiatives with a payback period under ten years. Revenue generation will be supported by renting out part of the Council's head office (Wallfields) and selling Council-owned property, aiming to raise £6m for loan repayments. Despite financial constraints, the Council remains committed to protecting services for vulnerable residents and aligning decisions with strategic priorities.

The Council's assumptions in its financial strategy are not unreasonable and are supported by well-thought through rationale. Unavoidably, there remains risk attached to them. The strategy assumes pay increases of 2% per annum. It also assumes contract inflationary increases of 2.5% per annum. The risk remains that the anticipated reductions in inflationary pressures fail to materialise. In February 2025, inflation was 3%, which will put pressure on the 2% assumption built into 2025/26. Higher inflation will put increased pressure on pay budgets and contract budgets.

Financial sustainability

The MTFP assumes the savings targets will be achieved in full to avoid further reliance being placed on in-year use of general fund reserves over the period to 2027/28. Whilst not unachievable, this will require robust monitoring and corrective action to address at an early stage any signs of slippage or changes in the risk profile or achievability of savings. The Council will need to ensure it has arrangements in place to identify and then deliver the substantial savings requirement each year.

The Council has started to consider what these actions may require although there has not been sufficient time for these to be finalised or implemented. This includes the following actions and considerations to date:

- A new tracking spreadsheet has been created to ensure the details behind the savings plans within the MTFP can be monitored regularly. This now includes a phasing of when savings are likely to materialise – which month they start to occur in and any that will not fully materialise in the current financial year – but will continue to materialise in 26/27. Additional savings and income are also being included. The planned approach will be shared with Members
- The MRP policy is being updated
- The Chief Finance Officer is considering and identifying actions to address the findings of the Finance Peer Review
- The Council's Asset Management Group is reviewing all assets to determine suitability for disposal, further investigation, or retention based on criteria like use value and strategic fit. The disposal program started in October 2024, with revenue benefits expected in the 2025/26 budget, reducing the need for reserves and optimizing asset value.

The Group position

East Hertfordshire District Council wholly owns Millstream Property Investments Ltd, which was formed by the Council in February 2018. There are no minority shareholders and no restrictions on the Council's ability to access or use the assets or settle the liabilities of the group. Millstream Property Investments Ltd was created to acquire, develop and refurbish homes to provide rental properties to tenants wishing to live in the private sector, but with the assurance that the accommodation is managed by a responsible landlord.

Based on Millstream Property Investments Limited's financial statements for the year ended 31 March 2024, the company remains in a position to cover its liabilities without requiring intervention from East Hertfordshire District Council.

As of 31 March 2024, Millstream reported net assets of £2.2m, down from £2.3m in 2023, primarily due to a reported loss of £0.1m for the year. This loss was driven by a downward revaluation of its investment properties which fell by £0.2m to £5.5m. Despite this, the company continues to hold a strong asset base, with 17 residential properties and no restrictions on their realisation, aside from the mortgage held by the Council.

Financial sustainability

Millstream's liabilities include £3.1m in long-term loans and £0.2m in current liabilities. Notably, the shareholder loan component has been significantly reduced to £0.3m (from £2.0m in 2023), with only one property now secured against it. The company also holds £0.1m in current assets, including £0.09m in cash, which is sufficient to meet its short-term obligations.

While the company's profitability has declined, its equity position remains positive, supported by £1.7m in share capital and £0.6m in retained earnings. In summary, although Millstream's financial position has weakened slightly due to property market adjustments, it still retains sufficient assets and liquidity to meet its liabilities independently, without immediate need for financial support from the Council.

The company's auditors issued a clean, unmodified opinion in respect of the company's 2023/24 accounts. Their audit report also stated that they had "not identify any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months" following the authorising for issue of the accounts.

The Minimum Revenue Provision

The Council is required, each year, to set a Minimum Revenue Provision (the MRP). The MRP refers to the amount charged to the revenue budget for the repayment of debt (as measured by the underlying need to borrow, rather than actual debt).

The underlying debt is needed to finance the capital programme. Capital expenditure is generally expenditure on assets which have a life expectancy of more than one year e.g. buildings, vehicles, machinery etc. It is therefore prudent to charge an amount for the repayment of debt over the life of the asset or some similar proxy figure, allowing borrowing to be matched to asset life. Setting aside an amount for the repayment of debt in this manner allows for future borrowing to be taken out to finance the asset when it needs replacing at no incremental cost.

This manner of spreading these costs is through an annual Minimum Revenue Provision. In 2021/22 and 2022/23, East Hertfordshire District Council did not set aside a Minimum Revenue Provision (MRP), citing a negative Capital Financing Requirement (CFR) during those years.

However, in 2023/24, the Council introduced an MRP provision of £0.6m. While this marks a positive step, the level of provision remains relatively low.

It is important, therefore, that the MRP is sufficiently prudent to mitigate long-term financial sustainability risks. A prudent MRP policy ensures that the Council sets aside adequate resources to repay borrowing over time, reducing future financial pressure.

Indicators of prudence can be assessed by comparing the MRP to the Council's CFR and total borrowings. A level of MRP below 2% of the CFR and 3% of total borrowings may indicate increased financial risk. In 2023/24, the Council's MRP equates to approximately 1% of the CFR and 1% of total borrowings. This suggests a higher risk that the current level of MRP may be insufficient to ensure long-term financial resilience.

While maintaining a low MRP may temporarily improve short-term financial flexibility, it poses several risks that could impact the local authority's financial health in the medium to longer term. A low MRP results in slower repayment of the CFR, leading to the accumulation of long-term debt. Borrowing costs (interest payments) are therefore likely to remain a financial burden for future budgets, reducing the flexibility to address emerging priorities.

A low MRP also limits the ability to borrow further for new capital projects, as a higher CFR reduces headroom under statutory and policy borrowing limits. The Council also has a statutory responsibility to ensure it is providing a prudent MRP charge under the Local Government Act 2003.

The March 2023 MTFS notes that the capital programme will be largely funded by external borrowing going forward. The Council has previously been debt free, and this new borrowing will impact the revenue account through the requirement to pay interest and also from the requirement to set aside Minimum Revenue Provision (MRP) to meet the repayment of the principal amount of loans.

Management should review the current provision in future years to ensure that the annual MRP adjustment is adequate and prudent, considering the CFR and existing and planned borrowing levels, and ensure longer term financial risks are contained.

Financial sustainability

Peer year recommendations

In their Annual Auditor's Report for 2021/22 and 2022/23 issued in April 2025, the predecessor auditor raised a number of recommendations for the Council. Due to the short passage of time between the previous Auditor's Annual Report and this current one, there is not an expectation that the Council would have had an opportunity to fully address the recommendations raised. However, work has begun in these areas, and this is set out in more detail in the "Follow up of prior recommendations" section later in this report.

In undertaking our review for 2023/24, we raise the following recommendations. Where these are updated from the prior year recommendation, the prior year recommendation has been subsumed into the current recommendation as appropriate.

Recommendations 2023/24

1. Officers should consider the minimum level of reserves and the current available levels of reserves in the context of the financial risks currently faced by the Council and the scale of the savings requirements. The total combined level of general and earmarked reserves available for managing unexpected financial risk is relatively low, particularly in the context of the financial risks the Council faces. The Council may wish to consider whether this level is sufficient in the context of the current financial and macro-economic risks.
2. Officers should ensure robust savings plans are put in place and delivered to ensure spend is contained within budget and planned savings are delivered on a timely basis.
3. The Council should ensure that it mitigates the further use of reserve balances to support the revenue budget in the medium term, by taking steps to ensure that both in-year overspends are minimised and future savings gaps are identified early with schemes put in place, without compromising front line service delivery.
4. The Council should ensure it takes action to address the findings and recommendations from the Finance Peer Challenge as a matter of urgency.

5. The Council should undertake a review of its Minimum Revenue Provision (MRP) policy and calculation to ensure it is fully compliant with the statutory requirements and guidance and that sufficient set asides are being made. Management should ensure the annual MRP adjustment is adequate and prudent, considering the Council's CFR and borrowing levels, and ensure longer term financial risks are contained.

Summary

We have not, at present, identified any significant weaknesses in the arrangements in place to support financial sustainability.

The Council has set balanced budgets and maintained general fund reserves above their minimum level as set out in the Council's current policy.

However, there are financial risks present which, if not managed effectively over the short term, could introduce significant weakness in future years. The scale of savings required to continue to set a balanced budget and maintain reserves at an appropriate level does however significantly increase in future years. The Council is cognisant of the fact it will need to respond in full to the recommendations set out in the Finance Peer Review from 2024, strengthen the arrangements in place to monitor, deliver and report on savings requirements and ensure the reserves strategy is fully aligned with financial risk. Work has already begun in these areas.

Governance

This relates to the arrangements in place for overseeing the Council's performance, identifying risks to achievement of its objectives and taking key decisions.

We considered the following areas:

- how the Council monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Council approaches and carries out its annual budget setting process;
- how the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee; and
- how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

The Council has arrangements in place to assess risk and gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.

The Council considers fraud and counters risk across a broad range of areas. The Council has a Risk management strategy in place that is reviewed quarterly by the audit and governance committee.

The Strategic Risk Register outlines the most significant business risks that could hinder the Council from achieving its objectives. The Leadership Team has established a defined risk tolerance level; any risks exceeding this threshold are actively managed and reviewed on a regular basis to ensure appropriate mitigation and contingency measures are in place. Risks that fall below the tolerance level are typically managed by Heads of Service, who are responsible for ongoing monitoring and implementing actions to reduce their potential impact. A visual summary of these risks, including the tolerance threshold, is presented in a matrix. Risks positioned in the red zone of this matrix are those that require active oversight by the Leadership Team, in line with the Council's Risk Management Strategy

The Council welcomes constructive challenge from scrutiny by internal and external audit activity, the work programme of the Overview and Scrutiny Committee (which reviews reports and updates that may include risk related content and requesting further investigation or clarification on issues that might pose significant risk to service delivery or public trust), and other external inspection agencies.

The Council promotes informed decision-making by establishing committees with distinct responsibilities. These committees hold regular meetings to address significant matters in accordance with their terms of reference. Details of these meetings, including agendas, are published on the Council's website to foster transparency and facilitate stakeholder engagement. Reports are distributed well in advance of meetings to enable members to contribute effectively and raise challenges. The Council's governance processes are reviewed by the Audit and Governance Committee. At the start of each committee meeting, members are required to declare any disclosable pecuniary interests or other registrable interests they may have in relation to items on the agenda, in line with the Council's Code of Conduct.

The Council's Monitoring Officer holds overall responsibility for ensuring that the Council, its officers and elected Councillors act lawfully and has a statutory duty to report any legal non-compliance. Procedures for report preparation are in place to ensure legal compliance is considered. Individual service managers bear the operational responsibility for legal compliance and staff training. Training needs are identified through job specifications and considered during the annual appraisal process. These processes are incorporated within the Council's appraisal system and are published in the "Our Values and Behaviours" document and the Employee handbook, which has been disseminated to all staff.

Staff members are periodically reminded about the declaration of interests and hospitality. The Council has a whistleblowing policy and a separate email address for this purpose. Additionally, the Shared Anti-Fraud Service (SAFS) has conducted team talks to help staff identify potential fraud and understand how to report it.

Governance

Procurement at East Hertfordshire District Council is governed by clear procedures designed to ensure compliance with the Procurement Act 2023, internal policies, and relevant legislation. The council follows defined thresholds for public sector purchasing, with procurements above these thresholds being required to be advertised via the Find a Tender service. Services across the Council can access specialist support from the Procurement Team, and procurement performance is monitored through regular budget reviews. Officers receive training to ensure compliance, which is reported quarterly to the Leadership Team as part of the council's commitment to transparency, value for money and continuous improvement.

Contracts are actively reviewed to enhance service delivery and explore insourcing opportunities. A partnership register is also maintained, with annual reviews conducted for informal partnerships.

The ability to identify and assimilate new technologies is an integral part of the Council's approach to achieving its strategic objectives. The Council has a Shared ICT service with Stevenage Borough Council. The shared ICT service is responsible for developing the shared ICT platform as well as delivering ICT services.

A joint Stevenage / East Herts ICT Partnership Board meets every month to consider the strategic direction of the service. A Joint (Member led) Committee Board meets quarterly to review the ICT Improvement Programme. The ICT service is committed to embracing new digital opportunities to better meet the needs of residents, achieve savings and transform services. A secure, resilient, effective, and forward-looking Technology Service is critical in delivering these aims. Access to all IT systems is strictly defined according to role. Password access is controlled according to best practice. Specific Council policies exist (whistleblowing, anti-money laundering for example) and training offered to Officers and Councillors in these areas to encourage early detection and investigation of any suspicious activity. The information governance policy is still in the process of being reviewed by the council which will then be approved by the members of the council.

The Council's internal audit provision is delivered by the Shared Internal Audit Service (SIAS) hosted by Hertfordshire County Council. The service complies with CIPFA's Statement on the role of the Head of Internal Audit and operates to Public Sector Internal Audit Standards. The Head of Assurance confirms to Audit Committee the 'Fitness for Purpose' of internal audit to conduct the work that informs the assurance opinion each year. For each audit, SIAS issues a Final Audit Report, and this is signed off by management together with an agreement to implement the recommendations that have been made.

In compliance with the requirements of the Accounts and Audit Regulations 2015, the Council relies on the Shared Internal Audit Service (SIAS), which undertakes a programme of work to review the effectiveness of the Council's risk management, control environment, and governance processes. An annual operational audit plan is presented to the Audit and Governance Committee for approval. Progress against this plan is reviewed at Audit and Governance Committee (AGC) meetings, where members also monitor the implementation of audit recommendations through quarterly reports presented by SIAS.

The overall internal audit assurance opinion is 'Substantial assurance' on financial systems, meaning there is a sound system of governance, risk management, and control, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited. The assurance on the non-financial systems is 'Reasonable assurance', meaning there is a 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. SIAS has concluded that the corporate governance and risk management frameworks comply with the CIPFA / SOLACE best practice guidance on corporate governance. This conclusion is based on the work undertaken by the Council and reported in its Annual Governance Statement for 2023/24 and the specific reviews of Risk Management and Corporate Governance conducted by SIAS during the year.

Governance

The governance framework of East Hertfordshire District Council (EHDC) is based on the principles outlined in the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government (2016). This framework offers a comprehensive model to ensure that local authorities operate lawfully, transparently, and accountably, while delivering value for money and effective public services.

EHDC has a formal complaints procedure in place to ensure that concerns raised by residents and service users are addressed fairly and transparently. Complaints specifically related to Councillor conduct are managed under a separate procedure, overseen by the Standards Sub-Committee and the Monitoring Officer, in accordance with the Council's ethical governance framework.

The Council also has formal employment procedures for senior statutory roles, including the Head of Paid Service, Monitoring Officer, Chief Finance Officer and Strategic and Assistant Directors. These procedures are outlined in the Council's Constitution under the Officer Employment Procedure Rules. They cover recruitment, appointment, and disciplinary processes, ensuring transparency, fairness, and compliance with relevant legislation. Appointments are overseen by the Chief Officer Recruitment Committee, and disciplinary matters involving statutory officers follow the requirements of the Local Authorities (Standing Orders) (England) Regulations 2015.

The Council has a Whistleblowing Policy based on the Public Interest Disclosure Act 1998, as well as an Anti-Fraud and Anti-Corruption Strategy. It also has an Anti-Money Laundering Policy in place and has designated the Head of the Shared Anti-Fraud Service (SAFS) as the Money Laundering Reporting Officer (MLRO). The Council's website and intranet provide options for both the public and staff to report suspected fraud, with links directing users to the Shared Anti-Fraud Service webpage.

The previous auditor raised a recommendation for the Council to ensure actions are taken to address weaknesses identified by Internal Audit, as reported in the AGS, on a timely basis in order for the Council to be assured regarding the adequacy of its governance arrangements. The Chief Finance Officer has implemented actions to address this recommendation which, due to the short passage of time, are currently in their infancy. We have therefore rolled forward this recommendation to 2024/25.

Governance Weaknesses in Financial Reporting Compliance

In 2022/23 the predecessor auditor identified significant weaknesses in the Council's arrangements for the preparation and publication of financial statements. As a result of the weaknesses identified, the auditor made Statutory Recommendations under Schedule 7(2) of section 24 of the Local Audit and Accountability Act 2014 (as amended).

This was due to the non-preparation and delayed publication of the financial statements for 2021/22 and 2022/23 and the absence of the 2021/22 Annual Governance Statement. These delays constituted non-compliance with several provisions of the Accounts and Audit Regulations 2015. The following factors were key to this determination:

2021/22

- the Council did not comply with the requirements of the Accounts and Audit Regulations, as the inspection period did not start until 12 December 2023.
- the accounts published for inspection did not include an Annual Governance Statement.
- the Statement of Responsibilities for the Statement of Accounts included in the 2021/22 Accounts was from the 2020/21 accounts and was dated 26/10/2020.
- the auditor's report included in the 2021/22 Accounts was the audit report for the 2019/20 accounts.

2022/23

- the Council did not comply with the requirements of the Accounts and Audit Regulations as they did not prepare and publish the set of draft accounts until 6 November 2024.
- the Council did not publish a notice stating that the Council has not been able to publish the statement of accounts and its reasons for this.

2023/24

- The Council failed to produce a set of accounts and did not include the required notices on its website.

Governance

As a result, the auditor concluded that “*appropriate arrangements for financial reporting were not in place during 2021/22 and 2022/23. As the statement of accounts are an important document and provide members of the public and other stakeholders with information regarding the Council’s financial position, we have concluded that the continued failure to prepare and publish accounts represents a significant weakness in governance arrangements.*”

The auditor made three statutory recommendations, as follows:

1. Finance Function Workflow Review:

Conduct a comprehensive review of the finance function workflow to identify bottlenecks in the flow of information and the completion of key finance tasks. Use the findings to redefine roles and responsibilities within the finance team, ensuring an equitable distribution of workload and preventing any single individual from being overburdened.

2. Quality Assurance Function Review: Implement a thorough review of the quality assurance process for draft accounts and underlying workpapers. Establish clear timelines for the closedown process, ensuring appropriate segregation of duties between those preparing and those reviewing the draft accounts and workpapers. Monitor adherence to this process and report performance to the Audit and Governance Committee.

3. Finance Team Capacity: Re-assess roles, responsibilities and resource requirements for financial reporting across the Council, including an assessment of the support required from other functions within the organisation for the financial reporting function to meet its objectives and to restore timely financial reporting in accordance with the requirements of the Accounts and Audit (Amendment) Regulations 2024.

When such a statutory recommendation is made the Council must consider the recommendation at a meeting held before the end of the period of one month beginning with the day on which it was sent to the authority. The recommendation was presented to the Council on 22 April 2025 and discussed by the Council in that meeting (the Audit and Governance Committee) and in the full Council meeting on 14 May 2025, thereby complying with the one month requirement.

At that meeting the Council was required to decide:

- whether the report requires the authority to take any action or whether the recommendation is to be accepted, and
- what, if any, action to take in response to the report or recommendation.

At the full Council meeting on 14 May 2025 the Council resolved that

- The Council accepts the recommendations made by the External Auditor within Appendix A.
- The Audit and Governance Committee should receive updates on progress against the recommendations and actions within the report on a regular basis.

A new Chief Finance Officer (section 151 officer) was appointed on 1 April 2025. Following the issuing of the disclaimed opinions for 2021/22 and 2022/23 by the predecessor auditor, the 2023/24 accounts and annual governance statement were prepared and made available for public inspection by the Council on 30 April 2025.

Following the full Council meeting at which the statutory recommendations were considered, the 2024/25 accounts and annual governance statement were prepared and made available for public inspection on 27 June 2025. This was in compliance with the Accounts and Audit Regulations for the 2024/25 accounts.

The publication of the 2024/25 accounts by the statutory deadline is a welcome achievement for the Council and indicates an improvement in the arrangements which have enabled the Accounts and Audit regulations deadlines to be met for the first time in several years. In addition, the Chief Finance Officer has set out a number of actions to address each of the three statutory recommendations which will be taken forward over the coming year.

As the recommendations were only raised formally in April 2025 there is insufficient time for any of the responses to have been implemented at this date. However, the initial thinking in response to the actions is encouraging.

Governance

The Council is currently undertaking a finance function workflow review to identify bottlenecks in the flow of information and the completion of key financial tasks. The findings will be used to redefine roles and responsibilities within the finance team, ensuring a fair distribution of workload and preventing any single individual from becoming overburdened.

Whilst this review is taking place, capacity within the finance team is limited and, whilst the Council successfully produced the 2024/25 accounts on time, it is not yet in a position to be able to adequately facilitate and respond to the audit of these accounts in terms of capacity and availability of resources. The workforce review will need to ensure it encompasses consideration of tasks required not just to produce the accounts, but also to respond to the detailed and often rigorous requirements of the external audit, whilst simultaneously continuing to deliver the wider requirements of the finance function. This is essential if future audits are to be able to not only deliver the in year audit but also undertake the work required to build back assurance and return to clean / unmodified opinions on the financial statements.

The Council has responded appropriately to the statutory recommendations and is investing time towards recovery. As there has been insufficient time for the recommendations to have been developed and implemented in full, and given that the accounts for 2023/24 were only produced on 30 April 2025, this is evidence that the significant weaknesses in the arrangements remained throughout 2023/24. We have therefore rolled forward the recommendations associated with the significant weaknesses but have not re-raised them as statutory recommendations, given the Council's response to the recommendations and early stages of work in response to them.

Summary

There are significant weakness in governance in relation to the Council's procedures supporting the production of its financial statements.

In 2023/24, the Council did not produce its financial statements in line with the Accounts and Audit regulations and did not include the required notices on its website. The Council has started responding to the recommendations made in April 2025 in respect of the significant weaknesses but there has, to date, been insufficient time for these to have been developed, actioned and implemented in full. The Council will also need to ensure it can restructure the finance team such that there is sufficient capacity to facilitate annual external audit reviews and the building back of assurance over the disclaimed audit years.

We have therefore determined there are significant weaknesses in the arrangements to support statutory financial reporting requirements.

Improving economy, efficiency and effectiveness

This states to how the Council seeks to improve its systems so that it can deliver more for the resources that are available to it.

We considered the following areas:

- how financial and performance information has been used to assess performance and identify areas for improvement;
- how the Council evaluates service quality to assess performance and identify areas for improvement;
- how the Council ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and
- where the Council commissions or procures services, how it ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how it assesses whether it is realising the expected benefits.

The Council monitors its performance through key performance indicators (KPIs), quarterly financial and performance reports and both internal and external audits. These reports, reviewed by the Audit and Governance Committee, compare actual performance against the budget, explain any variances, and outline mitigating actions. Resident and customer feedback, benchmarking against other local authorities, and regular reviews of progress against the Corporate Plan also contribute to service evaluation. A risk management strategy supports continuous improvement by identifying and addressing potential risks.

The East Hertfordshire District Council Corporate Plan (2024–2027) sets out the Council's strategic direction, focusing on four priorities: transparency and responsiveness, environmental sustainability, community collaboration, and fairness in service delivery. It aims to strengthen public engagement, improve air quality and green infrastructure, support local housing and high streets, and promote inclusive cultural and wellbeing initiatives. The plan also includes governance reforms and updates to Council Tax support to foster a more connected and equitable district.

To achieve efficiencies, the Council collaborates with Stevenage Borough Council and North Hertfordshire District Council to jointly deliver services such as IT, Revenues and Benefits, Procurement and Waste. These partnerships are overseen by various boards to ensure effective performance management and service delivery.

Procurement is governed by procedures to ensure compliance with legislation, standards, and internal policies. The Council follows the Procurement Act 2023, which sets thresholds for public sector purchasing. Services can access specialist support from the Procurement Team, and performance is monitored through regular budget reviews. Training is provided to officers, and compliance is reported quarterly to the Leadership Team.

Capital and investment projects

The Council had previously entered into a number of significant capital and investment projects. This included the regeneration of Old River Lane in Bishop's Stortford, the continued redevelopment of Hartham Leisure Centre and the Hertford Theatre Development.

There have been significant delays and / or cost overruns on two of these projects. In particular:

- **Hertford Theatre Development:** The initial contract was awarded in March 2022 for £18.9m. The project has encountered a series of budgetary challenges due to rising inflation and increases in costs of labour and materials. This resulted in an increased budget for the development, which stood at £24.1 million at March 2022. The project is now expected to cost £30.2 million to complete in its entirety and at the current date the forecast outturn is a projected overspend of £2.6 million, which officers are working to reduce. The Council has engaged external advisors to undertake an assessment of costs and advise the Council on an appropriate guaranteed maximum price to be agreed with the contractor following the continued increases.

Improving economy, efficiency and effectiveness

- **Old River Lane and Arts Centre:** The Council purchased the Old River Lane site in 2015, after a private sector scheme failed to be delivered. The aims were to create an arts and entertainment centre, residential, retail and leisure uses to drive transformational change in Bishop's Stortford. Since the project was initially started it has been revisited and updated. The project is currently postponed until the borrowing to construct the building becomes affordable. Spend to date on the Old River Lane project is £4 million. The 2023/24 budget outturn report includes a forecasted £500k further spend. From 2023/24 onwards, there is no forecasted budget spend due to a £2.0 million saving which arose from delay to the likely commencement of the Arts Centre, and a decision to pause the Old River Lane & Arts centre project and rephasing of IT capital spend.

These challenges indicate weaknesses in the arrangements for overseeing and delivering the capital programme and call into question the wisdom of some of the decisions made in earlier years and the efficacy of corrective action during that period.

The Council has now significantly reduced its capital programme and paused £9.6m of capital spend. Management's recent responses have been appropriate and the latest forecast for the leisure centre is that the Council hopes to generate circa £0.26m in income per annum from the current arrangement. The Council acknowledges the previous Theatre business case was 'optimistic' and is revisiting it to arrive at a more realistic position. The Old River Lane and Arts centre development is subject to an ongoing review to ensure any monies committed in the future (if any) are prudent and economical.

The Council is also actively looking at asset disposals to reduce borrowing and make MRP savings. Whilst these actions, in isolation, make sense, the Council will now also need to be mindful of the Local Government Reorganisation (LGR) proposals, and in particular ensure significant asset disposals, particularly land disposals, are in the best interests of both the Council and any successor unitary body.

Summary

We have not identified any significant weaknesses in the Council's arrangements.

However, there are risks present which, if not managed effectively, could introduce significant weakness in future years, particularly in relation to future capital programmes and asset disposals.

Key recommendations

These recommendations relate to significant weaknesses we have identified during the course of our work. Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work.

Criteria	Significant weakness	Key recommendations	Response
<p>Governance significant weaknesses in the arrangements to support statutory financial reporting requirements</p>	<p>There are significant weaknesses in the Council's arrangements for the preparation and publication of financial statements. In 2023/24, the Council did not produce its financial statements in line with the Accounts and Audit regulations and did not include the required notices on its website. The Council has started responding to the statutory recommendations made in April 2025 by the previous auditor in respect of the significant weaknesses but there has, to date, been insufficient time for these to have been developed, actioned and implemented in full.</p>	<p>1. Finance Function Workflow Review: Conduct a comprehensive review of the finance function workflow to identify bottlenecks in the flow of information and the completion of key finance tasks. Use the findings to redefine roles and responsibilities within the finance team, ensuring an equitable distribution of workload and preventing any single individual from being overburdened.</p> <p>2. Quality Assurance Function Review: Implement a thorough review of the quality assurance process for draft accounts and underlying workpapers. Establish clear timelines for the closedown process, ensuring appropriate segregation of duties between those preparing and those reviewing the draft accounts and workpapers. Monitor adherence to this process and report performance to the Audit and Governance Committee.</p> <p>3. Finance Team Capacity: Re-assess roles, responsibilities and resource requirements for financial reporting across the Council, including an assessment of the support required from other functions within the organisation for the financial reporting function to meet its objectives and to restore timely financial reporting in accordance with the requirements of the Accounts and Audit (Amendment) Regulations 2024.</p> <p>The Council will also need to ensure it can restructure the finance team such that there is sufficient capacity to facilitate annual external audit reviews and the building back of assurance over the disclaimed audit years.</p>	<ol style="list-style-type: none"> 1. The 2021/22 and 2022/23 Statements of Accounts were approved on 22 April 2025. The disclaimed audit opinion was issued on 23 April 2025. 2. The 2023/24 accounts were completed and published on the Council's website on 30 April 2025. 3. The 2024/25 accounts were completed and published on the website on 27 June 2025, in line with the statutory deadline set out in the Accounts and Audit Regulations. 4. The Chief Finance Officer, substantively appointed on 1 April 2025, is considering additional controls to ensure adequate time is given for reviews to be undertaken prior to publication of future financial statements. 5. A review of the Finance team will be undertaken during 2025 to propose a new structure that will address: <ol style="list-style-type: none"> i. potential 'single point of failure'; ii. capability and capacity of the team to ensure it is fit for purpose; iii. consideration of whether individuals have the necessary skills needed to deliver in line with all deadlines; iv. tasks are clearly defined and delivered on time.

Other recommendations

These recommendations relate to less significant deficiencies or opportunities for improvement we have identified during the course of our work. Progressing the actions management has identified to address the recommendations made will support the Council in realising the improvement opportunities identified from our work.

Criteria	Observation	Recommendations	Response
Financial sustainability	There are financial risks present which, if not managed effectively over the short term, could introduce significant weakness in future years. The scale of savings required to continue to set a balanced budget and maintain reserves at an appropriate level does however significantly increase in future years. The Council is cognisant of the fact it will need to respond in full to the recommendations set out in the Finance Peer Review from 2024, strengthen the arrangements in place to monitor, deliver and report on savings requirements and ensure the reserves strategy is fully aligned with financial risk. Work has already begun in these areas.	<ol style="list-style-type: none"> Officers should consider the minimum level of reserves and the current available levels of reserves in the context of the financial risks currently faced by the Council and the scale of the savings requirements. The total combined level of general and earmarked reserves available for managing unexpected financial risk is relatively low, particularly in the context of the financial risks the Council faces. The Council may wish to consider whether this level is sufficient in the context of the current financial and macro-economic risks. Officers should ensure robust savings plans are put in place and delivered to ensure spend is contained within budget and planned savings are delivered on a timely basis. The Council should ensure that it mitigates the further use of reserve balances to support the revenue budget in the medium term, by taking steps to ensure that both in-year overspends are minimised and future savings gaps are identified early with schemes put in place, without compromising front line service delivery. 	<p>A new tracking spreadsheet has been created to ensure the details behind the savings plans within the MTFP are monitored regularly</p> <p>This now includes a phasing of when savings are likely to materialise – which month they start to occur in and any that will not fully materialise in the current financial year – but will continue to materialise in 26/27.</p> <p>The CFO has reviewed all savings plans for 2025/26 and 2026/27 and has an updated position. This is awaiting wider review by finance colleagues and will then be reported to the next long term budget meeting. Following this, there will be a need to review mitigations or whether need to build into the next MTFP.</p> <p>Additional savings and income are also being included – in separate sections – so that the overall position is reviewed and monitored more frequently (Monthly) by the leadership team. This gives a better visual ‘overview’ of what is materialising, where issues are arising and when savings might not deliver. This in turn allows plans to be re-looked at and mitigation steps to be started sooner rather than later. This will then be shared with members so they have a clearer picture of which is and should be achieved</p> <p>Monthly reports to Leadership Team identifying (early) where overspends are projected so that mitigation can be taken will be implemented.</p>

continued....

Other recommendations

Criteria	Observation	Recommendations	Response
		<ol style="list-style-type: none"> <li data-bbox="716 243 1199 358">4. The Council should ensure it takes action to address the findings and recommendations from the Finance Peer Challenge as a matter of urgency. <li data-bbox="716 360 1199 837">5. The Council should undertake a review of its Minimum Revenue Provision (MRP) policy and calculation to ensure it is fully compliant with the statutory requirements and guidance and that sufficient set asides are being made. Management should ensure the annual MRP adjustment is adequate and prudent, considering the Council's CFR and borrowing levels, and ensure longer term financial risks are contained. 	<p data-bbox="1203 243 1889 481">The MRP policy for 2025/26 has been updated, liaising with our External Advisors. This includes undertaking an exercise to look at MRP calculations which has produced a new calculated MRP charge for all recent years considering the negative CFR as the starting position and only charging MRP from the year after construction was completed. This new calculation shows that a relatively small MRP charge of £42,519 would have been chargeable in 2022/23 – as a lot of the schemes were still under construction in 21/22 and 22/23.</p> <p data-bbox="1203 503 1889 579">MRP review was completed March 2025 and incorporated into the outturn position for both 2023/24 and 2024/25. It will be fed into the next iteration of the MTFP for September.</p> <p data-bbox="1203 601 1889 656">The new s151 Officer will consider and put in place actions to address the findings of the Finance Peer Review.</p> <p data-bbox="1203 678 1889 837">The Council's Asset Management Group is reviewing all assets to determine suitability for disposal, further investigation, or retention based on criteria like use value and strategic fit. The disposal program started in October 2024, with revenue benefits expected in the 2025/26 budget, reducing the need for reserves and optimizing asset value.</p>

Other recommendations

Criteria	Observation	Recommendations	Response
Governance	<p>The previous auditor raised a recommendation for the Council to ensure actions are taken to address weaknesses identified by Internal Audit, as reported in the AGS, on a timely basis in order for the Council to be assured regarding the adequacy of its governance arrangements. The income Chief Finance Officer has implemented actions to address this recommendation which, due to the short passage of time, are currently in their infancy. We have therefore rolled forward this recommendation to 2024/25.</p>	<p>The Council should ensure actions are taken to address weaknesses identified by Internal Audit, as reported in the AGS, on a timely basis in order for the Council to be assured regarding the adequacy of its governance arrangements.</p>	<p>The following actions are in place:</p> <ol style="list-style-type: none"> 1. The CFO to have regular meetings with the Chief Internal Auditor to discuss audit findings where there are weaknesses identified. 2. These will also be discussed with Leadership Team as part of the Monthly meeting specifically set aside for Finance matters. 3. These will be monitored by the Operation Council (consisting of CEO, CFO and Monitoring Officer) to quickly identify any weaknesses in its governance arrangements and take necessary actions. 4. These will also be reported to Audit & Governance, where members will have an opportunity to review <p>These are being reviewed by CFO and where necessary will be discussed at the Operation Council Meetings (CEO, CFO and Monitoring Officer meetings).</p>
Improving economy, efficiency and effectiveness	<p>The Council is actively looking at asset disposals to reduce borrowing and make MRP savings. Whilst these actions, in isolation, make sense, the Council will now also need to be mindful of the Local Government Reorganisation (LGR) proposals, and in particular ensure significant asset disposals, particularly land disposals, are in the best interests of both the Council and any successor unitary body.</p>	<p>In making significant asset disposals or entering into significant long term contracts, the Council should ensure new agreements will be in the best interests of the new council(s) or the residents of the area, and do not undermine or diminish the benefits or savings anticipated as a result of unitarisation, or which may have an effect on the financial position of the new council(s).</p>	

Follow up of prior recommendations

Criteria	Recommendation	Type	Date raised	Progress to date	Addressed?	
Financial sustainability	Officers need to ensure robust savings plans are put in place and delivered to ensure spend is contained within budget and planned savings are delivered on a timely basis.	Other	2022/23 (April 2025)	The following actions are in place, and progress is underway. A clear understanding of the savings programme for 2025/26 and 2026/27 has been established and will inform discussions throughout July and August as part of the next iteration of the Medium-Term Financial Plan (MTFP). The 2025/26 savings will also be incorporated into the Quarter 1 performance report. A draft has been prepared and is currently under discussion with the Leadership Team and the relevant Portfolio Holder. These updates will be included in future quarterly and budget reports to ensure ongoing visibility and oversight.	Insufficient time has passed for this to have been considered, actioned and implemented in full.	
	The Council should ensure that it mitigates the further use of reserve balances to support the revenue budget in the medium term, by taking steps to ensure that both in-year overspends are minimised and future savings gaps are identified early with schemes put in place, without compromising front line service delivery.				The Minimum Revenue Provision (MRP) policy for 2025/26 has been updated in consultation with the Council's external advisors.	Rolled forward into updated 2024/25 recommendation
	The Council should ensure it takes action to address the findings and recommendations from the Finance Peer Challenge as a matter of urgency.					
	The Council should undertake a review of its MRP policy and calculation to ensure it is fully compliant with the statutory requirements and guidance and that sufficient set asides are being made.					

Follow up of prior recommendations

Criteria	Recommendation	Type	Date raised	Progress to date	Addressed?
Governance	<p>The Council should take immediate action to address the following statutory recommendations:</p> <p>Finance Function Workflow Review: Conduct a comprehensive review of the finance function workflow to identify bottlenecks in the flow of information and the completion of key finance tasks. Use the findings to redefine roles and responsibilities within the finance team, ensuring an equitable distribution of workload and preventing any single individual from being overburdened.</p> <p>Quality Assurance Function Review: Implement a thorough review of the quality assurance process for draft accounts and underlying workpapers. Establish clear timelines for the closedown process, ensuring appropriate segregation of duties between those preparing and those reviewing the draft accounts and workpapers. Monitor adherence to this process and report performance to the Audit and Governance Committee.</p> <p>Finance Team Capacity: Re-assess roles, responsibilities and resource requirements for financial reporting across the Council, including an assessment of the support required from other functions within the organisation for the financial reporting function to meet its objectives and to restore timely financial reporting in accordance with the requirements of the Accounts and Audit (Amendment) Regulations 2024.</p>	Statutory	2022/23 (April 2025)	<p>A new Chief Finance Officer (section 151 officer) was appointed on 1 April 2025. Following the issuing of the disclaimed opinions for 2021/22 and 2022/23 by the predecessor auditor, the 2023/24 accounts and annual governance statement were prepared and made available for public inspection by the Council on 30 April 2025.</p> <p>Following the full Council meeting at which the statutory recommendations were considered, the 2024/25 accounts and annual governance statement were prepared and made available for public inspection on 27 June 2025. This was in compliance with the Accounts and Audit Regulations for the 2024/25 accounts.</p> <p>In addition, the Chief Finance Officer has set out a number of actions to address each of the three statutory recommendations which will be taken forward over the coming year.</p> <p>As the recommendations were only raised formally in April 2025 there is insufficient time for any of the responses to have been implemented at this date</p>	<p>Insufficient time has passed for this to have been considered, actioned and implemented in full.</p> <p>Rolled forward into updated 2024/25 recommendation</p>

Follow up of prior recommendations

Criteria	Recommendation	Type	Date raised	Progress to date	Addressed?
Governance	The Council should ensure actions are taken to address weaknesses identified by Internal Audit, as reported in the AGS, on a timely basis in order for the Council to be assured regarding the adequacy of its governance arrangements.	Other	2022/23 (April 2025)	The Chief Financial Officer (CFO) holds regular meetings with the Chief Internal Auditor to review audit findings where weaknesses have been identified. These issues are also discussed with the Leadership Team during a monthly meeting dedicated to finance matters. Additionally, the Operational Council—comprising the Chief Executive Officer (CEO), CFO, and Monitoring Officer—monitors these areas to promptly identify and address any governance concerns. Finally, findings and actions are reported to the Audit & Governance Committee, giving members the opportunity to review and scrutinise them.	Insufficient time has passed for this to have been considered, actioned and implemented in full. Rolled forward into updated 2024/25 recommendation



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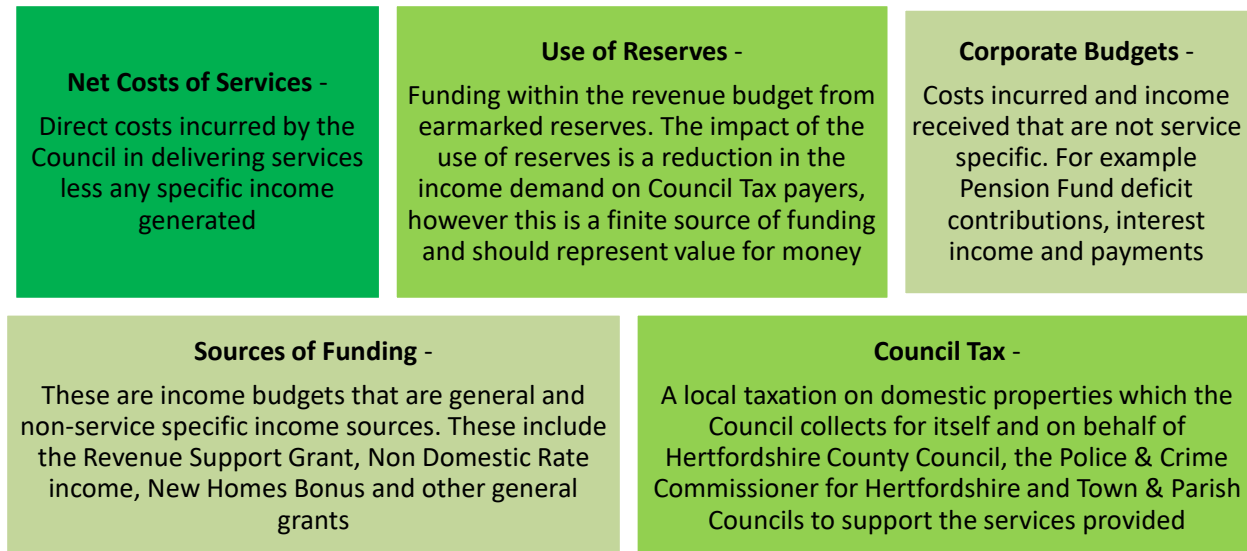
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FINANCIAL PERFORMANCE IN 2023/24

The 2023/24 budget was set by Council in March 2023 as part of the budget report and Medium Term Financial Plan for 2023/24 to 2027/28. There are five major 'building blocks' to the Council's revenue budget. These are shown below:



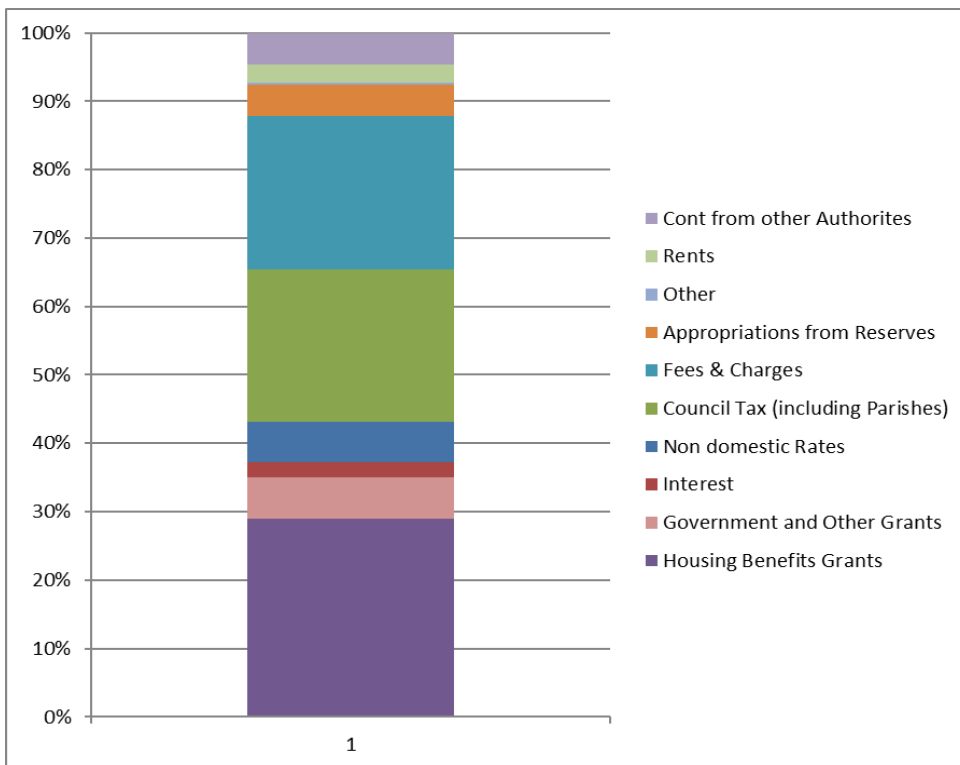
The table below details the Council's performance against the five major 'building blocks'. There was a £223k underspend in 2023/24, this has been transferred to the General Reserve.

	Original Budget 2023/24	2023/24 Outturn	Variance
	£'000	£'000	£'000
Total Net Cost of Services	17,230	18,530	1,300
Corporate Budgets Total	1,023	(194)	(1,217)
Net Use of Reserves	(818)	2,224	3,042
Funding	(5,322)	(8,670)	(3,348)
Council Tax	12,113	12,113	0
Overspend	-	24,003	(223)

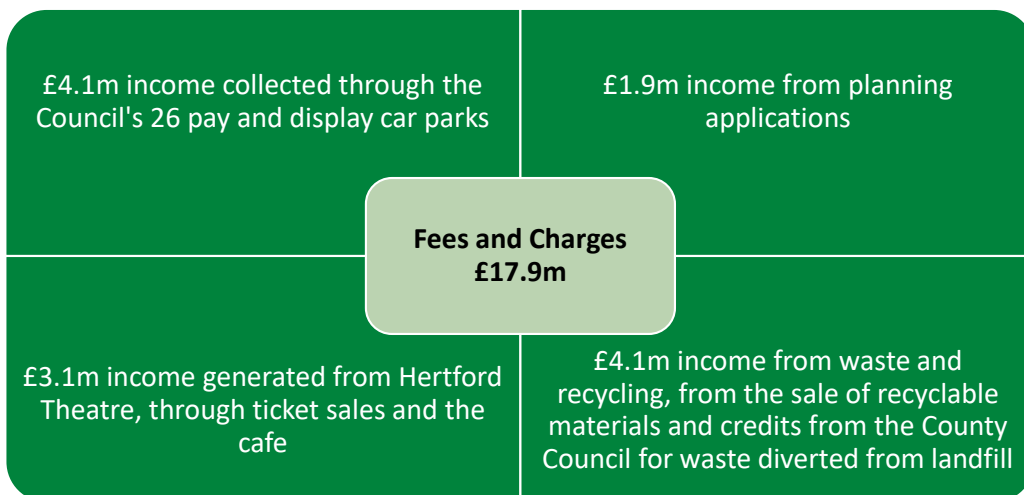
The Council's budget is monitored monthly by senior management and reported quarterly to the Executive.

2023/24 Income streams

The chart below shows the £79.7m of income that the Council received in 2023/24. The largest source of income was Housing Benefits subsidy (from Central Government) which is used to fund the payment of Housing Benefits to claimants.



Fees and charges are the second largest source of funding for the Council, highlighted below are some of the largest income generating activities of the Council;



Included in the £4.8m of government and other grants income are:

- £0.9m of New Homes Bonus, which is a Government scheme aimed at encouraging local authorities to grant planning permission in return for additional revenue.
- £1.3m General government grants to fund service provision
- £0.8m grants received to support homelessness
- £0.5m grants received in relation to UK Shared Prosperity Fund

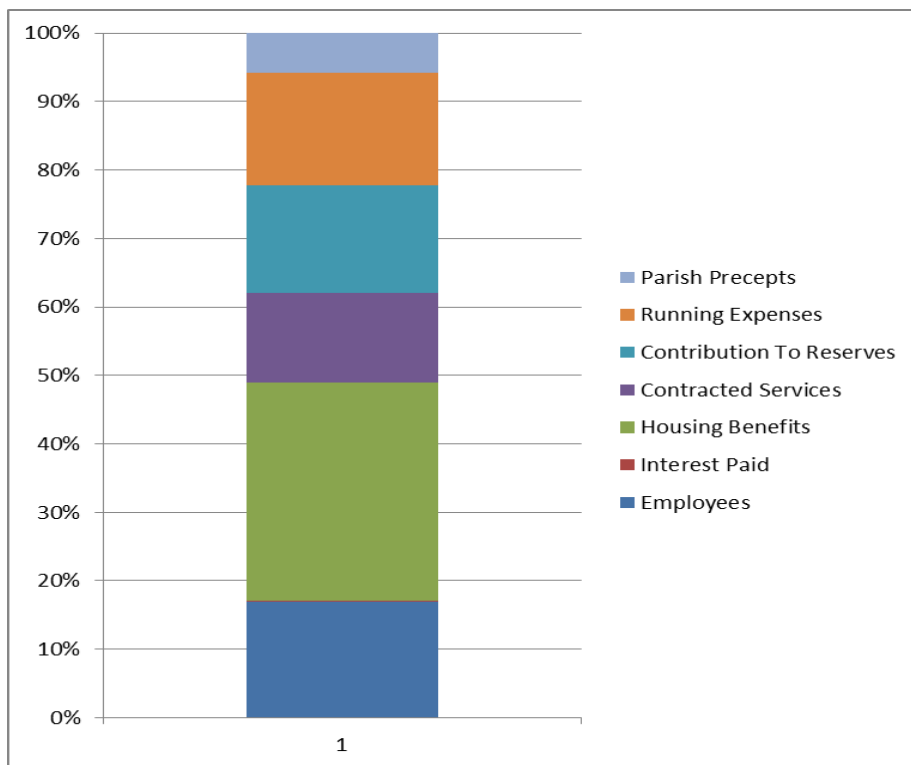
East Herts Council is the billing authority for Non Domestic Rates (Business Rates) collected from businesses across the district. This is then distributed to Central Government, East Herts Council and Hertfordshire County Council. After distribution the income attributable to East Herts including section 31 grant income totalled £4.8m in 2023/24.

As the billing authority, East Herts Council collects Council Tax income from residents of the district; this is then distributed between Hertfordshire County Council, East Herts Council and the Police and Crime Commissioner. Of the income collected the Council's share in 2023/24 was £17.7m; £5.4m of which was distributed to Town and Parish Councils across the district. The remaining Council Tax income is used to fund services in the year.

The Council earned Interest and Investment income of £1.7m in 2023/24 on its portfolio of investments and holdings in property funds. This was £774k above budget, this has been transferred to the Interest Equalisation reserve to mitigate future losses.

2023/24 Expenditure

The chart below shows the £79.7m that the the Council spent in 2023/24. Housing benefits make up the largest outgoing (£23m) of the Council.



Included in the Council's running expenses figure of £18.7m is the following expenditure:

- £4.1m of premises related costs, including ongoing maintenance of the Council's operational buildings, business rates, insurance and utilities costs for all the Council's buildings, car parks, theatre and leisure facilities;
- £14m direct costs of providing Council services throughout the year including, public and environmental health, planning, sports, leisure and parks;

The cost of the Council's main contracts are included in the contracted services figure (£10m) are as follows:

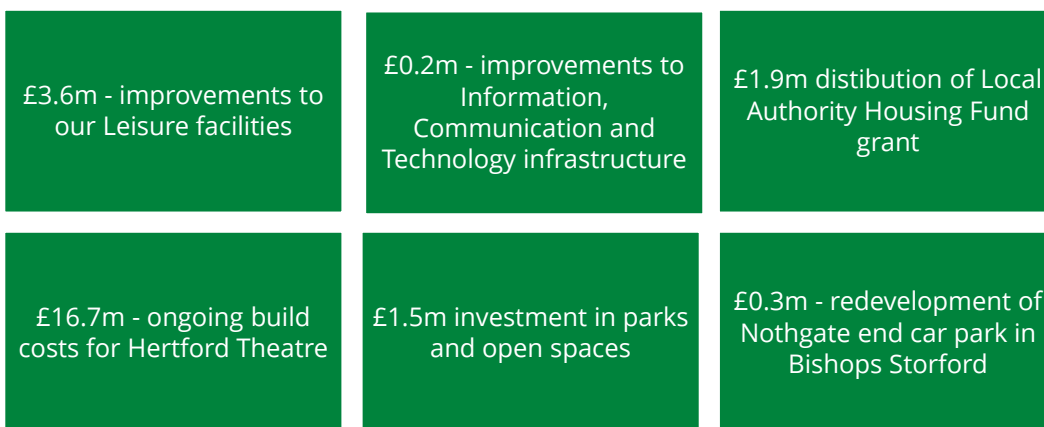
- £5.7m Refuse & Recycling
- £1.3m Grounds maintenance
- £0.8m Parking enforcement
- £0.8m Cleansing

FINANCIAL MANAGEMENT

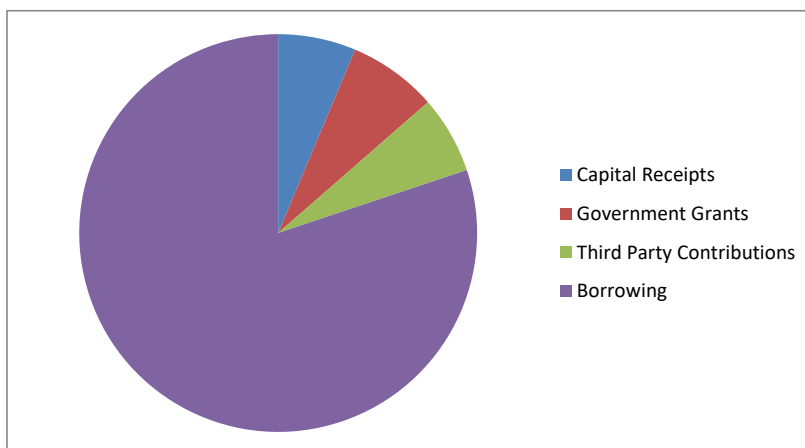
Capital

Capital expenditure relates to the acquisition or enhancement of assets which generates a benefit for a period greater than one year. This differs to the Revenue expenditure, discussed over the previous pages, which is defined as money that the authority spends or receives in the same year that the services are delivered.

The Council has embarked on an ambitious Capital Programme over the life of the Medium Term Financial Plan, during 2023/24 the Council incurred expenditure of £25.5m on capital projects, compared with a capital programme budget of £36.5m. A total budget of £11m has been carried forward to 2024/25 to match ongoing schemes which didn't commence in 2023/24 or where works are ongoing. A selection of the capital schemes undertaken this year are shown below:



A combination of capital grant income, receipts from disposal of assets, third party contributions and revenue contributions were used to fund the 2023/24 capital programme. The split is shown in the following pie chart:



MEDIUM TERM FINANCIAL PLAN

East Herts' approach to setting the revenue and capital budget for the four years commencing 2023/24 was to improve the organisational financial sustainability and resilience in the forthcoming years.

The budget report sets out the proposals and outcomes that Officers and Members had arrived at to ensure that the Council maintains a sustainable budget position for the future.

The MTFP provides the framework for the development of annual budgets in line with the aims of the Council's Corporate Strategy.

Reserves are an essential part of good financial management. They help councils cope with unpredictable financial pressures, help them smooth the impact of known spending requirements over time, and help to fund any in-year overspending. In 2023/24 the Council contributed a net £2.5m to general and earmarked reserves; the balance held in the general and earmarked at the end of the year is £22m.

Details of the Council's earmarked reserves (set aside for a defined purpose to meet known or predicted future liabilities) and General Reserve (to manage cash flows and limit the need for temporary borrowing and to provide a contingency for unforeseeable events and emergency spending) can be found within the Statement of Accounts.

PENSION FUND

The Council participates in the Local Government Pension Scheme which is administered by Hertfordshire County Council. Under current accounting standards the impact of any pension liability must be shown in the balance sheet.

Further information is given in note 33, on page 66.

EXPLANATION OF ACCOUNTING STATEMENTS

Statement	Explanation
Movement in Reserves Statement	Shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves
Comprehensive Income & Expenditure Statement	A summary of the resources generated and consumed by the Council in the year
Balance Sheet	Sets out the financial position of the Council on 31 March 2024
Cash Flow Statement	Summarises the Council's inflows and outflows of cash for the year 2023/24
Notes to the Accounts	Provides support to the core financial statements, which informs and gives sufficient information to present a good understanding of the Council's activities. The notes include a Statement of Accounting Policies which details the legislation and principles on which the Statement of Accounts have been prepared. The purpose is to explain the basis for recognition, measurement and disclosure of transactions and other events in the Statement of Accounts
Supplementary Financial Statements – The Collection Fund	Shows the level of Non Domestic Rates and Council Tax that has been received by the Council, as billing authority, during the period
Glossary of Financial Terms	Explains some of the key terms used in the Statement of Accounts
Statement of Responsibilities for the Statement of Accounts	Identifies the officer who is responsible for the proper administration of the Council's financial affairs. The purpose is for the Chief Finance Officer to sign under a statement that the Statement of Accounts present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2024

The Core Accounting Statements

MOVEMENT IN RESERVES STATEMENT

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

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	General Reserve	Total Usable Reserves	Total Unusable Reserves	Total Reserves	
	£000	£000	£000	£000	£000	£000	£000	£000	
Balance at 31 March 2023	3,854	18,689	0	224	878	23,645	94,935	118,580	
Movement in reserves during 2023/24	(15,000)	0	0	0	0	(15,000)	-	(15,000)	
Other Comprehensive Income & Expenditure	0	0	0	0	0	0	17,603	17,603	
Total Comprehensive Income and Expenditure	(15,000)	0	0	0	0	(15,000)	17,603	2,603	
Adjustments between accounting basis and funding basis under regulations	Note 5	17,448	-	0	(35)	-	17,413	(16,440)	973
Net Increase/Decrease before Transfers to Earmarked Reserves	2,448	-	0	(35)	-	2,413	1,163	3,576	
Transfers to/(from) Earmarked Reserves	Note 6	(2,448)	2,224	-	-	225	-	-	-
Increase/Decrease in Year		0	2,224	0	(35)	225	2,413	1,163	3,576
Balance as at 31 March 2024 carried forward	3,854	20,913	0	189	1,103	26,058	96,098	122,156	

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	General Reserve	Total Usable Reserves	Total Unusable Reserves	Total Reserves	
	£000	£000	£000	£000	£000	£000	£000	£000	
Balance at 31 March 2022	3,854	21,307	0	224	1,065	26,450	61,335	87,785	
Movement in reserves during 2022/23	(204)	0	0	0	0	(204)	30,999	30,795	
Total Comprehensive Income and Expenditure	(204)	-	-	-	-	(204)	30,999	30,795	
Adjustments between accounting basis and funding basis under regulations	Note 5	(2,601)	-	0	0	-	(2,601)	2,601	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(2,805)	-	-	0	-	(2,805)	33,600	30,795	
Transfers to/(from) Earmarked Reserves	Note 6	2,805	(2,618)	-	-	(187)	-	-	-
Increase/Decrease in Year		0	(2,618)	0	0	(187)	33,600	30,795	
Balance as at 31 March 2023 carried forward	3,854	18,689	0	224	878	23,645	94,935	118,580	

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices (GAAP), rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations, generally this will be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

	2023/24		2022/23	
	Gross	Gross	Net	Net
	Expenditure	Income	Expenditure	Expenditure
	£000	£000	£000	£000
Chief Executive, PA's & Directors	563	0	563	643
Communications, Strategy & Policy	2,635	(1,123)	1,512	1,526
Human Resources & Organisation Development	622	(11)	611	656
Strategic Finance & Property	10,052	(5,024)	5,028	5,015
Democratic & Legal Services	2,162	(470)	1,692	1,717
Housing & Health	6,231	(2,925)	3,306	3,583
Planning & Building Control	4,453	(1,777)	2,676	2,482
Operations	31,629	(11,574)	20,055	4,612
Shared Revenues & Benefits Service	27,032	(26,059)	973	1,424
Shared Business & Technology Services	2,258	(19)	2,239	2,277
NET COST OF SERVICES			38,655	23,935
Payments of precepts to parishes			5,351	5,060
Gain on disposal of non current (fixed) assets			(974)	(1,427)
Minimum Revenue provision			600	0
OTHER OPERATING EXPENDITURE			4,977	3,633
Interest payable and similar charges			541	596
Net Interest on the net defined benefit liability & remeasurements of the defined benefit liability for long term employee benefits			189	1,024
Interest receivable and similar income			(1,774)	(1,463)
Income from investment properties (Note 10)			(501)	(822)
Direct expenditure incurred on investment properties (Note 10)			364	200
Changes in Fair Value of Investment Properties			740	(795)
FINANCING AND INVESTMENT EXPENDITURE			(441)	(1,260)
Recognised capital grants and contributions			(3,423)	(2,207)
Council tax income			(17,722)	(16,768)
Non domestic rates			322	(188)
Non service related government grants			(7,298)	(6,624)
Renewable energy			(70)	(318)
TAXATION AND NON-SPECIFIC GRANT INCOME (Note 29)			(28,191)	(26,105)
(SURPLUS) / DEFICIT ON PROVISION OF SERVICES			15,000	203
(Surplus) or Deficit on revaluation of Fixed assets			(12,637)	1,566
Remeasurements of the net defined benefit liability (Note 33)			(7,656)	(37,236)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE (SURPLUS) OR DEFICIT ON PROVISION OF SERVICES			(20,293)	(35,670)
(Surplus) / Deficit on revaluation of financial instruments (Note 12)			1,717	4,667
ITEMS THAT MAY BE RECLASSIFIED TO THE (SURPLUS) OR DEFICIT ON PROVISION OF SERVICES			1,717	4,667
OTHER COMPREHENSIVE INCOME AND EXPENDITURE			(18,576)	(31,003)
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE			(3,576)	(30,800)

BALANCE SHEET

These financial statements are authorised by Brian Moldon - Head of Finance & S151 officer 29/04/2025



The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council.

		31 March '24		31 March '23
		£000	£000	£000
Property, Plant & Equipment	Note 7			
- Other land and buildings		89,854		88,533
- Vehicles, plant, furniture and equipment		1,884		2,280
- Infrastructure assets		1,140		1,285
- Community assets		6,625		4,900
- Surplus assets		4,886		6,093
- Assets under Construction		31,328		18,711
			135,717	
Investment Properties	Note 10	7,853		8,594
Intangible Assets	Note 11	199	8,052	292
			143,769	130,688
Long Term Investments	Note 12	17,838		19,555
Long Term Debtors	Note 15	5,188	23,026	5,190
TOTAL LONG TERM ASSETS			166,795	155,433
Assets Held For Sale	Note 17	4,441		409
Short Term Investments	Note 12	6,500		6,500
Short Term Debtors	Note 15	12,433		12,754
Cash and Cash Equivalents	Note 16	4,156		8,944
CURRENT ASSETS			27,530	28,607
Provisions	Note 19	(249)		(300)
Short Term Creditors	Note 18	(18,200)		(21,894)
Short Term Borrowing	Note 12	(48,500)		(30,000)
CURRENT LIABILITIES			(66,949)	(52,194)
Provisions	Note 19	(997)		(1,233)
Long Term Borrowing	Note 12	(1,500)		(1,522)
Net Pension Liability	Note 33	5,266		(2,862)
Grant Receipts in Advance	Note 29	(2,066)		(2,476)
- Capital				
- Revenue		(5,923)		(5,173)
LONG TERM LIABILITIES			(5,220)	(13,266)
NET ASSETS			122,156	118,580
USABLE RESERVES				
- General Fund	Note 20	3,854		3,854
- General Reserve	Note 20	1,103		878
- Earmarked Reserves	Note 6	20,912		18,688
- Capital Receipts Reserve	Note 20	0		0
- Capital grants Unapplied	Note 20	189		224
			26,058	23,644
UNUSABLE RESERVES				
- Revaluation Reserve	Note 21	31,032		20,815
- Financial Instrument Revaluation Reserve	Note 21	(2,160)		(443)
- Pensions Reserve	Note 21	5,250		(2,862)
- Capital Adjustment Account	Note 21	61,619		75,629
- Deferred Capital Receipts	Note 21	142		144
- Collection Fund Adjustment Account	Note 21	491		1,858
- Short-term Accumulating Compensated Absences Account	Note 21	(276)		(205)
			96,098	94,936
TOTAL RESERVES			122,156	118,580

THE CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period.

	2023/24		2022/23
	£000	£000	£000
OPERATING ACTIVITIES			
Cash Inflows			
Council Tax receipts	(12,985)		(12,131)
NNDR Receipts	(16,025)		(15,704)
DWP grants for benefits	(24,370)		(22,375)
Other Government grants	(9,330)		(10,062)
Cash received for goods and services	(18,365)		(21,508)
Interest received	(1,774)		(1,463)
Cash inflows generated from operating activities	(82,849)		(83,243)
Cash Out Flows			
Cash paid to and on behalf of employees	15,754		14,895
Housing Benefit paid out	22,705		22,409
Other operating cash payments	40,117		37,884
Precepts paid to other authorities	5,351		5,060
Interest paid	1,306		320
Cash outflows generated from operating activities	85,233		80,568
Net Cash Inflow from operating activities		2,384	(2,675)
INVESTING ACTIVITIES			
- Purchase of property plant and equipment, investment property and intangible assets	24,149		16,620
- Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,722)		(1,427)
- Capital grants	(3,917)		(2,717)
- Proceeds from short-term and long-term investments	(4,000)		(4,000)
Net cash outflow from investing activities		14,510	8,476
FINANCING ACTIVITIES			
- Cash receipts of short and long-term borrowing	(18,500)		(10,000)
- Cash Payments for the reduction of the outstanding liabilities relating to finance leases (Principal)			
- Other payments for financing activities	6,405		4,161
Net cash outflow from financing activities		(12,095)	(5,839)
Net increase in cash and cash equivalents		4,799	(38)
Cash and cash equivalents at the beginning of the reporting period		(8,944)	(8,906)
Cash and cash equivalents at the end of the reporting period		(4,145)	(8,944)

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

- i. The Statement of Accounts summarises the Council's transactions for the 2023/24 financial year and its position at the year-end of 31 March 2024. The Accounts and Audit Regulations 2015 require the Council to prepare the Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2023/24 and the Service Reporting Code of Practice (SeRCOP) 2023/24, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.
- ii. The accounts are prepared on a going concern basis; that is, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future from the date that the accounts are authorised for issue.

iii. Accruals of Income & Expenditure

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

- Income from the provision of services in the form of sales, fees, charges and rents is recognised and accounted for in the period to which they relate.
- Expenses in relation to services received (including services provided by employees, transport related, premises related and supplies and services related expenditure) are recorded as expenditure when the services are received rather than when payments are made, with the exception of quarterly utility payments where no actual apportionment is made for bills spanning two financial years.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Provision is made for doubtful debts and known uncollectable debts are written off in accordance with the Council's agreed policy.

iv. Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three weeks or less that are readily convertible to known amounts of cash with insignificant risk of change in value, and are used to meet short term liquidity requirements.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

v. Prior Period Adjustments , Changes in Accounting Policies and Estimates and Errors

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

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

vi. Charges to Revenue for Non - Current Assets (Property, Plant and Equipment and Intangible Assets)

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

Depreciation attributable to the assets used by the relevant service revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. Depreciation, revaluation, impairment losses and amortisations are therefore transferred to the Capital Adjustment Account in the Movement in Reserves Statement.

vii. Employee Benefits

Benefits Payable during Employment

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

Post Employment Benefits (Pensions)

The Council participates in one scheme, the Local Government Pension Scheme, which is a defined benefit final salary scheme administered by Hertfordshire County Council.

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

Liabilities are discounted to their value at current prices, using a discount rate of 2.5%. The discount rate has been determined as the long term government bond yield plus an allowance for the average difference between the yield on corporate bonds and government bonds. This difference in yields is a result of the difference in the risk of default. This approach has been adopted as government bonds have a long enough term to match the term of the liabilities whereas corporate bonds have shorter terms.

The assets of Hertfordshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price;
- unquoted securities – professional estimate;
- unit trust and managed fund investments (including property) – current bid price and disclosed in line with the requirements of IAS19.

The change in the net pensions liability is analysed into seven components:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- past service cost / gain – the increase / decrease in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited / credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- expected return on assets – the annual investment return on the pension fund assets attributable to the Council, based on an average of the expected long-term return, credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

- gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees
- debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;

- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve;

- contributions paid to the pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

In line with the requirements of the Code the past service contribution is no longer a current revenue item but is included as part of the payments to the pension fund (in accordance with pension scheme regulations) and is treated as a cash flow item which reduces the pensions liability. This is also in line with the requirements of the Code.

Further information can be found in Hertfordshire County Council’s Pension Fund’s Annual Report which is available upon request from LPP, Hertfordshire County Council, Post point CHO 033, County Hall, Pegs Lane, Hertford, SG13 8DQ.

viii. Events after the Balance Sheet Date

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

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

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

ix. Government grants and contributions - revenue and capital

Grants and contributions relating to capital and revenue expenditure are accounted for on an accruals basis and recognised in the accounts when there is reasonable assurance that the Council will comply with any conditions attached to the payments, and the grants or contributions will be received.

The grant or contribution is recognised immediately within the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition relating to the initial recognition that the Council has not satisfied.

Monies received as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as a liability within the Grants Receipts in Advance Account. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

Revenue grants specific to service provision are shown against the relevant service in the Comprehensive Income and Expenditure Statement. General grants allocated by central government directly to local authorities as additional revenue funding which are non-ring fenced are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

x. Minimum revenue provision

In accordance with current legislation the minimum revenue provision (MRP) for the redemption of debt is required to be calculated on a prudent basis having regard to guidelines set out for application of the prudential code.

xi. Overheads and support services

As the Council does not include the recharge of overheads and support services in how they monitor and manage financial performance they are no longer included in the year end accounts.

xii. Provision for bad debt

The value of receivables (debtors) shown on the Balance Sheet is adjusted for doubtful debts. The level of bad debt provision is reviewed annually. Uncollectable debts are written off against the provision. The following methods are used:

Trade Accounts Receivable	- Age and Collectability
Housing Benefits Overpayments	- Age and Collectability
National Non Domestic Rates	- Currently 100% of outstanding arrears
Council Tax	- 0.46% against the net debit due reviewed against sums written off and opening yearly balances

xiii. Revenue expenditure funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account is made which reverses out the amounts charged so that there is no impact on the level of council tax.

xiv. Capital receipts

Capital Receipts arise from the sale of non-current assets (Property, Plant and Equipment and Investment Properties). Further to the introduction of the Prudential Capital Finance System on 1 April 2004, capital receipts are all deemed to be “usable” and are held within the Capital Receipts Reserve.

Prior to this date, in accordance with Government legislation, a proportion of certain receipts had to be “set aside” and are retained within the Capital Adjustment Account as provision for the repayment of debt.

xv. VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenues & Customs and in most circumstances all VAT paid is recoverable from them. VAT has been included in the income and expenditure accounts only to the extent that it is irrecoverable.

xvi. Tax Income (Council Tax, Non-Domestic Rates (NDR))

Non Domestic Rates (NDR)

The Council collects, administers and distributes Non Domestic Rates (NDR) for its area based on local rateable values determined by the Valuation Office Agency (VOA). The tax liability is then calculated applying a business rate which is set and uniformly applied on a national basis. In 2013/14, the administration of NDR changed following the introduction of a Business Rates Retention Scheme which aims to give Councils greater incentive to grow businesses in their locality. This regime also increased the financial risk and opportunities for local authorities, with income becoming more volatile and difficult to predict.

The regime provides for local authorities to retain a proportion of the total collectable rates due in proportion of their relevant statutory share. The proportion for East Hert is 40%, the remainder being distributed to Hertfordshire County Council (10%) and Central Government (50%).

As part of the regime the Government set up a system of 'Top ups', 'Tariffs' and 'Safety Nets' that were introduced to ensure that Councils were guaranteed a minimum level of retained NDR income, thus providing some financial certainty under the new scheme. In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VOA and the financial impact of uncollected business rate income as at 31 March 2021. Authorities are required to make a provision for these assets and liabilities in their accounts.

The accounting arrangements for the Non Domestic Rates are summarised as follows:

- the Council's element of Retained Business Rate income, Tariffs, Top Up and Safety net is included in the CI&E Statement based on the relevant regulations.
- the NDR Collection Fund is prepared on an agency arrangement basis. Relevant proportions of the accounts Surplus/Deficit/taxpayer's Arrears and Provisions are allocated to the relevant Preceptors and Government and accounted for as Debtors/ Creditors in the Billing Authority's Accounts
- the council's cashflow statement only includes the council's share of council tax, net cash collected and precepts paid.

Council Tax

The Council as billing authority acts as agent with regards to the collection and distribution of Council Tax on behalf of itself, Hertfordshire County Council, Hertfordshire Police and Town and Parish Councils. In line with these agency arrangements, and in order to reflect the risks and rewards within the Council, the following transactions are included:

- the Council's Comprehensive Income & Expenditure Statement includes only the statutory precept under regulation.
- a debtor/creditor to reflect the difference between the various preceptors share of cash collected in the year and cash paid to the preceptors on account in line with the appropriate regulations will be included in the Council's balance sheet.
- the council's cashflow statement only includes the council's share of council tax, net cash collected and precepts paid

xvii. Interests in Other Entities

The Council has set up a wholly owned subsidiary called Millstream Property Investments Ltd, which has the principal activity of acquiring, developing and refurbishing properties. The Company's accounts are consolidated into the Council's accounts and the consolidated accounts are included in the Council's Statement of Accounts.

Additionally, the Council also has an interest in Hertfordshire Building Control Limited, a company which is equally owned by seven Hertfordshire authorities.

xviii. Capitalisation of Interest

The Council capitalises borrowing costs incurred whilst qualifying assets are under construction. Qualifying assets are where there is a 'substantial period of time' from the first capital expenditure financed from borrowing until the asset is ready to be brought into use. A substantial period of time is considered to mean in excess of two years.

2. Expenditure and Funding Analysis

The object of the Expenditure and Funding Analysis is to demonstrate to Council Taxpayers how the funding available to the authority (ie government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with general accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2023/24	Net Expenditure chargeable to the General Fund balance £000	Adjustments between Funding & Accounting basis £000	Net Expenditure in CIES £000
Chief Executive, PA's & Directors	402	161	563
Communications, Strategy & Policy	1,435	75	1,510
Human Resources & Organisation Development	595	16	611
Strategic Finance & Property	4,083	613	4,696
Legal & Democratic Services	1,627	64	1,691
Housing & Health	3,877	1,524	5,401
Planning & Building Control	2,590	85	2,675
Operations	2,568	17,486	20,054
Shared revenues & Benefits Service	823	150	973
Shared Business & Technology Services	2,235	4	2,239
Net cost of services	20,235	20,178	40,413
Other income and Expenditure	(24,311)	(1,102)	(25,413)
(Surplus) or Deficit on Provision of Services	(4,076)	19,076	15,000
Operating General Fund balance at 1 April 2023	23,644		
Transfers to/(from) Earmarked Reserves	2,414		
Closing General Fund Balance at 31 March 2024	26,058		

2022/23	Net Expenditure chargeable to the General Fund balance £000	Adjustments between Funding & Accounting basis £000	Net Expenditure in CIES £000
Chief Executive, PA's & Directors	413	230	643
Communications, Strategy & Policy	1,222	303	1,525
Human Resources & Organisation Development	558	98	656
Strategic Finance & Property	3,072	1,943	5,015
Legal & Democratic Services	1,453	264	1,717
Housing & Health	2,640	943	3,583
Planning & Building Control	2,100	382	2,482
Operations	2,478	2,134	4,612
Shared revenues & Benefits Service	649	776	1,425
Shared Business & Technology Services	2,273	4	2,277
Net cost of services	16,858	7,077	23,935
Other income and Expenditure	(13,705)	(10,028)	(23,733)
(Surplus) or Deficit on Provision of Services	3,153	(2,951)	202
Operating General Fund balance at 1 April 2022	26,449		
Transfers to/(from) Earmarked Reserves	(2,805)		
Closing General Fund Balance at 31 March 2023	23,644		

Note to the Expenditure and Funding Analysis - Adjustments between Funding and Accounting Basis

2023/24

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

	Adjustments for Capital Purposes (Note 1) £000	Net change for the Pensions Adjustments (Note2) £000	Other Differences (Note 3) £000	Total Adjustments £000
Chief Executive, PA's & Directors	147	10	4	161
Communications, Strategy & Policy	33	38	6	77
Human Resources & Organisation Development	4	11	1	16
Strategic Finance & Property	562	40	11	613
Legal & Democratic Services	30	30	5	65
Housing & Health	1,436	72	13	1,521
Planning & Building Control	18	59	8	85
Operations	17,448	31	7	17,486
Shared Revenues & Benefits Service	36	97	17	150
Shared Business & Technology Services	4	0	0	4
Net cost of services	19,718	388	72	20,178
Other income and expenditure from the Funding Analysis	(2,040)	(428)	1,366	(1,102)
Difference between General Fund (surplus) or deficit and Comprehensive Income & Expenditure Statement (surplus) or deficit	17,678	(40)	1,438	19,076

2022/23

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

	Adjustments for Capital Purposes (Note 1) £000	Net change for the Pensions Adjustments (Note2) £000	Other Differences (Note 3) £000	Total Adjustments £000
Chief Executive, PA's & Directors	145	87	(1)	231
Communications, Strategy & Policy	37	268	(1)	304
Human Resources & Organisation Development	10	88	-	98
Strategic Finance & Property	1,609	338	(4)	1,943
Legal & Democratic Services	31	234	(2)	263
Housing & Health	386	562	(4)	944
Planning & Building Control	21	363	(2)	382
Operations	1,887	248	(2)	2,133
Shared Revenues & Benefits Service	44	738	(7)	775
Shared Business & Technology Services	4	0	-	4
Net cost of services	4,174	2,926	-23	7,077
Other income and expenditure from the Funding Analysis	(4,427)	269	(5,870)	(10,028)
Difference between General Fund (surplus) or deficit and Comprehensive Income & Expenditure Statement (surplus) or deficit	(253)	3,195	(5,893)	(2,951)

Note 1 – Adjustments for Capital Purposes

Adjustments for capital purposes for this column add in depreciation and impairment and revaluation gains and losses in the services line and for:

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

Note 2 – Net change for the pensions' adjustments

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

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

Note 3 – Other Differences

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

- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

3. Accounting Standards Issued not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the Council to disclose information relating to accounting standards that have been issued but have not yet been adopted that could have a material impact on the accounts.

For this disclosure the standards introduced by the 2023/24 Code are:

- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

4. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future that are otherwise uncertain. Estimates are made taking into account professional advice (e.g. actuarial advice), historical experience, current trends and other relevant information. Items included within the Council's Balance Sheet at 31 March 2024 for which there is a risk of material adjustment in the forthcoming year are as follows:

Pension Liability

The value of the pension liability as at 31st March 2024 is £2.9m. This liability depends on a number of factors, including discount rates, changes in retirement age, mortality rates and expected return on pension's assets. These are determined on an actuarial basis by Hymans Robertson, the actuaries for the Hertfordshire pension fund.

Change in assumptions at 31 March 2024	% increase to Defined Benefit Obligation	Approximate monetary amount (£m)
0.1% decrease in Real Discount Rate		
0.1% increase in the Salary Increase Rate		
0.1% increase in the Pension Increase Rate		

The figures in the table on the previous page give an indication of the potential impact that a change in assumptions could represent to the value of the pension liability. The figures represent key factors taken in isolation and are only indicative of the estimated impact as the assumptions interact in complex ways. The approach taken is consistent with that adopted to derive the IAS19 figures as per note 33.

Property, Plant and Equipment

The Councils assets are shown in the accounts at either Fair Value, Fair Value (Existing Use) or Market Value (dependent on the class of asset. Further information can be found in Note 7). The valuations are carried out by our internal asset management team in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation professional standards and International Financial Reporting Standards (IFRS). These valuations are arrived at using recent comparable transactions and for specialised properties using depreciated replacement cost methodology.

The tables below show the 31 March 2024 value of the assets in the Statement of Accounts, the impact a 5% increase or decrease in asset value would have on the Balance Sheet and the depreciation charged to the Comprehensive Income and Expenditure statement.

	31/03/2024	-5%		5%	
	Value	Value	Movement	Value	Movement
	£000	£000	£000	£000	£000
Other Land & Buildings	126,674	120,340	(6,334)	133,008	6,334
Vehicles, Plant, Furniture & Equip.	22,076	20,972	(1,104)	23,180	1,104
Infrastructure	8,633	8,201	(432)	9,065	432
Community Assets	6,716	6,380	(336)	7,052	336
Surplus Assets	4,886	4,642	(244)	5,130	244
	168,985	160,536	(8,449)	177,434	8,449

Depreciation

	31/03/2024	-5%		5%	
	Value	Value	Movement	Value	Movement
	£000	£000	£000	£000	£000
Other Land & Buildings	36,821	34,980	(1,841)	38662	1,841
Vehicles, Plant, Furniture & Equip.	20,191	19,181	(1,010)	21201	1,010
Infrastructure	7,493	7,118	(375)	7868	375
	64,505	61,280	(3,225)	67,730	3,225

Investment Properties

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. The Council's investment property has been valued as at 31 December 2023 (with a statement of professional opinion given that there has been no material change up to 31 March 2024) by the Council's Estates and Asset Manager, Anna Osborne (MRICS) and Principal Assets and Estates Surveyor Lucy Smith (MRICS) in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Non Domestic Rates – Provision for outstanding appeals

Since the Retained Business Rate scheme was introduced on 1st April 2013 Local Authorities have assumed the liability for refunding business rate payers who successfully appeal against the rateable value of their property.

Appeals against the rateable value of a property are lodged by the rate payer with the Valuation Office Agency, who provides information of all the appeals that have been lodged to the Council.

An estimate of the potential impact of successful appeals has been calculated using analysis provided from Inform (a member of the Institute of Rating, Revenues and Valuation) and local knowledge.

The carrying amount of the provision at 31 March 2024 is £3.1m, of which the Council's share of £1.25m is reflected in the accounts. Higher success rates of appeals could result in a need for a larger provision. An increase of 5% would change the required provision by £155k affecting the surplus/deficit distribution to the Council, Hertfordshire County Council and Central Government.

Debtors - As at 31 March 2024 the authority had a balance of short term debtors of £15.7m. A review of the age and collectability of the debts outstanding has resulted in a bad debt provision of £3.3m. If collection rates were to deteriorate then an additional provision would be required.

5. Adjustments between Accounting Basis and Funding Basis under Regulations

2023/24

Adjustments involving the Capital Adjustment Account:

Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:

Charges for depreciation of non current assets

Revaluation / Impairment on Property Plant and Equipment

Movements in the market value of Investment Properties

Amortisation of intangible assets

Capital grants and contributions applied

Revenue expenditure funded from capital under statute

Revenue grants written down to the Capital Adjustment Account

Disposal of non current assets

Disposal of investment Properties

Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:

Statutory adjustment relating to capital element of principal repayment for finance lease

Capital expenditure charged against the General Fund

Adjustments involving the Capital Grants Unapplied Account:

Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement

Application of grants to capital financing transferred to the Capital Adjustment Account

Adjustments involving the Capital Receipts Reserve:

Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement

Use of Capital Receipts Reserve to finance new capital expenditure

Adjustments involving the Deferred Capital Receipts Reserve:

Statutory adjustment relating to capital element of principal payment for finance lease

Adjustments involving the Pensions Reserve:

Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 33)

Employer's pensions contributions and direct payments to pensioners payable in the year

Adjustments involving the Collection Fund Adjustment Account:

Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements

Adjustment involving the Accumulated Absences Account

Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements

	Usable Reserves			
	General Fund balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
	3,002			- 3,002
	14,653			- 14,653
	740			- 740
	166			- 166
	(3,423)			3,423
	1,883			- 1,883
	-			-
	641			- 641
	-			-
				-
				-
			35	35
				-
	(1,615)	1,615		-
		(1,615)		1,615
	2			- 2
				-
	2,754			- 2,754
	(2,793)			2,793
				-
	1,366			- 1,366
	72			- 72
Total Adjustments	17,448	0	(35)	(17,413)

2022/23 comparative figure

Adjustments involving the Capital Adjustment Account:

Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:

Charges for depreciation of non current assets	2,656	-	-	(2,656)
Revaluation / Impairment on Property Plant and Equipment	1,320	-	-	(1,320)
Movements in the market value of Investment Properties	(795)	-	-	795
Amortisation of intangible assets	200	-	-	(200)
Capital grants and contributions applied	(2,207)	-	-	2,207
Revenue expenditure funded from capital under statute	348	-	-	(348)
Revenue grants written down to the Capital Adjustment Account	-	-	-	-
Disposal of non current assets	1,656	-	-	(1,656)
Disposal of investment Properties	-	-	-	-

Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:

Statutory adjustment relating to capital element of principal repayment for finance lease
Capital expenditure charged against the General Fund

Adjustments involving the Capital Grants Unapplied Account:

Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	3,083	3,083	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account		-	3,083		3,083

Adjustments involving the Capital Receipts Reserve:

Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement				-	-
Use of Capital Receipts Reserve to finance new capital expenditure				-	0

Adjustments involving the Deferred Capital Receipts Reserve:

Statutory adjustment relating to capital element of principal payment for finance lease	2	-	-		(2)
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Adjustments involving the Pensions Reserve:

Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 33)	5,878	-	-		(5,878)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,683)	-	-		2,683

Adjustments involving the Collection Fund Adjustment Account:

Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(5,870)	-	-		5,870
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Adjustment involving the Accumulated Absences Account

Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(23)	-	-		23
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Total Adjustments	(2,601)	0	0		2,601
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	Usable Reserves			
	General Fund balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Charges for depreciation of non current assets	2,656	-	-	(2,656)
Revaluation / Impairment on Property Plant and Equipment	1,320	-	-	(1,320)
Movements in the market value of Investment Properties	(795)	-	-	795
Amortisation of intangible assets	200	-	-	(200)
Capital grants and contributions applied	(2,207)	-	-	2,207
Revenue expenditure funded from capital under statute	348	-	-	(348)
Revenue grants written down to the Capital Adjustment Account	-	-	-	-
Disposal of non current assets	1,656	-	-	(1,656)
Disposal of investment Properties	-	-	-	-
Statutory adjustment relating to capital element of principal repayment for finance lease Capital expenditure charged against the General Fund				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	3,083	3,083	-
Application of grants to capital financing transferred to the Capital Adjustment Account		-	3,083	
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement				-
Use of Capital Receipts Reserve to finance new capital expenditure				-
Statutory adjustment relating to capital element of principal payment for finance lease	2	-	-	(2)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 33)	5,878	-	-	(5,878)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,683)	-	-	2,683
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(5,870)	-	-	5,870
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(23)	-	-	23
Total Adjustments	(2,601)	0	0	2,601

6. Transfers to/from Earmarked Reserves

Amounts appropriated to / from reserves are distinguished from service expenditure disclosed in the Statement of Accounts. Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for purposes such as general contingencies and cashflow management.

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide funding for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2023/24

	Balance 1 April 2022 £000	Transfers Out/(In) 2022/23 £000	Balance 31 March 2023 £000	Transfers Out 2023/24 £000	Transfers In 2023/24 £000	Balance 31 March 2024 £000
Interest Equalisation Reserve	(2,045)		(2,045)	-	(1,212)	(3,257)
Insurance Fund	(908)	161	(747)	-	-	(747)
Emergency Planning Reserve	(36)	-	(36)	-	-	(36)
LDF/Green Belt Reserve	(62)	-	(62)	-	-	(62)
Housing Condition Survey Reserve	(90)	-	(90)	-	-	(90)
Council Elections Reserve	(63)	(35)	(98)	-	(235)	(333)
Sinking fund - Leisure Utilities / Pension Reserve	(228)	-	(228)	-	-	(228)
Performance Reward Grant Reserve	(10)	-	(10)	-	-	(10)
Waste Recycling Income Volatility Reserve	(353)	-	(353)	-	-	(353)
Footbridge Reserve	(150)	-	(150)	-	-	(150)
DCLG Preventing Repossessions	(18)	-	(18)	-	-	(18)
New Homes Bonus Priority Spend	(6,668)	(1,270)	(7,938)	-	(931)	(8,869)
Collection Fund Reserve	(1,963)	300	(1,663)	-	(3,400)	(5,063)
DEFRA Flood Support	(4)	-	(4)	-	-	(4)
Neighbourhood Planning	(64)	-	(64)	-	(111)	(175)
IER	(106)	26	(80)	32	-	(48)
MTFP Transition Funding Reserve	(413)	-	(413)	98	-	(315)
Flexible Homelessness Grant	(354)	-	(354)	-	-	(354)
Preventing Homelessness New Burdens Reserve	(31)	-	(31)	-	-	(31)
Healthy Lifestyle Promotions Reserve	(33)	-	(33)	-	-	(33)
Land Charges New Burdens	(30)	-	(30)	-	-	(30)
HB Subsidy Volatility Reserve	(50)	(50)	(100)	-	-	(100)
Section 31 NNDR	(7,071)	3,536	(3,535)	3,535	-	-
Parks & Open Spaces Reserve	(306)	-	(306)	-	-	(306)
Revs & Bens New Burdens Reserve	(250)	(50)	(300)	-	-	(300)
Total	(21,306)	2,618	(18,688)	3,665	(5,889)	(20,912)

Interest Equalisation Reserve	This reserve was established to assist the Council in managing the financial implications of adverse interest rate fluctuations. £1.2m has been added to this reserve in 2023/24
Insurance Fund	Its purpose is to support the Council's insurance and risk management process in anticipation of setting up a self-insurance fund in some areas to reduce future insurance premiums.
Emergency Planning Reserve	The reserve was set up to support the work of an Emergency Planning Officer Group that has been established within the Council. There was no call on it in 2023/24.
Local Development Framework / Green Belt Reserve	This reserve was established in 2008/09 to smooth expenditure over the Council's Medium Term Financial Plan (MTFP). There has been no call on the reserve in 2023/24.
Housing Condition Survey Reserve	This reserve was established to fund House Condition Surveys. There has been no movement on the reserve in 2023/24.
Council Elections Reserve	Established to smooth the cost of Elections over the MTFP. A further £235k was added to the reserve in 2023/24 to fund the cost of future elections.
Sinking Fund – Leisure Utilities and Pension	Further to the Council awarding a leisure contract to Sports and Leisure Management from January 2020, the Council provided guarantees in respect of utilities and employers pension costs. There was no call on it in 2023/24.
Performance Reward Grant Reserve	The Council received revenue grant funding in respect of the Local Area Agreement (Performance Reward Grant) in 2009/10. There was no call on the reserve in 2023/24.
Waste Recycling Income Volatility Reserve	The reserve has been established to manage income volatility in recycling income. There was no call on this reserve in 2023/24.
Footbridge Reserve	The Council's MTFP included setting aside £50k a year from 2010/11 to 2012/13 in order to meet any potential maintenance costs or liabilities that may arise relating to the footbridge over the River Stort. There was no call on the reserve 2023/24.
DCL Preventing Repossessions	This reserve was established from unspent Government Grant monies. There were no appropriations in 2023/24.
New Homes Bonus Priority Spend	This reserve was established from unspent New Homes Bonus monies received from DCLG and the 2014/15 GF underspend. Over the years, further amounts of New Homes Bonus monies have been transferred to this reserve with £931k added in 2023/24.

Collection Fund Reserve	As a result of a Council decision in January 2014, a Government Funding Risk Reserve was established to smooth the effect on the Council of income volatility following the new NDR funding regime. This was subsequently renamed the Collection Fund Reserve. £3.4m was transferred to the reserve in 2023/24.
DEFA Flood Support for Local Businesses	This reserve was established from the unspent element of a DEFRA grant received to enable the Council to support local businesses to repair damage following the flooding in 2013/14. There has been no call on this in 2023/24.
Neighbourhood Planning Grant	Created in 2014/15 from unspent Neighbourhood Planning grant received from MHCLG to fund future spend. There has been no call on this reserve in 2023/24.
IER Grant	This reserve was created from unspent grant monies received from the Cabinet Office to fund the costs of additional work involved in the Individual Electoral Registration Scheme. Further unspent grant monies were added to the reserve in 2019/20. £32k was utilised from this reserve in 2023/24.
MTFP Transition Funding Reserve	A new reserve established in 2016/17 from the Transition Grant awarded by MHCLG as part of the 2016/17 financial settlement. £98k was utilised in 2023/24.
Flexible Homelessness Grant	Established from unspent Government Grant monies in 2017/18 specifically to prevent and deal with homelessness. Further unspent grant monies have been added in 2019/20. No call on this reserve in 2023/24.
Preventing Homelessness New Burdens	A new reserve set up in 2017/18 from unspent Government Grant to deal with Homelessness. There was no call on this in 2023/24.
Healthy Lifestyle Promotions	A new reserve created in 2018/19 from unspent grant monies received to promote healthy living. There has been no call on this in 2023/24.
Land Charges New Burdens	This reserve was created from unused government grant received to cover costs of transferring the local land charges register to HM Land Registry. There has been no call on this in 2023/24.
HB Subsidy Volatility Reserve	This reserve was created in 2018/19 to manage the financial implications of fluctuations in Housing Benefit subsidy. There has been no call on this in 2023/24.
NNDR Section 31 Reserve	A new reserve created in 2020/21 from Section 31 grants received in 2020/21 but for use in 2021/22 to fund NNDR Collection Fund transactions. £3.535m has been appropriated in 2023/24.
Parks & Open Spaces Reserve	A new reserve created in 2021/22 from unspent contribution to be used to fund future works. No call made on this reserve in 2023/24.
Revs & Bens New Burdens	A new reserve established in 2021/22 from unspent Government Grant monies. No call made on this reserve in 2023/24.

7. Property, Plant & Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price;
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;

The Council does not capitalise borrowing costs incurred whilst assets are under construction. Assets are then carried in the Balance Sheet using the following measurement bases:

- Operational non-specialised property – fair value based on existing use value. The multi-storey car parks and surface car parks have been valued using the Existing Use Valuation method on the basis of income & expenditure, profit information;
- Operational specialised property (inc leisure centres and Hertford theatre) – depreciated replacement cost (DRC);
- Community assets – nominal value or historical cost;
- Infrastructure and all other assets – depreciated historical cost;
- Surplus assets - fair value, estimated at highest and best use from a market participant's perspective.

In the event of a future disposal the market value at that time may realise more or less than the carrying value. Since April 2016 the Council has revalued its assets on an annual basis (formerly four year rolling basis). Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

The Valuations were carried out by the Council's Estates and Asset Manager, Anna Osborne (MRICS) and Principal Assets and Estates Surveyor Lucy Smith (MRICS) on the basis of standards of professional practice set out in the guidance below:

- Royal Institution of Chartered Surveyors (RICS) Valuation - Professional Standards ('The red Book')
- International Financial Reporting Standards (IFRS)
- Chartered Institute of Public Finance and Accounting Code of Practice on Local Authority Accounting ('The CIPFA Code')

The valuer has arrived at their opinion of Fair Value, Fair Value (Existing Use) and Market Value from referring to recent comparable transactions. For Specialised properties the Fair value (Existing Use) has been derived using Depreciated Replacement Cost methodology.

Where decreases in value are identified, they are accounted for:

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

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account. The current asset values used in the accounts are based upon a certificate issued by the Council's Asset & Estates Manager, Anna Osborne MRICS and Lucy Smith MRICS as at 31 March 2024. Property, plant and equipment are classified in the Balance Sheet in line with current Accounting Codes of Practice.

Impairment

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

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

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

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

Depreciation

All Property, Plant and Equipment, other than freehold land and Community Assets (with two exceptions being recreational facilities with a building element) are depreciated on a straight line basis over the period of the assets useful economic life. The following periods are used:

Freehold Land	No depreciation
Council Buildings	20 to 60 years
Infrastructure	10 to 20 years
Equipment, Furniture and Fittings	5 to 20 years
Community Assets	No depreciation (30 years for exceptions)
Non-operational assets	40 to 60 years
Enhancement to Leased Properties	10 to 25 years
Plant	20 to 35 years

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

Componentisation

In line with accounting requirements the Council considers the identification of individual asset components on a prospective basis following either the enhancement of an asset or its revaluation. The Council has determined that it will adopt a de-minimis value of £1m for individual assets.

Disposals

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

The gain or loss on disposal is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are transferred from the General Fund Balance in the Movement in Reserves Statement to the Capital Adjustment Account (the carrying amount of the asset) and the usable Capital Receipts Reserve (the disposal proceeds).

Property, Plant & Equipment

Cost or Valuation	Other Land & Buildings	Vehicles, Plant, Furniture & Equip.	Infrastructure	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000
2022/23							
As at 01/04/2022	103,722	20,729	8,560	3,615	2,416	31,373.00	170,415
Additions	61	1,266		1,376	-	12,210	14,913
Disposals	0				-	-	0
Reclassifications	21,284				4,542	(24,872)	954
Revaluations	(2,021)				(865)	0	(2,886)
Total as at 31/03/2023	123,046	21,995	8,560	4,991	6,093	18,711	183,396
2023/24							
As at 01/04/2023	123,046	21,995	8,560	4,991	6,093	18,711	183,396
Additions	434	112	73	1,725		22,279	24,623
Disposals		(31)					(31)
Reclassifications	5,020					(9,662)	(4,642)
Revaluations	(1,826)				(1,207)		(3,033)
Total as at 31/03/2024	126,674	22,076	8,633	6,716	4,886	31,328	200,313
Depreciation & Impairment							
2022/23							
As at 01/04/2022	32,575	19,228	7,044	91	0	0	58,938
Charge for Year	1,938	487	231	-	-	-	2,656
Acc depreciation w/o on revaluation	-	-	-	-	-	-	0
Disposals	-	-	-	-	-	-	0
Impairment (reversal) recognised in the service	-	-	-	-	-	-	0
Revaluations	-	-	-	-	-	-	0
Total as at 31/03/2023	34,513	19,715	7,275	91	0	0	61,594
2023/24							
As at 01/04/2023	34,513	19,715	7,275	91	0	0	61,594
Charge for Year	2,308	476	218				3,002
Acc depreciation w/o on revaluation				-	-	-	0
Disposals				-	-	-	0
Impairment (reversal) recognised in the service				-	-	-	0
Revaluations				-	-	-	0
Total as at 31/03/2024	36,821	20,191	7,493	91	0	0	64,596
Net Book Value							
Balance Sheet as at 31/03/23	88,533	2,280	1,285	4,900	6,093	18,711	121,802
Balance Sheet as at 31/03/24	89,853	1,885	1,140	6,625	4,886	31,328	135,717

Reconciliation of Additions in the year to Capital Spend

	2023/24	2022/23
	£000	£000
Additions in the year (as above)	24,623	14,913
Intangible assets	74	116
Investment Properties	0	0
	24,697	15,029
plus CERA (not included in note 7)	0	0
Total Capital Spend	24,697	15,029

8. Analysis of Fixed Assets

	31 March '24	31 March '23
	Number	Number
Council Dwellings - Hostels	7	4
- Houses	2	2
Council Offices - Freehold	1	2
- Leasehold	1	0
Service Centre - Leasehold	1	1
Cash Offices	0	2
Off-Street Car Parks (incl. Leasehold)	35	35
Swimming Pools (including 3 joint-use pools)	5	5
Parks and Recreation Grounds/Open spaces	226Ha	188Ha
Public Halls/Community Centres (incl leasehold)	7	9
Commercial Property Rented Out	47	56
Land Awaiting Development	1.24Ha	1Ha
Public Convenience	2	3

9. Heritage Assets

In line with the 2012 Code and FRS 30, the Council has identified a number of assets that meet the definition of a heritage asset and are being preserved in trust for future generations because of their cultural, environmental or historical associations.

The Council's policy is to maintain Heritage assets in order to preserve them for future generations because of their cultural and historical associations. The Council does not consider that a commercial value can be placed upon these assets and its policy is, therefore, not to disclose on the balance sheet. They continue to be included within community assets with a nominal value. The assets are insured in order to protect the Council's interest in the event of damage or destruction.

The Heritage assets held within Community assets at a nominal sum are as follows; there is no value held for these assets.

- The Castle Wall (ancient flint), Hertford
- Monument, remains of Church of St Mary's, Old Cross
- Community land Obelisk, Bishop's Stortford
- Flowing River Sculpture, Bishop's Stortford
- Evolution sculpture at Hartham Common
- Hertford Theatre Wall Bronze Resin Sculpture
- Civic Regalia
- Oil Painting of Wallfields, Hertford
- Chainsaw sculpture Pishiobury Park, Sawbridgeworth

10. Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

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

	2023/24	2022/23
	£000	£000
Rental income from investment property	(501)	(822)
Direct operating expenses arising from investment property	364	200
Net gain	(137)	(622)

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct, enhance or develop investment property. In some cases, the Council has repairing obligations which are met through revenue expenditure.

Authorities shall account for investment property in accordance with IAS 40 Investment Property and should be valued to 'Fair Value'.

Investment property is recognised at cost, including transaction costs but excluding operational components (PPE) where these can be measured reliably. Following recognition investment property is revalued on a fair value basis reflecting market state and circumstances on a given date.

The objective of this measurement approach is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under the current market conditions.

The following table summarises the movement through additions and re-classification of investment properties over the year:

	2023/24 £000	2022/23 £000
Balance at start of the year	8,594	9,161
Additions: Not transferred through re-classification	0	-
Additions: Transferred through re-classification	-	0
Disposals : Transferred through re-classification	-	(1,362)
Net gains / (losses) from fair value adjustments	(740)	795
Balance at end of the year	7,854	8,594

In addition to arriving at the fair values for the assets, IFRS 13 seeks to increase consistency and comparability within the valuation process which has been achieved through a 'fair value hierarchy'.

Fair Value Hierarchy

All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes.

Valuation Techniques Used to Determine Level 2 Values for Investment Property

The fair value of investment property has been based on the market approach using current market conditions and recent sales prices, existing lease terms and rentals and other relevant information for similar assets in the local authority area. Market conditions for these asset types are such that the level of observable inputs are significant leading to the properties being categorised at Level 2 in the fair value hierarchy.

There has been no change in the valuation techniques used during the year for investment properties.

Highest and Best Use

In estimating the fair value of the Council's investment properties, the highest and best use is their current use.

Valuation Process for Investment Properties

The Council's investment property has been valued as at 31 December 2023 (with a statement of professional opinion given that there has been no material change up to 31 March 2024) by the Council's Estates and Asset Manager, Anna Osborne (MRICS) and Principal Assets and Estates Surveyor Lucy Smith (MRICS) in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

11. Intangible Assets

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation is not permitted to have an impact on the General Fund Balance. This is therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful life assigned to the major software applications used by the Authority is 5 years. The movement on Intangible Asset balances during the year is as follows:

	Software	2023/24 Other Intangible	Total	Software	2022/23 Other Intangible	Total
	£000	£000	£000	£000	£000	£000
Balance at start of year:						
Gross carrying amounts	6,086	-	6,086	5,970	-	5,970
Accumulated amortisation	(5,794)	-	(5,794)	(5,594)	-	(5,594)
Net carrying amount at start of year	292	-	292	376	-	376
Additions:						
Purchases	74	-	74	116	-	116
Amortisation for the period	(166)	-	(166)	(200)	-	(200)
Net carrying amount at end of year	200	-	200	292	-	292
Comprising:						
Gross carrying amounts	6,160	-	6,160	6,086	-	6,086
Accumulated amortisation	(5,960)	-	(5,960)	(5,794)	-	(5,794)
	200	-	200	292	-	292

12. Financial Instruments

Financial Liabilities

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

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at: amortised cost, fair value through profit or loss (FVPL), and fair value through other comprehensive income (FVOCI). The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Soft Loans

The Code requires that a discounted interest rate be recognised as a reduction in the fair value of the asset. Potential Council loans falling within this category relate to an assisted car purchase scheme and a cycle scheme. The Council currently has no loans under its assisted car purchase scheme and the amount advanced under the cycle scheme is considered immaterial.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost [or where relevant FVOCI], either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services. The fair value measurements of the financial assets are based on the following techniques: instruments with quoted market prices – the market price Other instruments with fixed and determinable payments – discounted cash flow analysis.

Financial Assets Measured at Fair Value through Other Comprehensive Income

These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the Comprehensive Income and Expenditure Statement when the asset is disposed of. The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date;
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly;
- Level 3 inputs – unobservable inputs for the asset.

Financial Guarantees

The Code includes a requirement for financial guarantees to be recognised at fair value and charged to the Comprehensive Income and Expenditure Statement (amortised over the life of the guarantee). The levels of liability assessed at March 2024 are regarded as non material and therefore the accounting requirement has not been followed in respect of these guarantees. The Council has determined to set aside a reserve against potential liabilities under these guarantees as set out in Note 6 to the Notes to the Core Statements.

No other financial guarantees were identified in 2023/24.

Financial Instruments Balances

	Non-Current		Current	
	31 March '24	31 March '23	31 March '24	31 March '23
	£000	£000	£000	£000
Financial Assets				
Investments				
At amortised cost - principal amount	-	-	6,450	6,450
- accrued interest	-	-	50	50
Fair Value through other comprehensive income - designated equity instruments	17,838	19,555	-	-
- accrued interest	-	-	-	-
Total Investments	17,838	19,555	6,500	6,500
Cash & Cash Equivalents				
At amortised cost - principal amount	-	-	4,156	8,944
At amortised cost - accrued interest	-	-	-	-
Total Cash & Cash Equivalents	-	-	4,156	8,944
Debtors				
Financial Assets at amortised cost	5,188	5,190	12,433	12,754
Less Non Financial Instruments Assets	-	-	(2,426)	(9,454)
Total Debtors	5,188	5,190	10,007	3,300
Total Financial Assets	23,026	24,745	20,663	18,744
Financial liabilities				
Borrowing				
At amortised cost	(1,485)	(1,500)	(48,500)	(30,000)
At amortised cost - accrued interest	(15)	(22)	-	-
Creditors	-	-	18,200	(21,894)
Non Financial instruments Liabilities	-	-	5,052	8,956
Total Financial liabilities	(1,500)	(1,522)	(61,648)	(42,938)

See also Notes 33 and 33 to the Core Statements. (Investments and Borrowings)

The portion of long-term liabilities and investments due to be settled within 12 months of the Balance Sheet date are presented in the Balance Sheet under 'current liabilities' or 'current assets'. This would include accrued interest on long term liabilities and investments that are payable/receivable in 2023/24.

Available for Sale Financial Assets are measured at fair value on a recurring basis. The valuation techniques used to measure them maximise the use of relevant observable inputs and minimise the use of unobservable inputs and are categorised as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	2023/24 £000	2022/23 £000
Property Funds	Level 1	Unadjusted quoted prices in active markets for identical shares	17,408	19,083
Balance at end of the year			17,408	19,083

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between input levels 1 and 2 during the year

The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value disclosures are required)

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2), using the following assumptions:

- For loans from the PWLB payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. As the Debt Management Office provides a transparent approach allowing the exit cost to be calculated without undertaking a repayment or transfer it is appropriate to disclose the exit price.
- For non-PWLB loans payable, PWLB premature repayment rates have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;

Financial Liabilities - fair value

	Input level in fair value hierarchy	Valuation technique used to measure fair value	2023/24 £000	2022/23 £000
Long Term Borrowing	Level 2	premature repayment rates	(2,455)	(2,452)
Short Term Borrowing			(49,016)	(30,090)
Balance at end of the year			(51,471)	(32,542)

Financial Instrument Revaluation Reserve

For financial instruments, there is a reserve to help manage the accounting requirements, the Financial Instruments Revaluation Reserve. This records unrealised revaluation gains/losses arising from holding available-for-sale investments and any unrealised losses that have not arisen from impairment of the assets. The table below sets out the transactions for the year:

	2023/24 £000	2022/23 £000
Balance at 1 April	(443)	4,224
Upward revaluation of investments	(1,717)	(4,667)
Downward revaluation of investments not charged to the Surplus/Deficit on the provision of Services	-	-
Accumulated Gains on assets sold and maturing assets written out to CI&E as part of Other Investment Income	-	-
	(2,160)	(443)

13. Financial Instruments Gains / Losses

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

	2023/24		2022/23	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
Net (gains) / losses on				
Financial Assets measured at fair value through profit or loss	-	-	-	-
Financial assets measured at amortised cost	-	-	-	-
Investments in equity instruments designated at fair value through other comprehensive income	-	(1,717)	-	(4,667)
Financial liabilities measured at fair value through profit or loss	-	-	-	-
Financial liabilities measured at amortised cost	-	-	-	-
Total net (gains)/losses	-	(1,717)	-	(4,667)
Interest Revenue				
Financial Assets measured at amortised cost	(967)	-	(612)	-
Other financial assets measured at fair value through other comprehensive income	(807)	-	(828)	-
Total interest revenue	(1,774)	-	(1,440)	-
Interest Expense				
Fee income:				
Financial assets or financial liabilities that are not at fair value through profit or loss	132	-	148	-
Fee expense:				
Financial assets or financial liabilities that are not at fair value through profit or loss	541	-	596	-
Total interest expense	673	-	744	-

14. Fair Value of Assets and Liabilities carried at Amortised Cost

Financial assets (represented by lending and receivables) and financial liabilities (represented by borrowings) are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instrument, using the following assumptions:

- Link Asset Services has provided the Fair Value Calculation for the loans and investments.
- No early repayment or impairment is recognised.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount
- Where the instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.

The fair values are calculated as follows:

	31st March 2024		31st March 2023	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities	(63,148)	(64,709)	(45,480)	-45,480

	31st March 2024		31st March 2023	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and Receivables	43,689	43,259	43,489	43,017

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

The fair value is greater than the carrying amount due to the Council's investment in Property Funds. The Fund value per unit, less the exit fee, is higher than price paid.

15. Debtors

Short Term Debtors

	31 March '24	31 March '23
	£000	£000
Central government bodies	1,214	1,045
Other local authorities	2,798	1,237
Bodies external to general government (ie all other bodies)	11,700	13,428
Bad debt provision	(3,279)	(2,956)
	12,433	12,754

Long Term Debtors

	31 March '24	31 March '23
	£000	£000
Bodies external to general government (ie all other bodies)	5,188	5,190
	5,188	5,190

16. Cash and Cash Equivalents

	31 March '24	31 March '23
	£000	£000
Short-term deposits with banks	4,156	8,944
Total Cash and Cash Equivalents	4,156	8,944

17. Assets Held for Sale

Assets Held for Sale	31 March '24	31 March '23
	£000	£000
Additions	4,441	409
	4,441	409

18. Creditors

Short Term Creditors	31 March '24	31 March '23
	£000	£000
Central government bodies	(3,992)	(9,637)
Other local authorities	(2,929)	(1,725)
Bodies external to general government (ie all other bodies)	(11,279)	(10,532)
	(18,200)	(21,894)

19. Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

The provisions held for Non Domestic Rate appeals, Council Tax and Non Domestic Rates bad debts are charged as an expense to the relevant collection fund in the first instance. This charge either reduces the Council's surplus or increases the deficit due from the collection fund. These amounts are included in the Taxation and Non-specific Grant income section on the Comprehensive Income and Expenditure Statement.

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

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

Proper provision has been made for various liabilities which will be incurred but for which it is uncertain as to the amounts or the dates on which they arise. The provisions required cover a range of activities with the most significant being in respect of Non Domestic Rates Valuation Appeals.

	Short Term		Long Term	
	2023/24 £000	2022/23 £000	2023/24 £000	2022/23 £000
Balance at 1 April	300	496	1,233	2,200
Additions/Reductions	(43)	(388)	(116)	(1,500)
Amounts used	(8)	(60)	(120)	(100)
Transferred	-	252	-	633
Balance at 31 March	249	300	997	1,233

20. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement, Note 5 Adjustments between accounting basis and funding basis under regulations and Note 6 Transfers to/from Earmarked Reserves.

21. Unusable Reserves

	31 March '24 £000	31 March '23 £000
Revaluation Reserve	31,032	20,815
Financial Instruments Revaluation Reserve	(2,160)	(443)
Capital Adjustment Account	61,619	75,629
Deferred Capital Receipts Reserve	142	144
Pensions Reserve	5,250	(2,862)
Collection Fund Adjustment Account	491	1,857
Accumulated Absences Account	(276)	(205)
Total Unusable Reserves	96,099	94,936

Revaluation Reserve

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

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

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

	2023/24		2022/23
	£000	£000	£000
Balance at 1 April		20,815	22,761
Downward revaluation of assets	10,647		(1,566)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services			
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		10,647	(1,566)
Difference between fair value depreciation and historical cost depreciation	(430)		(380)
Amount written off to the capital adjustment account			0
Balance at 31 March		31,032	20,815

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains/losses made by the Council arising from increases/decreases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are revalued downwards or impaired and the gains are lost or disposed of and the gains are realised.

	2023/24		2022/23
	£000	£000	£000
Balance at 1 April		(443)	4,224
Upward revaluation of investments			
Downward revaluation of investments not charged to the Surplus/Deficit on the provision of Services	(1,717)		(4,667)
		(1,717)	(4,667)
Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income		-	-
Balance at 31 March		(2,160)	(443)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 5 provides details of the source of all transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2023/24		2022/23
	£000	£000	£000
Balance at 1 April		75,629	75,343
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
· Charges for depreciation of non current assets	(3,002)		(2,656)
· Charges for depreciation on revalued assets	319		380
· Movements in the market value of investment properties	(740)		795
· Revaluation/Impairment on Property, Plant and Equipment	(13,680)		(1,320)
· Amortisation of intangible assets	(166)		(200)
· Revenue expenditure funded from capital under statute	(1,883)		(348)
· Revenue grants written down to the Capital Adjustment Account	3,458		2,207
· Disposal of non-current assets	(530)		(1,656)
· Minimum Revenue Position	600		
· Adjusting amounts written out of Revaluation Reserve			
		(15,624)	(2,798)
Capital financing applied in the year:			
· Use of the Capital Receipts Reserve to finance new capital expenditure	1,614		3,084
· Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing			0
· Application of grants to capital financing from the Capital Grants Unapplied Account			-
· Statutory adjustment for the capital element of finance lease repayments - Refuse trucks			-
· Capital expenditure charged against the General Fund	-		0
		1,614	3,084
Balance at 31 March		61,619	75,629

Pensions Reserve

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

	2023/24 £000	2022/23 £000
Balance at 1 April	(2,862)	(28,511)
Actuarial gains or (losses) on pensions assets and liabilities	8,388	28,848
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,030)	(5,879)
Employer's pensions contributions and direct payments to pensioners payable in the year	2,754	2,680
Balance at 31 March	5,250	(2,862)

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2023/24 £000	2022/23 £000
Balance at 1 April	143	145
Transfer to the General Fund for the capital element of finance lease payments	(1)	(2)
Balance at 31 March	142	143

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Non Domestic Rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax and Non Domestic tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2023/24 £000	2022/23 £000
Balance at 1 April	1,857	(4,013)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Non Domestic Rate income calculated for the year in accordance with statutory requirements	(1,366)	5,870
Balance at 31 March	491	1,857

Accumulated Absences Account

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

	2023/24 £000	2022/23 £000
Balance at 1 April	(205)	(228)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(71)	23
Balance at 31 March	(276)	(205)

22. Nature of Expenses Disclosure

	2023/24 £'000	2022/23 £'000
Employee Benefits Expenses	17,415	18,942
Other Service Expenses	28,164	23,136
Housing Benefits Transfer Payments	22,705	22,409
Depreciation, amortisation and impairment	19,718	4,591
Precepts and levies	5,351	5,060
Interest payments	541	596
Changes in fair value of Investment Properties	740	0
Minimum revenue Provision	600	0
Loss on disposal on non current assets	0	-
Net interest on the net defined benefit liability & remeasurement of the defined benefit liability for long term employee benefits	188	1,024
Total Expenditure	95,422	75,758
Fees charges and other service income	(23,894)	(21,054)
Government grants	(32,958)	(31,652)
Interest and investment income	(1,774)	(1,463)
Income from council tax and non-domestic rates	(17,399)	(16,956)
Gain on disposal of non current assets	(974)	(1,427)
Changes in fair value of Investment Properties	-	(795)
Recognised capital grants and contributions	(3,423)	(2,207)
Total Income	(80,422)	(75,554)
(Surplus)/Deficit on Provision of Services	15,000	204

23. Jointly Controlled Operations

The Council operates four services under a 'Jointly Controlled Operation' arrangement:

- Revenues and Benefits Service, with Stevenage Borough Council which commenced on 1st August 2011
- Business and Technology Services, with Stevenage Borough Council, which commenced on 1 August 2013
- Waste and Street Cleansing Service, with North Herts District Council, which commenced on 8 May 2018 and
- Hertfordshire CCTV partnership, with Stevenage Borough Council, North Hertfordshire Council, East Hertfordshire Council and Hertsmere Borough Council. Each member of the arrangement accounts for their share of the asset, liabilities and cash flows of the CCTV in their own accounts. This is considered de minimis and not included in the table below.

The Council is lead authority for the Revenues and Benefits shared service and Stevenage is lead for the Business and Technology service and North Herts is lead for the Waste and Street Cleansing service. All three arrangements are governed by separate Joint Partnership Boards comprising of Council officers. Each authority has equal representation on both Boards. These Boards report to each Authority's Executive Committee. The Revenues and Benefits Shared Service also operates a joint Committee with equal numbers of Councillors from both Authorities to scrutinise the operational management of the service.

In line with the Accounting Code of Practice this arrangement is accounted for as a jointly controlled operation. A jointly controlled operation uses the assets and resources of the two partner councils without the establishment of a separate legal entity. Under these arrangements each council accounts separately for its own transactions including use of assets, liabilities, income, expenditure and cash flows.

This note sets out details of the income & expenditure of the joint arrangements and the apportionments between the councils in accordance with the agreement entered into. For information purposes only and where relevant, other notes to the accounts show amounts relating to these arrangements.

	2023/24			2022/23		
	Waste and Street Cleansing Service	Business & Technical Service	Revenues & Benefits Service	Waste and Street Cleansing Service	Business & Technical Service	Revenues & Benefits Service
	£000	£000	£000	£000	£000	£000
Expenditure						
Employees	528	1,695	3,726	502	1,930	4,275
Transport Related Expenses	20	30	12	21	25	10
Supplies and Services	24	1,740	286	31	1,834	230
Support Services		468	1,034		414	1,356
Total Expenditure	572	3,933	5,058	554	4,203	5,870
Income						
Stevenage Borough Council		1,834	2,117			2,069
East Herts District Council	276	2,099	2,941	265	2,133	3,801
North Herts District Council	296		-	289	2,070	
Total Income	572	3,933	5,058	554	4,203	5,870
Net Expenditure	-	-	-	-	-	-

The contribution made by the Council has been incorporated into the Comprehensive Income and Expenditure Statement in the Net Costs of Service.

Additionally the Council partnered with 7 other local authorities across Hertfordshire to create a new fully integrated building control service, which was launched in August 2016. An additional local authority joined in 2019, so eight local authorities have equal control. The Council holds 13% of the share capital (£8) and is represented on the board. The company aims to provide a more flexible and efficient response to building control issues across the county. In 2016/17 the Council made a loan to the company of £107k, which is held under Long Term Debtors on the balance sheet.

24. External Audit Costs

This note discloses the amounts that East Herts Council has paid to its external auditors for work carried out in performing statutory functions and in providing any additional services. In 2023/24 the auditors appointed to East Herts council changed from Ernst & Young (up to 2022/23) to Azets.

In 2023/24 East Herts Council incurred the following fees relating to external audit and inspection:

	2023/24 £000	2022/23 £000
Fees payable to Azets with regard to external audit services carried out by the appointed auditor	208	55
Fees payable to Azets for the certification of grant claims and returns	28	22
Prior Year additional fees	0	0
	236	77

25. Members Allowances

The total payments made to elected Members of East Herts Council, under its Members' Allowance Scheme for the year ending 31 March, was as follows:

	2023/24 £000	2022/23 £000
Basic Allowances	284	271
Special Responsibility Allowances	144	132
Travel and Subsistence expenses	2	2
	430	405

A full disclosure of payments is available on the Council's website.

26. Officer Emoluments

The number of employees, excluding senior officers disclosed in note 28, whose remuneration, was £50,000 or more in bands of £5,000 are shown below. The previous year has been restated to exclude officers disclosed in note 28.

Remuneration Band	Number of Employees	
	2023/24	2022/23
	Total	Total
£50,000 to £54,999	12	4
£55,000 to £59,999	6	6
£60,000 to £64,999	2	10
£65,000 to £69,999	8	-
£70,000 to £74,999	-	-
£75,000 to £79,999	-	1
£80,000 to £84,999	1	-

27. Exit Packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other departures are set out in the table below.

Exit package cost band (including special payments)	Number of Redundancies		Number of other departures		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23
							£	£
£								
0-20,000	4	-	4	-	8	-	104,450	-
20,001-40,000	-	-	1	-	1	-	33,807	-
40,001-60,000	2	-	-	-	2	-	90,838	-
60,001-80,000	-	-	-	-	-	-	-	-
80,001-100,000	-	-	-	-	-	-	-	-
100,001-150,000	-	-	-	-	-	-	-	-
Total	6	-	5	-	11	-	229,095	-

28. Senior Officer Remuneration

An additional disclosure is required for Senior Officer's Remuneration (the Chief Executive and those reporting directly to the Chief Executive), whose salary is more than £50,000 per year:

	Salary (inc expense allowance)	Expenses Allowances	Total Remuneration excluding pension contributions	Pension Contributions	Total Remuneration including pension contributions
	£	£	£	£	£
2023/24					
Chief Executive	130,728	-	130,728	25,884	156,612
Deputy Chief Executive	109,672	-	109,672	21,715	131,387
Head of Revenues & Benefits Shared Service	65,172	-	65,172	12,904	78,076
Head of HR & Organisational Development - left part way through the year	28,692	-	28,692	5,388	34,080
Head of Strategic Finance & Property	85,237	-	85,237	16,877	102,114
Head of Communications, Strategy & Policy	82,301	-	82,301	16,296	98,597
Head of Legal & Democratic Services	88,271	379	88,650	17,478	106,128
Head of Housing & Health	82,301	-	82,301	16,296	98,597
Head of Operations - on maternity leave for part of the year	32,183	-	32,183	-	32,183
Head of Planning & Building Control	82,925	-	82,925	15,498	98,422
2022/23					
Chief Executive	126,645		126,645	24,063	150,708
Deputy Chief Executive	105,963	23	105,986	20,133	126,119
Head of Revenues & Benefits Shared Service	87,084		87,084	16,546	103,631
Head of HR & Organisational Development	79,227		79,227	15,053	94,280
Head of Strategic Finance & Property	82,240		82,240	15,626	97,866
Head of Communications, Strategy & Policy	79,227	37	79,264	14,864	94,129
Head of Legal & Democratic Services	83,504	341	83,845	15,866	99,711
Head of Housing & Health	79,227	60	79,287	15,053	94,340
Head of Operations	75,347		75,347	-	75,347
Head of Planning & Building Control	73,504		73,504	13,966	87,470

29. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2023/24:

	2023/24 £000	2022/23 £000
Credited to Taxation and Non Specific Grant Income		
Council Tax	17,722	16,768
Non-Domestic Rates	- 322	188
New Homes Bonus	931	1,383
Other Capital Grants	3,423	2,207
Sec 31 Business Rate Support	5,102	4,846
Other Revenue Grants	1,265	395
Renewable Energy	70	318
	28,191	26,105
Credited to Services		
<u>Grants</u>		
DWP	23,386	23,078
DCLG	1,846	1,432
DEFRA	154	9
Home Office	194	136
Office of National Statistics	-	1
Department of Education	9	16
	25,589	24,672
<u>Other Contributions</u>		
Contributions from Other Authorities*	3,555	3,566
Income from Other Bodies	1,466	1,195
	5,021	4,761

* includes the contribution from Stevenage Borough Council for the Shared Revenues and Benefits Service

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the funding body if not used for the purpose provided. The balances at year end are as follows:

	2023/24 £000	2022/23 £000
Grants Receipts in Advance		
Capital		
Other Capital Grants	411	811
Developer Contributions	1,655	1,665
	2,066	2,476
Revenue		
Developer Contributions	5,609	4,936
Other Revenue Grants	314	237
	5,923	5,173

30. Related Party Transactions

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

Related parties to this authority would include:

Central government; local authorities and other bodies precepting or levying demands on the Council Tax; its members; its chief officers; and its pension fund. Members of close family, or the same household of an individual identified as a related party are also assumed to be related parties.

All significant material transactions with related parties, such as parish precepts, precepts, pension fund contributions etc, have been disclosed in the Comprehensive Income and Expenditure Statement.

The UK government exerts significant influence through legislation and grant funding, which has been disclosed in the Comprehensive Income and Expenditure Statement.

Three senior officers of the Council held a position of director at Millstream Property Investments Ltd, a wholly-owned company by East Herts. The Council transacted with this company to the value of £175k in 2023/24

A senior officer of the Council held a position of Director at Hertfordshire CCTV Partnership Ltd. The Council paid this company £92k during 2023/24

A number of District Council members are also members of Town and Parish Councils that receive funding from this Council. Precept payments are disclosed in the Comprehensive Income and Expenditure Statement. Any grants made to these bodies were made with proper consideration of declarations of interest.

Hertfordshire County Council is a related party in respect of various transactions including pension's contributions and precepts. Additionally they act as the "accountable body" for the Hertfordshire Local Area agreement.

Shown in the Balance Sheet are totals for debtors and creditors which represent amounts due to or from related parties. The principal year end balances with related parties included in these totals are shown within Notes 15 & 18.

31. Capital Expenditure and Capital Financing

	2023/24 £000	2022/23 £000
Opening Capital Financing Requirement	40,065	28,321
Capital investment		
Property, Plant & Equipment	507	1,327
Infrastructure	73	-
Community Assets	1,723	1,376
Investment Property	-	-
Intangible Assets	74	116
Assets Under Construction	21,303	12,210
Revenue Expenditure Funded from capital under Statute	1,883	402
Third Party Loan	-	-
Surplus	-	-
Assets Held For Sale	-	-
Sources of finance		
Capital receipts	(1,615)	(1,427)
Government grants and other contributions	(3,458)	(2,207)
Borrowing		
Sums set aside from Revenue:		
Direct revenue contributions	(33)	(53)
Loan/ finance lease principal repayments		
Closing Capital Financing Requirement	60,522	40,065
Explanation of movements in year		
Increase in underlying need to borrowing (unsupported by government financial assistance)	(20,457)	(11,744)
Decrease in Surplus in Capital Resource	(20,457)	(11,744)

32. Leases

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

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment (embedded leases) are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as a Lessor

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment applied to write down the lease liability, and

a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

Depreciation is applied in the year of acquisition.

The Council is not required to raise council tax to cover depreciation, impairment and gains and losses on revaluation arising on leased assets. Any such costs that have been charged to the Surplus or Deficit on the Provision of Services are not proper charges to the General Fund. Such amounts are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Operating Leases

Rents paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease.

The Council as a Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and

- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

Operating Leases

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

Finance leases

As at 31 March 2024, the Council did not hold any leases that fell into the category of a finance lease.

Council as a lessee

Operating leases

The Council leases the Buntingford Service Centre.

The future minimum lease payments due under non-cancellable leases in future years are:

	31 March '24	31 March '23
	£000	£000
Not later than one year	300	300
Later than one year and not later than five years	1,200	1,200
Later than five years	1,200	1,500
	2,700	3,000

The expenditure charged to Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2023/24	2022/23
	£000	£000
Minimum lease payments	300	300
Lease payments receivable	-	-
	300	300

Council as a lessor

Finance leases

The Council leases out Pindars Lodge.

Following the introduction of IFRS 1 and this asset's transfer from an operating lease to finance lease, a lease term of 50 years from March 1997 was set.

The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	2023/24	2022/23
	£000	£000
Finance lease debtor as at 31 March	142	144
Unearned finance income	200	202
Gross investment in lease as at 31 March	342	346

The gross investment in the lease which are the minimum lease payments, will be received over the following periods:

	Gross investment in lease 31 March '24 £000	Gross investment in lease 31 March '23 £000
Not later than 1 year	14	14
Later than 1 year and not later than 5 years	56	56
Later than 5 years	265	279
	335	349

Operating Leases

The council receives income from a variety of properties ranging from Industrial and Commercial ground leases, to a small number of commercial premises including shops and other miscellaneous properties. Each is subject to individual agreements and reviews. The terms are dependent upon a number of criteria; the corporate priorities of the Council, options that are available, historic and legal agreements. The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March '24 £000	31 March '23 £000
Not later than one year	1,346	1,243
Later than 1 year and not later than 5 years	5,136	3,529
Later than 5 years	58,156	59,227

33. Pension Scheme

As part of the terms and conditions of employment the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until the employee retires, the Council has a commitment to disclose them at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme which is administered by Hertfordshire County Council. This is a funded defined benefit scheme which means that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets in the long term. Under the Scheme members' retirement benefits are not affected by the Fund's performance.

Pension contributions are based on rates determined by the Fund's professionally qualified actuary based on triennial reviews. The most recent review was undertaken in January 2022.

Transactions Relating to Post Employment benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge the Council is required to make against council tax is based on the cash payable in the year, the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves during the year.

	2023/24 £000	2022/23 £000
Comprehensive Income & Expenditure Statement:		
<i>Service Cost comprising:</i>		
Current service cost	2,457	4,855
Past Service Cost	108	0
<i>Financing and Investment Income and Expenditure</i>		
Net Interest Expense	131	1,024
Total post employment benefit charged to surplus or deficit on the provision of services	2,696	5,879
<i>Other post employment benefit credited to the Comprehensive Income and Expenditure Statement</i>		
<i>Remeasurement of the net defined benefit liability comprising:</i>		
Return on plan assets (excluding the amount included in net interest ex	(5,393)	(12,477)
Actuarial gains/(losses) arising on changes in demographic assumptions	(5,790)	58,226
Actuarial gains/(losses) arising on changes in financial assumptions	(812)	1,123
Other actuarial gains or losses	3,972	(9,636)
Total post employment benefits charged to the Comprehensive Income and Expenditure Statement	(8,023)	37,236
Movement in Reserve Statement		
Reversal of net charges made to the surplus or deficit on the provision of services for post employment benefits in accordance with the code		
<i>Actual amount charges against the general fund balance for pensions in the year:</i>		
Employers contributions payable to scheme	0	2,680

Pensions Assets and Liabilities recognised in the Balance Sheet

	2023/24 £000	2022/23 £000
Opening Fair Value of scheme assets	123,799	133,905
Interest income	5,833	3,597
Remeasurement gain/(loss):		
Other Experience		-
Return on plan assets, excluding the amount included in the net interest expense	5,393	(12,477)
Contributions from employer	2,786	2,680
contributions from employees into the scheme	739	709
Benefits paid	(5,530)	(4,615)
31 March	133,020	123,799

Reconciliation of present value of scheme liabilities

Balance at 1 April	126,661	170,804
Current service cost	2,457	4,855
Past service cost	108	0
Interest cost	5,964	4,621
Contributions by scheme participants	739	709
<i>Remeasurment (gain) and losses:</i>		
Actuarial gains/(losses) arising on changes in demographic assumptions	(5,790)	(58,226)
Actuarial gains/(losses) arising on changes in financial assumptions	(812)	(1,123)
Other acutarial gains or losses	3,972	9,636
Benefits paid	(5,530)	(4,615)
31 March	127,769	126,661

	2023/24 £000	2022/23 £000
Scheme history		
Present value of the defined benefit obligation	(127,769)	(126,661)
Fair value of assets	133,020	123,799
Surplus/(Deficit) in the scheme	5,251	(2,862)

Impact on the net worth of the Council

Statutory arrangements for funding the deficit means that the financial position of the Council remains healthy as:

the deficit on the Local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the pension scheme by the Council in the year to 31 March 2025 is £2.743m (£2.624m to 31 March 2024).

A full breakdown of the Fund's assets including the prior financial year comparator is detailed below:

Asset Category	Period Ended 31 March 2024				Period Ended 31 March 2023			
	Quoted prices in active markets	Quoted prices not in active markets	Total	% of Total Assets	Quoted prices in active markets	Quoted prices not in active markets	Total	% of Total Assets
	£000	£000	£000	%	£000	£000	£000	%
Equity Securities								
Consumer	1,800	-	1,800	1	1,904	-	1,904	2
Manufacturing	2,087	-	2,087	2	1,044	-	1,044	1
Energy & Utilities	0	-	-	0	-	-	-	0
Financial Institutions	1,184	-	1,184	1	711	-	711	1
Health & Care	1,127	-	1,127	1	1,037	-	1,037	1
Information Technology	1,845	-	1,845	1	2,296	-	2,296	2
Other	-	-	-	-	-	-	-	0
Debt Securities								
Corporate Bonds (investment grade)	-	-	-	-	-	-	-	0
Corporate Bonds (non investment grade)	-	-	-	-	-	-	-	0
UK Government	6,782	-	6,782	5	5,165	-	5,165	4
Other	-	3,382	3,382	3	-	3,324	3,324	3
Private Equity	-	11,623	11,623	9	-	10,963	10,963	9
Real Estate								
UK Property	-	9,167	9,167	7	-	9,157	9,157	7
Overseas Property	-	6,661	6,661	5	-	7,074	7,074	6
Investment Funds & Unit Trusts:								
Equities	50,226	-	50,226	39	46,650	-	46,650	38
Bonds	19,058	-	19,058	14	17,348	-	17,348	14
Commodities	-	-	-	-	-	-	-	0
Infrastructure	-	201	201	-	-	143	143	0
Other	997	8,137	9,134	7	1,077	7,406	8,483	7
Derivatives								
Foreign Exchange	-	387	387	0	-	182	182	0
Cash and Cash Equivalents	8,357	-	8,357	6	8,320	-	8,320	7
TOTALS	93,462	39,559	133,020	100	85,552	38,248	123,799	100

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Hertfordshire County Council Fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Hertfordshire County Council Fund being based on the latest full valuation of the scheme as at 2022.

The principal assumptions used by the actuary have been:

	31 March '24	31 March '23
Long-term expected rate of return on assets in the scheme:		
Equity investments	2.5%	2.5%
Bonds	2.5%	2.5%
Property	2.5%	2.5%
Cash	2.5%	2.5%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.0 years	22.2 years
Women	24.5 years	24.7 years
Longevity at 65 for future pensioners:		
Men	22.8 years	23.0 years
Women	26.0 years	26.2 years
Rate of inflation/ Pension increase	2.8%	3.0%
Rate of increase in salaries	3.3%	3.5%
Discount Rate	4.8%	4.75%
Take up option to convert annual pensions into retirement lump sum for pre April 2008 service		
Take up option to convert annual pensions into retirement lump sum for post April 2008 service		

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes at each change that the assumption analysed changes while all the others remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme ie. on an actuarial basis using the projected cost method. The methods and types of assumptions used in preparing the sensitivity analysis did not change from those used in the previous period

Change in assumptions as at 31 March 2024:	Approximate % increase Defined Benefit Obligation %
Longevity (increase or decrease in 1 year)	4%
0.1% decrease in real discount rate	2%
0.1% increase in the salary increase rate	0%
0.1% increase in the Pension increase rate	2%

Impact on the Council's Cashflow

The objectives of the scheme is to keep employer contributions at as constant a rate as possible. The Council has agreed a strategy with the schemes actuary, Hymans Robertson LLP, to achieve a funding level of 100% over the next 25 years. Funding levels are monitored on an annual basis.

34. Nature and Extent of Risks arising from Financial Instruments

Key Risks

The Council's activities expose it to a variety of financial risks. The key risks are:

- ▣ **Credit risk** the possibility that other parties might fail to pay amounts due to the Council;
- ▣ **Liquidity risk** the possibility that the Council might not have funds available to meet its commitments to make payments;
- ▣ **Re-financing risk** the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- ▣ **Market risk** the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates or stock market movements.

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect and maximise (given the identified level of risk) the financial resources available to fund services. The Council in the annual Treasury Management Strategy Statement provides written principles for overall risk management, as well as written policies (covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash).

1 Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

This Council uses the creditworthiness service provided by Capita Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- Credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings;
- Sovereign ratings to select counterparties from only the most creditworthy countries.

The full Investment Strategy for 203/24 was approved by Full Council on 3rd March 2023 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Authority's maximum exposure to credit risk in relation to its investments in financial institutions cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2024 that this was likely to crystallise.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

Accounts Receivable

The Council does not generally allow credit facilities to customers in relationship to debts.

The past due amount can be analysed by age as follows: (see policy xii)

	31 March '24	31 March '23
	£000	£000
Less than three months	626	349
Three months to one year	516	475
More than one year	1,462	1,476
	2,604	2,300

The Council pursues all debts in line with its established debt recovery policy.

2 Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (setting and approval of prudential indicators and the approval of the treasury and investment strategy reports, as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

See Financial instruments Note 12

3 Refinancing and Maturity Risk

The Council maintains a debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

4 Market Risk

Interest rate risk

The Council is exposed to interest rate movements on its borrowings and investments.

Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate impact on the Income and Expenditure Account. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance. Movements in the fair value of fixed rate investments will be reflected in the Comprehensive Income & Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rates exposure. The treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

With low interest rates generally prevailing, the Council has an interest equalisation reserve that assists in managing interest rate fluctuations in the medium term. The balance as at 31 March 2024 is £3.3m.

Based on the current Treasury Management position at 31 March 2024, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	no variable borrowings
Increase in interest receivable on variable rate investments	371
Increase in government grant receivable for financing costs	de minimus
Surplus on the Provision of Services	de minimus

Impact on Comprehensive I & E Statement

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

5 Price Risk

The Council, does not generally invest in equity shares or marketable bonds.

However, it does hold units in property funds to the value of £20m. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in the price of the units.

To limit its exposure to price movements the council has set a property fund investment limit of £20m, at the time of investment.

These units are all classified as Available-for-Sale, meaning that all movements in price will impact on gains and losses recognised in the Financial Instruments Revaluation Reserve. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £1m gain or loss being recognised in the Financial Instruments Revaluation Reserve.

6 Foreign Exchange Risk

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

The Council also has no shareholdings or insurance investment fund, therefore has no exposure to any further risks.

35. Capital Commitments

At 31 March 2024, the authority has entered into one contract for the construction or enhancement of property, plant and equipment, the major commitments are:

- **Hertford Theatre – £30.975m** (*This figure includes £26.16m spend to 31/03/2024*)

36. Contingent Liability

The Council has identified one contingent liability which may give rise to future costs.

Following the Municipal Mutual Insurance Scheme Arrangement being "triggered" the Council has paid a total levy of £34,478 as at 31 March 2024. A contingent liability of around £137,913 remains in respect of potential further exposure against existing claims. Further claims could be notified.

Given the level of General Reserves held by the Council and the uncertainty of the value of the potential liabilities identified it has not been considered appropriate to make specific financial provision within the accounts at this stage.

37. Post Balance Sheet Event

There are no post balance sheet events as at 23 April 2025

THE COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT

		2023/24			2022/23		
		£000	£000	£000	£000	£000	£000
		Council Tax	NDR	Total	Council Tax	NDR	Total
Income collectable from Council Taxpayers	Note 2	136,973		136,973	128,058	-	128,058
S31 S13A(1)/ (c) transfer from General Fund		117		117	35	-	35
Income collectable from Business Ratepayers	Note 3		41,737	41,737	-	39,580	39,580
Total Income		137,090	41,737	178,827	128,093	39,580	167,673
Council Tax Precepts and Demands							
Hertfordshire County Council		102,588		102,588	95,750	-	95,750
East Herts Council		17,464		17,464	16,586	-	16,586
Hertfordshire Police		15,206		15,206	13,962	-	13,962
Business Rates Shares:							
Payments to Government			24,780	24,780	-	19,918	19,918
Payments to Hertfordshire County Council			4,956	4,956	-	3,984	3,984
Payment to East Herts Council			19,824	19,824	-	15,934	15,934
Charges to Collection Fund							
Costs of Collection			202	202	-	199	199
Bad Debt Provision - Increase:							
Council Tax		(164)		(164)	704	-	704
Non Domestic Rates			(178)	(178)		(176)	(176)
Non Domestic Rates Appeals Provision	Note 4		(716)	(716)	-	(2,227)	(2,227)
Transitional Protection Payment			(7,495)	(7,495)	-	174	174
Disregarded Amounts			113	113	-	318	318
Distribution of prior years' Fund balance		1,351	3,869	5,220	1	(12,763)	(12,762)
Total Expenditure		136,445	45,355	181,800	127,003	25,361	152,364
In year Movement in Fund		(645)	3,618	2,973	(1,090)	(14,219)	(15,309)
Balance as at 1 April		(2,215)	(3,921)	(6,136)	(1,125)	10,298	9,173
Balance as at 31 March		(2,860)	(303)	(3,163)	(2,215)	(3,921)	(6,136)
Allocated to :							
East Herts Council		(369)	(121)	(490)	(288)	1,569	1,281
Hertfordshire Police		(322)	(30)	(352)	(247)	-	(247)
Hertfordshire County Council		(2,169)		(2,169)	(1,680)	392	(1,288)
Government			(152)	(152)	-	1,961	1,961
Total		(2,860)	(303)	(3,163)	(2,215)	3,922	1,707

NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

1. General

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund.

The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and Government of Council Tax and Non-Domestic Rates.

There is no requirement for a separate Collection Fund Balance sheet, as the assets and liabilities of the fund belong to the various bodies and Government.

In 2013/14 the local government finance regime was revised with the introduction of the Retained Business Rates scheme. The main aim of the scheme is to give Council's a greater incentive to grow businesses in the district. It does, however, also increase the financial risk to the Council due to non collection and the volatility of the NDR tax base.

The retained income scheme allows the Council to retain a proportion of the total NDR income received. The Council's share is 40% with the remainder being split between Hertfordshire County Council (10%) and Government (50%).

2. Council Tax

The Council's tax base i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of Band D dwellings, is calculated as follows:-

The tax base for 2023/24 was approved at Full Council on 14 December 2022 and was calculated as follows:

Band	Estimated no. of taxable properties after effect of discounts	Ratio	Band D Equivalent dwellings
Disa A	0.00	5/9	0.00
A	656.86	6/9	437.91
B	4,305.65	7/9	3,348.84
C	12,831.26	8/9	11,405.56
D	14,529.67	9/9	14,529.67
E	10,789.37	11/9	13,187.01
F	7,472.12	13/9	10,793.06
G	5,584.57	15/9	9,307.62
H	796.84	18/9	1,593.68
	56,966.34		64,603.35
Estimated collection rate			98.9%
2023/24 Estimated Council Tax base			63,892.7
Council Tax Collection			£000
2023/24 estimated Council Tax due			135,259
<i>63892.8 x £2,116.96 (average band D charge)</i>			
2023/24 Council Tax income			137,090
Surplus			(1,831)

3. Income from Business Ratepayers

The Council collects non-domestic rates for its area which are based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform rate (which for 2021/22 was 51.2p (2020/21 51.2p).

The total amount less certain reliefs and allowances is distributed to East Herts Council (40%), Hertfordshire County Council (10%) and Central Government (50%).

When the Retained Business Rates scheme was introduced, the Government set a baseline for each authority identifying the funding required. In order to ensure that each authority receives their base line amount, a top up or tariff amount is applied to each local authority.

East Herts is a tariff authority, which means that it doesn't keep its entire share but is subject to pay a tariff (£15.853m in 2021/22) to Central Government which is when used to fund 'top up' authorities.

The business rates retention scheme provides the opportunity for local authorities to share in the benefits of growth in the rates tax base i.e. provides an incentive for economic development and regeneration. Any income retained from growth is subject to a levy of 50%. Conversely if any Council suffers a significant drop in NNDR due to the loss of one or more major businesses, or a large number of smaller businesses, or a greater than expected loss from revaluations, then a safety net of 92.5% of the baseline applies. At the year end the total non-domestic rateable value was £118 million (£117 million for 2020/21).

4. Provisions

The Collection Fund account includes provisions for bad debts on arrears based on past years experience and the current years collection rate.

	2023/24			2022/23		
	£000 Council Tax	£000 NDR	£000 Total	£000 Council Tax	£000 NDR	£000 Total
Balance at 1 April	(4,012)	(2,099)	(6,111)	(3,539)	(2,474)	(6,013)
Additional provisions made in year	114	178	292	(705)	177	(528)
Provision applied	285	327	612	232	198	430
Balance at 31 March	(3,613)	(1,594)	(5,207)	(4,012)	(2,099)	(6,111)

In addition, a provision has been made for NDR appeals against the rateable valuations assessed and determined by the Valuation Office Agency (VOA) which have not been settled by 31 March 2024.

	2023/24 £000	2022/23 £000
Balance at 1 April	(3,832)	(6,059)
Change in provisions made	396	1,474
Provision applied in year	320	753
Balance at 31 March	(3,116)	(3,832)

Group Accounts

Introduction

In order to provide a full picture of the economic and financial activities of the Council, and its exposure to risk, the accounting statements of its subsidiary are consolidated with those of the Council. The resulting Group Accounts are presented in addition to the Council's single entity accounts. They include the core accounting statements, similar in presentation and purpose to the Council's accounts, and any explanatory notes considered necessary to explain material movements from the single entity accounts. Where no notes are given, users of the accounts should refer to the notes in the single entity accounts.

Group accounts have been prepared under the requirements of the Code of Practice on Local Authority Accounting, consolidating any subsidiary over which the Council exercises control or influence.

Millstream Property Investments Ltd, is a wholly owned company formed in February 2018 by the Council. There are no minority shareholders and no restrictions on the Council's ability to access or use the assets or settle the liabilities of the group. Millstream Property Investments Ltd was created to acquire, develop and refurbish homes to provide rental properties to tenants wishing to live in the private sector, but with the assurance that the accommodation is managed by a responsible landlord.

Millstream was not consolidated in 2018/19 as it's activities for that year were not material to the Council's accounts

Accounting Policies

Millstream Property Investments Ltd has prepared it's 2023/24 accounts using accounting policies consistent with those applied by the Council and no adjustments have been required to align accounting policies. Both entities have a financial year end of 31 March.

GROUP MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (ie those that can be applied to fund expenditure or reduce taxation) and other reserves.

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	General Reserve	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves	Share of Reserves of Subsidiaries	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2023	3,854	21,306	0	224	1,065	26,449	72,174	98,623	1,754	100,377
Movement in reserves during 2023/24										
Total Comprehensive Income and Expenditure		-	-	-	-	0		0		0
Tax expenses for Millstream Property Investment		0	0	0	0	0	0	0	0	0
Adjustments between group accounts and authority accounts		0	0	0	0	0	0	0		0
Adjustments between group accounts and authority accounts		0	0	0	0	0	0	0	0	0
Net Increase/Decrease before Transfers	0	0	0	0	0	0	0	0	0	0
Transfers to/(from) Earmarked Reserves			-	-		-	-	-		
Increase/Decrease in Year	-	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2024 carried forward	3,854	21,306	-	224	1,065	26,449	72,174	98,623	1,754	100,377

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

	2023/24		2022/23	
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Net Expenditure £000
Chief Executive, PA's & Directors	563	-	563	643
Communications, Strategy & Policy	2,635	(1,123)	1,512	1,526
Human Resources & Organisation Development	622	(11)	611	656
Strategic Finance & Property	10,052	(4,975)	5,077	5,049
Democratic & Legal Services	2,162	(470)	1,692	1,717
Housing & Health	6,231	(2,926)	3,305	3,583
Planning & Building Control	4,453	(1,777)	2,676	2,482
Operations	31,629	(11,574)	20,055	4,612
Shared Revenues & Benefits Service	27,032	(26,059)	973	1,424
Shared Business & Technology Services	2,258	(19)	2,239	2,277
NET COST OF SERVICES	87,637		38,703	23,969
Payments of precepts to parishes			5,351	5,060
Gain on disposal of non current (fixed) assets			(974)	(1,427)
Minimum Revenue Provision			600	0
OTHER OPERATING EXPENDITURE			4,977	3,633
Interest payable and similar charges			541	596
Net Interest on the net defined benefit liability & remeasurements of the defined benefit liability for long term employee benefits			189	1,024
Interest receivable and similar income			(1,633)	(1,322)
Income from investment properties		<i>Note 1</i>	(763)	(1,037)
Direct expenditure incurred on investment properties		<i>Note 1</i>	447	296
Changes in Fair Value of Investment Properties			899	(860)
FINANCING AND INVESTMENT EXPENDITURE			(320)	(1,303)
Recognised capital grants and contributions			(3,423)	(2,207)
Council tax income			(17,722)	(16,768)
Non domestic rates			322	(188)
Non service related government grants			(7,298)	(6,624)
Renewable Energy			(70)	(318)
TAXATION AND NON-SPECIFIC GRANT INCOME			(28,191)	(26,105)
(SURPLUS) / DEFICIT ON PROVISION OF SERVICES			15,169	194
Millstream Capital contribution			0	0
Tax expenses of subsidiaries			(43)	3
GROUP (SURPLUS)/DEFICIT			15,126	197
(Surplus) or Deficit on revaluation of PPE assets			(12,637)	1,566
Reclassification of Grant				
Remeasurements of the net defined benefit liability			(7,656)	(37,236)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE (SURPLUS) OR DEFICIT ON PROVISION OF SERVICES			(20,293)	(35,670)
(Surplus) / Deficit on revaluation of financial instruments			1,717	4,667
ITEMS THAT MAY BE RECLASSIFIED TO THE (SURPLUS) OR DEFICIT ON PROVISION OF SERVICES			1,717	4,667
Millstream Other Operating Income				2
OTHER COMPREHENSIVE INCOME AND EXPENDITURE			(18,576)	(31,001)
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE			(3,450)	(30,804)

All operations arise from continuing activities.

GROUP BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council.

	31 March '24		31 March '23
	£000	£000	
Property, Plant & Equipment			
- Other land and buildings	89,854		88,533
- Vehicles, plant, furniture and equipment	1,884		2,280
- Infrastructure assets	1,140		1,285
- Community assets	6,625		4,900
- Surplus assets	4,886		6,093
- Assets under Construction	31,328		18,711
		135,717	
Investment Properties	13,360		14,260
Intangible Assets	199	13,559	292
		149,276	136,354
Long Term Investments		17,838	20,108
Long Term Debtors	Note 2	1,905	245
TOTAL LONG TERM ASSETS		169,019	156,707
Assets Held For Sale		4,441	409
Short Term Investments		6,500	6,500
Short Term Debtors	Note 2	12,244	12,601
Cash and Cash Equivalents		4,249	9,012
CURRENT ASSETS		27,434	28,522
Provisions	Note 2	(249)	(300)
Short Term Creditors	Note 2	(18,234)	(21,934)
Short Term Borrowing		(48,500)	(30,000)
CURRENT LIABILITIES		(66,983)	(52,235)
Provisions		(1,068)	(1,347)
Long Term Borrowing		(1,500)	(1,522)
Long Term Creditors	Note 2	0	-
Net Pension Liability		5,266	(2,862)
Grant Receipts in Advance	- Capital	(2,066)	(2,476)
	- Revenue	(5,923)	(5,173)
LONG TERM LIABILITIES		(5,291)	(13,379)
NET ASSETS		124,179	119,614
USABLE RESERVES			
- General Fund		3,854	3,854
- General Reserve		1,103	878
- Earmarked Reserves		20,912	18,688
- Capital Receipts Reserve		0	0
- Capital grants Unapplied		189	224
- Profit and Loss Reserve	Note 3	367	682
		26,425	24,326
UNUSABLE RESERVES			
- Revaluation Reserve		31,032	20,815
- Financial Instrument Revaluation Reserve		(2,160)	(443)
- Pensions Reserve		5,250	(2,862)
- Capital Adjustment Account		61,619	75,629
- Deferred Capital Receipts		142	144
- Collection Fund Adjustment Account		491	1,858
- Short-term Accumulating Compensated Absences Account		(276)	(205)
- Share capital		1,656	0
		97,754	94,936
TOTAL RESERVES		124,179	119,262

GROUP CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period.

	2023/24		2022/23
	£000	£000	£000
OPERATING ACTIVITIES			
Cash Inflows			
Council Tax receipts	(12,985)		(12,131)
NNDR Receipts	(16,025)		(15,704)
DWP grants for benefits	(24,370)		(22,375)
Other Government grants	(9,330)		(10,062)
Cash received for goods and services	(18,628)		(21,693)
Interest received	(1,633)		(1,322)
Cash inflows generated from operating activities	(82,971)		(83,287)
Cash Out Flows			
Cash paid to and on behalf of employees	15,754		14,895
Housing Benefit paid out	22,705		22,409
Other operating cash payments	40,282		38,063
Precepts paid to other authorities	5,351		5,060
Interest paid	1,165		179
Cash outflows generated from operating activities	85,257		80,606
Net Cash Inflow from operating activities		2,286	(2,681)
INVESTING ACTIVITIES			
- Purchase of property plant and equipment, investment property and intangible assets	24,149		16,620
- Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,722)		(1,427)
- Capital grants	(3,917)		(2,717)
- Proceeds from short-term and long-term investments	(4,000)		(4,000)
Net cash inflow from investing activities		14,510	8,476
FINANCING ACTIVITIES			
- Cash Payments for the reduction of the outstanding liabilities relating to finance leases (Principal)	(18,500)		(10,000)
- Other payments for financing activities	6,405		4,161
Net cash outflow from financing activities		(12,095)	(5,839)
Net decrease in cash and cash equivalents		4,701	(106)
Cash and cash equivalents at the beginning of the reporting period		(9,012)	(8,906)
Cash and cash equivalents at the end of the reporting period		(4,311)	(9,012)

Note 1 - Investment Property

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

	31 March '24			31 March '23		
	£000	£000	£000	£000	£000	£000
	East Herts District Council	Millstream Property Investments Ltd	Group total	East Herts District Council	Millstream Property Investments Ltd	Group total
Income from investment property	(501)	(263)	(764)	(822)	(215)	(1,037)
Direct expenditure arising from investment property	364	30	394	200	270	470

Note 2 - Debtors and Creditors

The effect of transactions between the Council and its subsidiary Millstream Property Investments Ltd are eliminated in Group Accounts, therefore debtors and creditors between these parties have been excluded.

Note 3 - Financial Instruments

IFRS 9 requirement is to consider whether loans are made under market terms, especially those made between related parties.

During the year Millstream Property Investments Ltd did not receive any loans from its parent company East Herts Council. However loans were advanced to Millstream by the parent company in 2019/20 and 2020/21 but were deemed at below market rate as there was no interest charged.

	31 March '24 £000
Opening balance at 31 March 2023	2,338
Profit or loss for 2023/24	- 128
Closing balance at 31 March 2024	2,210

	31 March '23 £000
Opening balance at 31 March 2022	
Profit or loss for 2022/23	
Capital contribution	
Closing balance at 31 March 2023	2,338

Note 4 - Summary of Financial Position of Subsidiary

Millstream Property Investments Ltd has been consolidated in the group accounts as a 100% owned subsidiary. The summary of financial position of the company is shown below:

Statement of comprehensive income and expenditure	31 March 2024	31 March 2023
	£000	£000
Revenue	263	215
Cost of sales	(60)	(30)
Gross profit	203	185
Administrative expenses	(66)	(51)
Other operating income	0	2
Operating profit	137	136
Interest payable	(148)	(190)
Other gains losses	(159)	65
Profit/(Loss) on ordinary activities before taxation	(170)	11
Tax on profit/(loss)	43	(3)
Profit/(Loss) and total comprehensive income for the financial year	(127)	8

Statement of financial position	31 March 2024	31 March 2023
	£000	£000
Non current assets		
Investment properties	5,507	5,666
Current assets		
Trade debtor	3	2
Cash and Cash equivalents	93	68
Total Assets	5,603	5,736
Current liabilities		
Trade creditor	225	196
Non current liabilities		
Loans	3,097	3,089
Provision for liabilities	71	114
Total liabilities	3,393	3,399
Net Assets/Liabilities	2,210	2,337
Equity		
Share capital	1,656	1,656
Retained earnings	554	682
Total equity	2,210	2,338

GLOSSARY OF FINANCIAL TERMS

Accounting Policies

Those principles, bases, conventions, rules and practices applied by the Council that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- Recognising;
- Measuring bases;
- Presenting.

Accruals

Accruals The concept that Income & Expenditure are recognised as they are earned or incurred, not as money is received or paid.

Accumulated Absences

Accumulated Absences Holiday entitlements (or any form of leave such as time off in lieu) earned by employees but not taken before the year end which can be carried forward into the following year.

Actuarial Gains and Losses

Changes in the net pensions liability that arise because

- events have not coincided with assumptions made at the last actuarial valuation, or
- the actuarial assumptions have changed

Amortisation

The term used to refer to the charging of the value of a transaction or asset (usually related to intangible fixed assets) to the Income and Expenditure Account over a period of time, reflecting the value to the authority; similar to the depreciation charge for tangible fixed assets.

Asset

An item having value measurable in monetary terms. Assets can either be defined as fixed or current. A fixed asset has use and value for more than one year whereas a current asset (eg stocks or short term debtors) can readily be converted into cash.

Capital Expenditure

Capital Expenditure Expenditure on the acquisition of a fixed asset or works which have a long term value to the Council, either directly to the Council or indirectly in the form of grants to other bodies.

Capital Financing Requirement

It measures an authority's underlying need to borrow or finance by other long term liabilities for a capital purpose.

Capital Receipts

The proceeds from the disposal of land and other assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by government, but they cannot be used for revenue purposes.

CIPFA

CIPFA Chartered Institute of Public Finance and Accountancy. The principal accountancy body dealing with local government finance.

Code of Practice on Local Authority Accounting (The Code)

Code of Practice on Local Authority Accounting sets out the arrangements required to be followed in the Statement of Accounts. It constitutes 'proper accounting practice' and is recognised as such by statute.

Community Assets

Assets that a local authority intends to hold indefinitely, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Consistency

The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

Contingent Asset

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the Council's control.

Contingent Liability

A contingent liability is a possible liability arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the local authority's control.

Creditor

An amount owed by the Council for work done, goods received, or services provided within the accounting period and for which payments has not been made at the Balance Sheet date.

Current Service Cost (Pensions)

The increase in liabilities as a result of years of service earned this year.

Curtailment

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

Curtailments include:

- Termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business;
- Termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Debtor

Sums of money due to the Council but not yet received at the Balance Sheet date.

Deficit

An excess of expenditure over income (or liabilities over assets).

Defined Benefit Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Depreciation

Charges reflecting the decline in the value (not cost) of assets as a result of their usage or ageing.

DEFRA

Department for Environment, Food and Rural Affairs.

DWP

Department for Work & Pensions.

Expected Rate of Return on Pensions Assets

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Earmarked reserve

These are funds that are set aside for a specific purpose, or a particular service, or type of service.

Financial Instruments

Any document with monetary value. For example, securities such as bonds and stocks which have value and may be traded in exchange for money.

Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

Government Grants

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, towards either revenue or capital expenditure incurred in providing local services.

International Financial Reporting Standards

International Financial Reporting Standards cover specific aspects of accounting practice and set out the correct accounting treatment. Compliance with them is mandatory.

Impairment

This is a reduction in value of a fixed asset as shown in the balance sheet to reflect its true value

Infrastructure Assets

Expenditure on works of construction or improvement but which have no tangible value, such as construction or improvement to highways and footpaths.

Intangible Asset

Non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the authority through custom or legal rights e.g. computer software.

Interest Cost (pensions)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Investments (non-pensions fund)

A long term investment is one that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments, other than those in relation to the pension fund, that do not meet the above criteria should be classified as current assets.

Investment properties

Property that is used solely to earn rentals and/or for capital appreciation.

LAA

Local Area Agreement.

Liquid resources

Current asset investments that are readily disposal by the authority without disrupting its business.

MHCLG

Ministry of Housing, Communities and Local Government (formerly DCLG - Department for Communities and Local Government).

MTFP

Medium Term Financial Plan.

NDR

Non Domestic Rates.

Operating Lease

A lease whereby the ownership of the fixed asset remains with the lessor.

Past Service Cost

The increase / decrease in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years.

Revenue Expenditure

The day to day running costs incurred by the Council in providing its services.

REFCUS (Revenue Expenditure Funded from Capital Under Statute)

Capital expenditure which is allowable under statute to be funded from capital resources but which does not fall within the definition of a fixed asset. An example is a grant made to another party to finance capital investment.

Surplus

An excess of income over expenditure (or assets over liabilities)

Statement of Responsibilities for the Statement of Account

The Authority's Responsibilities

The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Financial Officer;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- To approve the Statement of Accounts.

The Chief Financial Officers' Responsibilities

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

In preparing this Statement of Accounts, the Chief Financial Officer has:

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

The Chief Financial Officer has also:

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

EAST HERTFORDSHIRE DISTRICT COUNCIL

Certificate of Responsible Finance Officer

I certify that this Statement of Accounts presents a true and fair view of the financial position of the Authority at the reporting date and its income and expenditure for the year ended 31 March 2024.



Signed

Date

29/04/2025

Brian Moldon

Head of Strategic Finance and Section 151 Officer
East Hertfordshire District Council

Signed

Date

Councillor Martin Adams

Chairman of Audit and Governance Committee

Independent Auditor's Report to the members of East Hertfordshire District Council

Report on the audit of the financial statements

Disclaimer of opinion on the financial statements

We were appointed to audit the financial statements of East Hertfordshire District Council (the 'Council') and its subsidiaries (the 'Group') for the year ended 31 March 2024, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet, the Group Cash Flow Statement and notes to the financial statements, including accounting policies and other information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24.

We do not express an opinion on the financial statements of the Council or the Group. Due to the significance of the matter described in the 'Basis for disclaimer of opinion' section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

On 30 September 2024 the Accounts and Audit (Amendment) Regulations 2024 ('The Amendment Regulations') came into force. The Amendment Regulations require the Council to publish its Accountability Statements, which include the financial statements and auditor's opinion, by certain specified dates ('the backstop dates'), which have been put in law with the purpose of clearing the backlog of historical financial statements in English local government. The specified backstop dates include:

- 28 February 2025 for the Accountability Statements for 2023/24; and
- 13 December 2024 for any outstanding Accountability Statements for prior years.

The Council published its outstanding Accountability Statements for 2021/22 and 2022/23 on 23 April 2025, after the required backstop date. However, these Accountability Statements all included a disclaimer of opinion issued by the Council's predecessor auditor.

The latest date on which unaudited Accountability Statements could be published for 2023/24 to enable local elector rights to be met in time for the 2023/24 backstop was 16 January 2025. The Council did not publish its 2023/24 unaudited Accountability Statements until 30 April 2025. This late publication impeded our ability to obtain sufficient appropriate evidence upon which to form an opinion on the financial statements for 2023/24 and to rebuild the missing assurance arising from the disclaimer of opinions for the previous two financial years. There has been insufficient time for us to perform all necessary audit procedures. We have therefore issued a disclaimer of opinion. This will enable the Council to comply with the requirement in The Amendment Regulations to publish its audited financial statements for the year ended 31 March 2024 as soon as reasonably practicable after the backstop date.

Opinion on other matters required by the Code of Audit Practice

The Council is responsible for the other information. The other information comprises the information included in the Statement of Accounts and Annual Governance Statement, other than the financial statements and our auditor's report thereon.

Under the Code of Audit Practice published by the National Audit Office in November 2024 on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") we are required to consider, based on the work undertaken in the course of the audit of the financial statements, whether the other information published together with the audited financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Because of the significance of the matters described in the 'Basis for disclaimer of opinion' section of our report, we have been unable to form an opinion whether the other information published together with the financial statements in the Statement of Accounts and Annual Governance Statement, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception under the Code of Audit Practice

Under the Code of Audit Practice we are also required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE, or is misleading or inconsistent with information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

Because of the significance of the matter described in the 'Basis for disclaimer of opinion' section of our report, we have been unable to consider the form and content of the Annual Governance Statement.

Responsibilities of the Council and the Head of Strategic Finance and Section 151 Officer

As explained in the Statement of responsibilities, the Council is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Strategic Finance and Section 151 Officer. The Head of Strategic Finance and Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Head of Strategic Finance and Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Strategic Finance and Section 151 Officer is responsible for assessing the Council's and Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government to cease the provision of the services provided by the Council. The Head of Strategic Finance and Section 151 Officer is required to comply with the requirements set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Council's and the Group's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the 'Basis for disclaimer of opinion' section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements. In reaching this judgement we have complied with the requirements of the Code of Audit Practice and have had regard to the Local Audit Reset and Recovery Implementation Guidance published by the National Audit Office and endorsed by the Financial Reporting Council.

We are independent of the Council and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matter described in the 'Basis for disclaimer of opinion' section of our report.

Report on other legal and regulatory matters

Reports in the public interest or use of other statutory powers

Under the Code of Audit Practice, we are required to report to you if, in the course of or at the conclusion of the audit, we:

- issue a report in the public interest under Section 24 of the Local Audit and Accountability Act 2014;
- make a written recommendation to the Council under section 24 of the Local Audit and Accountability Act 2014;
- make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

Report on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in this respect except on 30 September 2025 we reported to the Council significant weaknesses in its governance arrangements in respect of how the council ensures effective processes and systems are in place to support its statutory financial reporting requirements. The significant weaknesses reported are as follows:

- The Council did not publish its 2023/24 draft financial statements by 31 May 2024 as required by the Accounts and Audit Regulations 2015. This was the third year the publication date was not met. The draft 2021/22 financial statements were published on 12 December 2023, the draft 2022/23 statements on 6 November 2024 and the draft 2023/24 statements on 30 April 2025.
- The Council did not publish a notice stating that it had been unable to publish the 2023/24 draft statement of accounts, nor did it provide the reasons for the delay.
- The Council has not been able to adequately support the external audit process. Capacity issues within the finance team led to delays in receipt of information to support the audit. The Council has not been able to provide timely, sufficient and appropriate audit evidence to support the external audit.

We recommended that the Council:

- conduct a comprehensive review of the finance function workflow to identify bottlenecks in the flow of information and the completion of key finance tasks and use the findings to redefine roles and responsibilities within the finance team, ensuring an equitable distribution of workload and preventing any single individual from being overburdened;
- implement a thorough review of the quality assurance process for draft accounts and underlying workpapers. Establish clear timelines for the closedown process, ensuring appropriate segregation of duties between those preparing and those reviewing the draft accounts and workpapers. Monitor adherence to this process and report performance to the Audit and Governance Committee;
- re-assess roles, responsibilities and resource requirements for financial reporting across the Council, including an assessment of the support required from other functions within the organisation for the financial reporting function to meet its objectives and to restore timely financial reporting in accordance with the requirements of the Accounts and Audit (Amendment) Regulations 2024;
- restructure the finance team such that there is sufficient capacity to facilitate annual external audit reviews and the building back of assurance over the disclaimed audit years.

Responsibilities of the Council

As explained in the Statement of responsibilities, the Council is required to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets. The Council is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements.' When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Council uses information about its costs and performance to improve the way it manages and delivers its services.

We have documented our understanding of the arrangements the Council has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary included in our Auditor's Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

Certificate of completion of the audit

We certify that we have completed the audit of the financial statements of East Hertfordshire District Council for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice ("the Code").

Use of our report

This report is made solely to the members of the Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the Council's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the members of the Council as a body, for our audit work, for this report, or for the opinions we have formed.

Xxxxxxx, Key Audit Partner

for and on behalf of Azets Audit Services, Local Auditor
London

Date

Azets Audit Services
Regis House
45 King William Street
London
EC4R 9AN

30 September 2025

Dear Sirs

**East Hertfordshire District Council
Financial Statements for the year ended 31 March 2024**

This representation letter is provided in connection with the audit of the financial statements of East Hertfordshire District Council (the "Council") and group for the year ended 31 March 2024

I confirm that to the best of my knowledge and belief having made such inquiries as I considered necessary for the purpose of appropriately informing myself:

Financial Statements

- i. I have fulfilled my responsibilities as Section 151 Officer for the preparation of the Council's and group's financial statements in accordance with applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the 2023/24 Code), for being satisfied that they give a true and fair view and for making accurate representations to you.
- ii. I have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The financial statements are free from material misstatements and misclassifications including omissions.
- iv. I have reviewed and approved all audit adjustments made in the financial statements. Any unadjusted misstatements identified during the audit are not considered to be material.
- v. Prior year adjustments have been made to the financial statements where required and these are appropriately disclosed in the financial statements.
- vi. I confirm I have considered the impact on the financial position of unadjusted misstatements brought forward from prior years and I am satisfied that there are no prior year unadjusted misstatements that not impact on the current year.

- vii. I have reviewed and approved all disclosures made in the financial statements and I am not aware of any other matters which require disclosure in order to comply with the requirements of UK adopted international accounting standards, as interpreted and adapted by the 2023/24 Code.
- viii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- ix. I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error, and I believe that I have appropriately fulfilled these responsibilities.
- x. The methods, data and significant assumptions used by us in making accounting estimates, including those measured at fair value, are appropriate to achieve recognition, measurement and disclosure that is reasonable in the context of the applicable financial reporting framework. I am satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements.
- xi. The Council has satisfactory title to all assets. The Council has no plans or intentions that may materially alter the carrying value and, where relevant, the fair value measurements or classification of assets and liabilities as at 31 March 2024 reflected in the financial statements.
- xii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- xiii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of applicable law and accounting standards.
- xiv. All events subsequent to the date of the financial statements and which require adjustment or disclosure have been adjusted or disclosed.
- xv. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of UK adopted international accounting standards, and as interpreted and adapted by the Code.
- xvi. I believe that the Council's financial statements should be prepared on a going concern basis. I do not expect the Council to demise in its current organisational form; however, my basis for going concern acknowledges

that if that situation arose the services would be transferred to another body. I believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- i. I acknowledge the Council's legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as I am aware, there is no relevant audit information needed by you for the purposes of your audit of which you are unaware.
- ii. On 5 September 2024 parliament approved the Accounts and Audit (Amendment) Regulations 2024. These Regulations set a publication date for financial statements in respect of 2023/24 of 28 February 2025. The new National Audit Office Code of Practice (2024) requires that where auditors are unable to conclude their work by this statutory backstop date they should issue either a qualified audit opinion or a disclaimer of opinion.
- iii. We have provided you with:
 - i. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
 - ii. all additional information that you might have requested from us for the purpose of your audit; and
 - iii. access to all persons within the Council from whom you determined it necessary to obtain audit evidence.
- iv. I have communicated to you all deficiencies in internal control of which management is aware.
- v. I have disclosed to you the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- vi. I have disclosed to you all information in relation to known fraud or suspected fraud that I am aware of and that affects the Council and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- vii. I have disclosed to you all information in relation to instances of, or allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- viii. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

- ix. I have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which I am aware.
- x. I have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
- xi. All transactions undertaken by the Council have been recorded in the accounting records and are properly reflected in the financial statements.

Management Commentary

- xii. The disclosures within the Narrative Report fairly reflect my understanding of the Council's financial and operating performance over the period covered by the financial statements.

Corporate Governance Statement

- xiii. I am satisfied that the Corporate Governance Statement fairly reflects the Council's risk assurance and governance framework and I confirm that I am not aware of any significant risks or weaknesses in governance or internal control that are not disclosed within the Statement.

Yours faithfully

Signature:.....

Name: Brian Moldon

Position: Head of Strategic Finance and Section 151 Officer

Date.....

East Herts Council Report

Leadership Team Meeting

Date of meeting: Tuesday 23 September 2025

Report by: Brian Moldon, Director of Finance, Risk and Performance

Report title: External Auditors Audit Plan 2024/25

Ward(s) affected: All wards

Summary – The external auditor, Azets will present their Audit Plan Report 2024/25 to the Committee, setting out the planning for the audit of the 2024/25 Statement of Accounts.

RECOMMENDATIONS FOR AUDIT AND GOVERNANCE

COMMITTEE:

- a) Receive and make any comments on the external auditor's Audit Plan for 2024/25.

1.0 Proposal(s)

1.1 The 2024/25 audit of the statement of accounts will be undertaken by Azets who are appointed by Public Sector Audit Appointments Limited. The plan sets out the auditor's planned work to deliver an opinion on the 2024/25 statement of accounts, their assessment of risk and indicative fee levels.

1.2 The report and proposals are the external auditors and whilst officers are consulted on factual accuracy, they have no ability to change anything in the report.

1.3 The external auditor's Audit Plan report for 2024/25 is attached at Appendix A.

1.4 The scale fee is set by Public Sector Audit Appointments Limited (PSAA) and for the 2024/25 audit will be £180,854.

2.0 Background

2.1 The 2023/24 to 2027/28 audits were subject to a competitive tendering exercise undertaken by PSAA and Azets Audit Services has been appointed for this period.

2.2 The Government has implemented a mandated deadline for completing audits, designed to tackle the backlog of uncompleted financial statement audits. For 2024/25, councils needed to produce draft Statement of Accounts by 30 June 2025 and statutory backstop date for local council for completed audits by 27 February 2026.

2.3 The Audit Plan being presented by the external auditor's details how they will go about completing the audit.

3.0 Reason(s)

3.1 The external auditor is required by auditing standards to present the Committee with their Audit Planning Report.

4.0 Options

4.1 Members can ask questions and make observations to the external auditor, but they cannot reject the Audit Plan Report.

5.0 Risks

5.1 The delay to the completion of the previous audit, means that it may affect the council's audit for 2024/25 and will mean a clean audit opinion cannot be issued.

6.0 Implications/Consultations

Community Safety

No

Data Protection

No

Equalities

No

Environmental Sustainability

No

Financial

These are contained in the main body of the report.

Health and Safety

No

Human Resources

No

Human Rights

No

Legal

No

Specific Wards

No

7.0 Background papers, appendices and other relevant material

7.1 Appendix A – Audit Plan Report 2024/25

Contact Member

Executive Member for Financial Sustainability

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East Hertfordshire District Council

External audit plan

Year ended 31 March 2025

Page 199
August 2025



Your key team members

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Introduction

Adding value through the audit

All of our clients demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to the Council through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way, we aim to help the Council promote improved standards of governance, better management and decision making and more effective use of resources.

Purpose

This audit plan highlights the key elements of our proposed audit strategy and provides an overview of the planned scope and timing of the statutory external audit of East Hertfordshire District Council ('the Council') for the year ended 31 March 2025 for those charged with governance.

The core elements of our work include:

- An audit of the 2024/25 Statement of Accounts for the Council and its Group; and
- An assessment of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (our Value for Money work).

This document also includes our indicative plans for building back assurance for the Council and its Group over the coming years following the previous disclaimed audits.

We will conduct our audit in accordance with International Standards on Auditing (ISAs) (UK), the Local Audit and Accountability Act 2014 (the 'Act'), the National Audit Office Code of Audit Practice and associated guidance. The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Act.

Auditor responsibilities

As auditor we have been appointed to perform an audit, in accordance with the Local Audit and Accountability Act 2014, the Code of Audit Practice issued by the National Audit Office and ISAs UK. Our primary responsibility is to form and express an independent opinion on the Council's (and its Group's) financial statements, stating whether they provide a true and fair view and have been prepared properly in accordance with applicable law and the CIPFA Code of Practice on Local Authority Accounting in the UK (the 'CIPFA Code').

We are also required to:

- Report on whether the other information included in the Statement of Accounts (including the Narrative Report and Annual Governance Statement) is consistent with the financial statements;
- Report by exception if the disclosures in the Annual Governance Statement are incomplete or if the Annual Governance Statement is misleading or inconsistent with our knowledge acquired during the audit;
- Report by exception any significant weaknesses identified in arrangements for securing value for money and a summary of associated recommendations;
- Report by exception on the use of our other statutory powers and duties; and
- Certify completion of our audit.

We will conduct our audit in accordance with International Standards on Auditing (ISAs) (UK), the Local Audit and Accountability Act 2014 (the 'Act'), and the National Audit Office Code of Audit Practice. The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Act.

This planning letter has been prepared for the sole use of those charged with governance and management and should not be relied upon by third parties. No responsibility is assumed by Azets Audit Services to third parties.

Auditor responsibilities (*....continued*)

We will issue our Audit Completion Report and an Auditor's Annual Report to the Audit and Governance Committee setting out the findings from our work.

Under the Act we have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom. These include:

- Reporting matters in the public interest;
- Making written recommendations to the Council;
- Making an application to the court for a declaration that an item of account is contrary to law;
- Issuing and advisory notice; or
- Making an application for judicial review.

The Act also requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts.

On completion of our audit work, we will issue an Audit Completion Report (prior to the approval of the financial statements), detailing our significant findings and other matters arising from the audit on the financial statements, together with an Auditor's Annual Report including our commentary on the value for money arrangements.

If, during the course of the audit, we identify any significant adverse or unexpected findings that we conclude should be communicated, we will do so on a timely basis, either informally or in writing.

The audit does not relieve management or the Audit and Governance Committee of your responsibilities, including those in relation to the preparation of the financial statements.

Council responsibilities

The Council has responsibility for:

- Preparing financial statements which give a true and fair view, in accordance with the applicable financial reporting framework and relevant legislation;
- Preparing and publishing, along with the financial statements, an annual governance statement and narrative report;
- Maintaining proper accounting records and preparing working papers to an acceptable professional standard that support its financial statements and related reports disclosures; and
- Ensuring the proper financial stewardship of public funds, complying with relevant legislation and establishing effective arrangements for governance, propriety and regularity.

Audit scope and general approach

This section of our letter sets out the scope and nature of our audit and should be considered in conjunction with the [Terms of Appointment](#) and [Statement of Responsibilities](#) issued by Public Sector Audit Appointments Limited (PSAA).

General approach

Our objective when performing an audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement and to issue an auditor's report that includes our auditor's opinion.

As part of our risk-based audit approach, we will:

- Perform risk assessment procedures including updating our understanding of the Council and its Group, including its environment, the financial reporting framework and its system of internal control;
- Review the design and implementation of key internal controls;
- Identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement level and the assertion level for classes of transaction, account balances and disclosures;

- Design and perform audit procedures responsive to those risks, to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion; and
- Exercise professional judgment and maintain professional scepticism throughout the audit recognising that circumstances may exist that cause the financial statements to be materially misstated.

We will undertake a variety of audit procedures which, in a normal year, are designed to provide us with sufficient evidence to give us reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. We are unlikely to be able to obtain sufficient assurance in 2024/25 to reach this conclusion due to the late production of prior year accounts and the disclaimers of opinion issued for 2021/22, 2022/23 and 2023/24 as a result.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

We include an explanation in the auditor's report of the extent to which the audit was capable of detecting irregularities, including fraud and respective responsibilities for prevention and detection of fraud.

Audit scope and general approach

Materiality

We apply the concept of materiality both in planning and performing the audit and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements.

Judgments about materiality are made in the light of surrounding circumstances and are affected by our perception of the financial information needs of users of the financial statements, and by the size or nature of a misstatement, or a combination of both. The basis for our assessment of materiality for the year is set out on page 19.

Any identified errors greater than:

£80,000

will be recorded and discussed with you and, if not adjusted, confirmed as immaterial as part of your letter of representation to us.

Accounting systems and internal controls

The purpose of an audit is to express an opinion on the financial statements. We will follow a substantive testing approach to gain audit assurance rather than relying on tests of controls. As part of our work, we consider certain internal controls relevant to the preparation of the financial statements such that we are able to design appropriate audit procedures. However, this work does not cover all internal controls and is not designed for the purpose of expressing an opinion on the effectiveness of internal controls. If, as part of our consideration of internal controls, we identify significant deficiencies in controls, we will report these to you in writing.

Specialised skill or knowledge required to complete the audit procedures

We will use audit specialists to assist us in our audit work in the following areas:

- The audit of the actuarial assumptions used in the calculation of the defined benefit pension liability/asset; and
- The audit of investment or property valuations should the need arise during the course of the audit.

We will consult internally with our Technology Risk team for them to support the audit team by assessing the information technology general controls (ITGC) of your systems, including your general financial ledger.

Audit scope and general approach

Significant changes in the financial reporting framework

There has been one significant change in the financial reporting framework this year, including the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the 'CIPFA Code'). The new standard relating to IFRS 16 Leases issued in January 2016 has now been mandated for implementation from 1 April 2024 within the 2024/25 Code.

Significant changes in the Council's and Group's functions or activities

There have been no significant changes to the functions and activities of the Council or its group structure. We have not been made aware of any significant changes in the functions or activities of the other components in the Council's group.

Our group audit scope and risk assessment is set out in Appendix I.

Going concern

Management responsibility

Management is required to make and document an assessment of whether the Council and group is a going concern when preparing the financial statements. The review period should cover at least 12 months from the date of approval of the financial statements. Management are also required to make balanced, proportionate and clear disclosures about going concern within the financial statements where material uncertainties exist in order to give a true and fair view.

Going concern

Auditor responsibility

Under ISA (UK) 570, we are required to consider the appropriateness of management's use of the going concern assumption in the preparation of the financial statements and consider whether there are material uncertainties about the Council and group's ability to continue as a going concern that need to be disclosed in the financial statements.

In assessing going concern, we will consider the guidance published in the CIPFA Code and Practice Note 10 (PN10), which focusses on the anticipated future provision of services in the public sector rather than the future existence of the entity itself.

Audit scope and general approach

Related party transactions

ISA 550 requires that the audit process starts with the audited body providing a list of related parties to the auditor, including any entities under common control.

During our initial audit planning you have informed us of the individuals and entities that you consider to be related parties. Please advise us of any changes as and when they arise.

Additional procedures for the NAO

The National Audit Office (the 'NAO') issues group audit instructions which set out additional audit requirements. We expect the procedures for this year to be similar to previous years.

The NAO audit team for the WGA request us to undertake specific audit procedures in order to provide them with additional assurance over the amounts recorded in WGA schedules. The extent of these procedures will depend on whether the Council has been selected by the NAO as a sampled component for 2024/25. As at the date of this report, the draft instructions have not yet been issued by the NAO and the NAO has not yet confirmed which entities will be sampled components.

We will seek to comply with the instructions and report to the NAO in accordance with their requirements once instructions have been issued.

Building back assurance

Statutory backstop dates and disclaimed audits

Statutory Instrument (2024) No. 907 - “*The Accounts and Audit (Amendment) Regulations 2024*”, imposed annual statutory backstop dates up to and including the 2027/28 year of account for the publication by the Council of its final Statement of Accounts. The Code of Audit Practice specifies that auditors are required to issue their auditor’s report before these dates, even if planned audit procedures are not fully complete, so that local government bodies can comply with the statutory reporting deadline.

This legislation provides the following statutory backstop dates:

- 13 December 2024 Audits from 2015/16 to 2022/23
- 28 February 2025 2023/24 audit
- 28 February 2026 2024/25 audit
- 31 January 2027 2025/26 audit
- 30 November 2027 2026/27 audit
- 30 November 2028 2027/28 audit

The Council has experienced significant delays in the publication of their draft financial statements and the completion of the associated audits, resulting in the statutory backstop dates for 2021/22, 2022/23 (13 December 2024) and 2023/24 (28 February 2025) being missed.

The Council published their draft 2021/22 financial statements on 11 December 2023, significantly later than the statutory deadline of 31 July 2022. These draft accounts did not include an Annual Governance Statement (AGS) and the Statement of Responsibilities included in the accounts was from the 2020/21 accounts and dated 26 October 2020.

The draft 2022/23 financial statements were published on 6 November 2024, significantly later than the statutory deadline of 31 May 2023. As a result the statutory backstop date of 13 December 2024 for both the 2021/22 and 2022/23 financial statements was missed. A disclaimer of opinion for both audit years was issued on 23 April 2025.

The Council published their draft 2023/24 financial statements on 30 April 2025, significantly later than the statutory deadline of 31 May 2024. This audit remains in progress. Due to the late publication, and the fact the statutory backstop for 2023/24 (28 February 2025) had already passed when the draft financial statements were published on 30 April 2025, we anticipate issuing a disclaimer of opinion for 2023/24.

This means, as a consequence of the statutory backstop, the Council’s accounts will have been disclaimed for 2021/22, 2022/23 and 2023/24. The previous clean opinion, where the closing balances were assured by the auditor, was 2020/21. The closing balances as at 31 March 2021 are therefore our required starting point for building back assurance.

Building back assurance

Government’s expectation is that auditors and councils build back assurance to enable, at some point in the future, the return to unmodified (clean) opinions. The recovery period has been designed to allow auditors to rebuild assurance for balances from disclaimed years over multiple audit cycles, reducing the risk of the backlog recurring. Because auditors will need to make prioritisation decisions to issue audit opinions ahead of the backstop dates, they may not be able to obtain sufficient evidence to support all balances nor all in-year and comparative expenditure, income, cash flow and reserves movements within individual audit years.

Page 208 Building back assurance

As a firm we have invested considerable resources in developing our overall response to the disclaimed periods of assurance, the impact this has on our audit responsibilities and what an indicative build-back plan may involve. Due to the complexities caused by the disclaiming of previous audits our work has required greater involvement from senior members of the audit team than would normally be the case. PSAA has made clear that this additional work is over and above the annual scale fee.

Our planning takes into account the guidance contained in the [Local Audit Reset and Recovery Implementation Guidance](#) (LARRIG), numbers 01 to 06. LARRIGs are prepared and published by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General (C&AG) who has power to issue guidance to auditors under Schedule 6 paragraph 9 of the *Local Audit and Accountability Act 2014* (the Act). LARRIGs are prepared and published with the endorsement of the Financial Reporting Council (FRC) and are intended to support the reset and recovery of local audit in England. The guidance in LARRIGs supports auditors in meeting their requirements under the Act and the [Code of Audit Practice](#) published by the NAO on behalf of the C&AG.

Our planning also takes into account the guidance contained in the FRC's document [Local Audit Backlog Rebuilding Assurance](#). Alongside the backlog measures, the Government has announced its intention to 'overhaul the local audit system.' Draft legislation to effect this was laid before parliament in July 2025 in the [English Devolution and Community Empowerment Bill](#).

The FRC's guidance states: "*Recovery from the backlog is a shared endeavour between auditors and local bodies. Accounts preparers have a vital part to play, providing good quality draft financial statements supported by comprehensive working papers and supporting evidence to auditors. The success of these proposals relies on both auditors and accounts preparers working closely together to agree jointly-owned delivery plans for each year's audit. Chartered Institute of Public Finance and Accountancy (CIPFA) are responsible for the production of guidance to support accounts preparers. Audit and Governance Committees should ensure that they are planning and able to play their full part in the process.*"

Elements of building back assurance, particularly in respect of reserves, were subject to detailed discussion within a cross-firm working group, also attended by the FRC, known as 'the Sandbox'. Statutory guidance was produced by the NAO, endorsed by the FRC, as a result of the outcome of this working group, in the form of [LARRIG 06](#).

Following the publication of this guidance, we are further developing our implementation approach and methodology for building back reserves assurance, in compliance with this statutory guidance.

As part of our work in 2023/24, we began assessing what work, carried out in 2023/24, can be used to inform the process of rebuilding assurance in future years. Where work was able to be undertaken in 2023/24, we intend to accrete this work into this and future audit periods to inform the future building back of assurance. The build-back approach will require us to apply a process of rebuilding assurance over all financial years for which disclaimers of opinion have been issued.

As a result of the approach we adopted and work undertaken in 2023/24 we have developed our understanding of the Council's systems, processes, controls and arrangements for the preparation of the financial statements and have gathered information which may inform the process of rebuilding assurance in this and future years.

Building back assurance

We have developed an indicative end-to-end build-back recovery plan for disclaimed audits. We set out this indicative plan for your Council here.

Our overarching approach

Our approach to your audit from 2024/25 onwards comprises three distinct phases with the ultimate objective of returning to unmodified opinions in the future.

Phase	Planned work	Timing	Included in scale fee?
1	Undertake the normal 'in-year' audit. This will provide assurance over some closing balances and in-year movements	Annually	Yes
2	Undertake 'build-back' testing back to the last clean opinion for specified balance sheet items where full assurance over the closing balance cannot be obtained without opening assurance	Likely 2025/26	No – additional fees apply
3	Undertake work on prior-year disclaimed CIES entries and reserve movements back to the last clean opinion, in line with LARRIG 06.	Likely 2025/26 and beyond	No – additional fees apply

One of the contributing factors to the existing backlog of opinions was insufficient capacity across audit suppliers and, in some cases, within council finance teams. These capacity constraints continue. It is therefore not possible to rebuild all assurance within a one-year period. In terms of the work required under phases 2 and 3 – which could be considerable – we will discuss with management the appropriate timing and year for such work. For 2024/25 we anticipate there will be sufficient capacity to undertake phase 1 and potentially some elements of phase 2, with the remainder of the indicative build back plan falling into future years.

MHCLG has announced their intention to reimburse councils for the additional fees incurred from audit work required to build back assurance over disclaimed periods. This funding is conditional upon councils publishing their draft financial statements by the statutory deadline each year from 2024/25 (30 June annually).

In 2024/25, the Council published their draft financial statements on 27 June 2025, in line with this deadline. This is the first time in 4 years the Council has met this deadline and is a significant accomplishment.

Phase 1: the 'in-year' audit and accretion of evidence

In 2024/25 and future years, our 'in-year' audit will enable us to reach one of the conclusions (set out in the table on the next page) for each balance sheet item of account. This approach is subject to the provision of appropriate and timely evidence which fully supports the balances in question, and whether our detailed work confirms our assumptions over which balances can be fully supported independently of the missing opening assurance:

Building back assurance

Conclusion	Likely applicable balances
Assurance gained over the closing balance of the item of account (i.e. closing balance is not inherently tied to the opening position)	<ul style="list-style-type: none"> • Other land and buildings valuation • Investment properties • Investments • Debtors • Creditors • Cash and cash equivalents • Borrowing • Provisions
Assurance gained in-year but lack of opening assurance means the closing balance / full year balance on CIES cannot be fully assured and remains disclaimed	<ul style="list-style-type: none"> • Property plant and equipment • Pension liabilities (IAS19) • Long term debtors • Long term creditors • Long term lease liabilities • All reserves

The items in the first category will be rolled forward and accreted into future years as part of the overarching indicative build-back strategy. It will take a minimum of three years for the items in this first category to be fully assured across three closing balances. At this point, no retrospective build back should be required for these items of account.

The items in the second category will need further work to obtain full assurance, which form phases 2 and 3 of the overarching indicative build-back approach.

Phase 2: build-back for specified balance sheet items where the closing position is inherently tied to the opening position

These closing balances can only be assured by undertaking work on these items of account in the disclaimed years, back to the last clean opinion.

We are not, at this stage, proposing to rebuild assurance for historic land and buildings and IAS19 pension valuations or CIES income and expenditure over the disclaimed years. This is considered further in Phase 3.

Obtaining full assurance over the pension liability valuation (IAS19) closing balance will not be possible until the completion of the next triennial valuation. This is because of missing assurance over the current position dating back to the previous triennial valuation. The next triennial valuation is due to be accounted for from 2025/26, and we will undertake work in respect of this in conjunction with the pension fund auditor during the 2025/26 audit year.

Moreover, the late publication of the 2023/24 accounts, as noted earlier, means the 2023/24 audit is unlikely to have been completed until September 2025. This is likely to result in a disclaimer of opinion. This means the time available to obtain significant substantive assurance for the 2024/25 accounts is significantly limited. The statutory backstop for the 2024/25 accounts is 28 February 2026.

Building back assurance

Phase 3: build-back on prior year disclaimed CIES entries and reserve movements back to the last clean opinion

The approach to this is set out in the statutory guidance LARRIG 06. This was released in June 2025. We are currently considering the requirements of this guidance and developing our approach, methodology and implementation in response. At the highest level, the guidance requires the following to be undertaken for auditors to establish their overall strategy:

- A detailed and substantive risk assessment of the Council and its environment across the disclaimed period
- A comprehensive analysis of reserve movements over the full disclaimed period
- Determination of procedures required to obtain substantive assurance across the disclaimed period. This is likely to require substantive testing of income and expenditure transactions across the disclaimed period (beginning 1 April 2021) to gain assurance over the reserves opening position.

This will enable us to rebuild the assurance over the reserves balances and provide assurance over the general fund, earmarked reserves and unusable reserves, as well as over the Council's Capital Financing Requirement (CFR) and minimum revenue provision (MRP).

This is likely to result in significant additional work over the coming years. It is important the Council has sufficient capacity and resilience to facilitate this work.

On 23 April 2025 the predecessor auditor, as part of their conclusion over the 2021/22 and 2022/23 audits, determined there were significant weaknesses in place at the Council in the Council's arrangements for the preparation and publication of financial statements. As a result of the weaknesses identified, they made Statutory Recommendations under Schedule 7(2) of section 24 of the Local Audit and Accountability Act 2014 (as amended).

As part of our 2023/24 audit we have considered the Council's response to these recommendations. As the recommendations were only raised formally in April 2025 there had been insufficient time for any of the responses to have been implemented during our 2023/24 work. Accordingly the significant weaknesses remained present during 2023/24 and we concluded accordingly in our Auditor's Annual Report for 2023/24.

As the Council considered the statutory recommendations at a public meeting, as required by the Act, we did not re-issue further statutory recommendations as part of our 2023/24 audit but made key recommendations in respect of the significant weaknesses identified. We have also raised other recommendations for improvement.

The significant weaknesses and recommendations made are summarised in our Audit Completion Report for 2023/24 and our Auditor's Annual Report for 2023/24. Both of these reports will be reported to the Audit and Governance Committee alongside this audit plan for 2024/25 in September 2025.

Indicative build-back planner

	Build back of specified closing balances				Recovery of closing balances	Recovery of reserves and CIES	
Item of account	Phase 1				Phase 2 (2025/26)	Phase 3 (2025/26 and beyond)	Included in scale fee?
	2024/25	2025/26	2026/27	2027/28			
Income in-year <i>(fees and charges, taxation, grants, other income)</i>		Yes	Yes	Yes	N/A	N/A	Yes
Expenditure in-year <i>(payroll, operating expenditure, other expenditure)</i>		Yes	Yes	Yes	N/A	N/A	Yes
Other land and buildings valuation		Yes	Yes	Yes	N/A	N/A	Yes
Closing balances not inherently tied to the opening balance <i>(includes Investment properties, investments, debtors, creditors, cash and cash equivalents, borrowing, provisions)</i>		Yes	Yes	Yes	N/A	N/A	Yes
Pension liabilities (IAS19) <i>(triennial in 2025/26)</i>		Yes	Yes	Yes	N/A	N/A	Yes
Reserves and reserves movements in-year <i>(general fund, earmarked reserves, unusable reserves, CFR, MRP, disclaimed year CIES movements)</i>		Yes	Yes	Yes	N/A	N/A	Yes
Cash flow statement in-year		Yes	Yes	Yes	N/A	N/A	Yes
Collection fund in-year		Yes	Yes	Yes	N/A	N/A	Yes
Cash flow statement and related notes full assurance		Yes	Yes	Yes	N/A	N/A	Yes
PPE closing balances, council dwelling closing balances <i>(recovery of additions, disposals, depreciation and other capital movements)</i>		No	No	No	Yes	No	No
Closing balances inherently tied to the opening balances where prior year recovery is required <i>(Long term debtors, long term creditors, long term lease liabilities)</i>		No	No	No	Yes	No	No
Collection fund surplus		No	No	No	Yes	No	No
Reserves and reserves movements full <i>(general fund, earmarked reserves, unusable reserves, CFR, MRP, disclaimed year CIES movements)</i>		No	No	No	No	Yes	No

Indicative assurance over build-back period

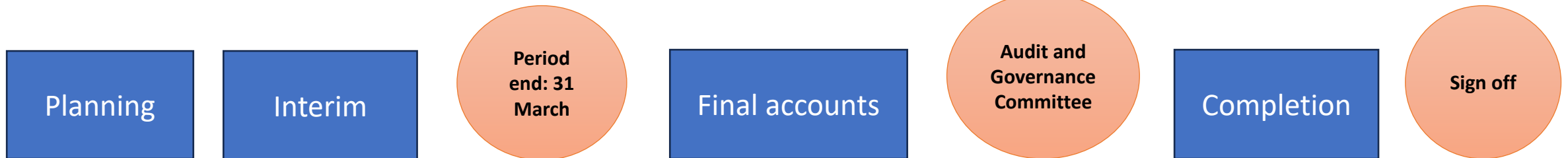
	Build back of specified closing balances through in-year audit				Recovery of closing balances	Recovery of reserves and CIES
	Phase 1				Phase 2 (2025/26)	Phase 3 (2025/26 and beyond)
	2024/25	2025/26	2026/27	2027/28		
Assurance gained over specific balance sheet closing balances which are not inherently tied to the opening balance (Phase 1)	No	Yes	Yes	Yes	N/A	N/A
Assurance gained over comparator closing balance for specific balance sheet items not inherently tied to the opening balance (Phase 1b)	No	No	Yes	Yes	N/A	N/A
Assurance gained over comparator opening balance for specific balance sheet items not inherently tied to the opening balance (Phase 1c)	No	No	No	Yes	N/A	N/A
Assurance gained over balance sheet balances which are inherently tied to the opening balance – current year closing, prior year closing, prior year opening (Phase 2)	N/A	N/A	N/A	N/A	Yes	N/A
Assurance gained over general fund, earmarked reserves, unusable reserves, collection fund surplus (Phase 3)	N/A	N/A	N/A	N/A	N/A	Yes
Full assurance gained for each phase?	No	No	No	Yes	Yes	Yes
Is missing assurance pervasive?	YES	YES	YES	YES <i>(phase 1 obtained only)</i>	YES <i>(phase 1 and 2 obtained only)</i>	NO <i>(provided also have full phase 1 and 2)</i>
Anticipated opinion	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Clean
Additional fee – disclaimer	Yes	Yes	Yes	Yes	Yes	No
Additional fee – build back	No	No	No	No	Yes	Yes

Anticipated audit reports by year

Year	Assurance gained								Anticipated audit report
	Closing balances	Comparator closing balances	Comparator opening balances	Pensions IAS19 closing balance	Pensions IAS19 comparator closing balance	Pensions IAS19 comparator opening balance	Closing balances inherently tied to the opening balance	Reserves	
2024/25	N	N	N	N	N	N	N	N	Disclaimer
2025/26	Y	N	N	Y	N	N	N	N	Disclaimer
2026/27	Y	Y	N	Y	Y	N	N	N	Disclaimer
2027/28 (phase 1 only)	Y	Y	Y	Y	Y	Y	N	N	Disclaimer
2027/28 * (phase 1 and 2 only)	Y	Y	Y	Y	Y	Y	Y	N	Disclaimer
2027/28 * (phase 1, 2 and 3)	Y	Y	Y	Y	Y	Y	Y	Y	Clean

* Phase 2 (recovery of assurance back to the last clean opinion) and Phase 3 (recovery of general fund and reserves assurance) are planned to be undertaken in 2025/26 (and beyond, for recovery of income and expenditure assurance during the disclaimed period) should there be sufficient capacity within the finance team to facilitate this work, and subject to agreement of cost for this additional work. MHCLG has announced their intention to fund councils for the cost of this additional build back work.

Our financial statements audit explained



- Identify changes in your business environment
- Determine materiality
- Scope the audit
- Risk assessment
- Planning meetings with management
- Planning requirements checklist to management
- Issue audit plan

- Document design control and effectiveness
- Discuss audit plan with Audit and Governance Committee
- Early testing

NOTE: Planning and interim work was delayed due to the late accounts and audits in prior years and delayed provision of evidence by the Council for 2024/25.

- Regular updates with management
- Completion of all audit testing
- Conclude on significant risk areas
- Report observations on other risk areas, management judgements
- Draft Audit Completion report
- Discuss with management

- Discuss audit findings with Audit and Governance Committee

- Subsequent events procedures
- Management representation letter
- Sign financial statements

- Sign auditor's report
- Issue delayed certificate

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

Progress to date 2024/25

Our audit planning for 2024/25 commenced in December 2024. The planning period has been extended due to the delays in the Council receiving the disclaimers of opinion for 2021/22 and 2022/23. The reasons behind this are set out in the predecessor auditor's Audit Completion report, reported to the Audit and Governance Committee on 22 April 2025. Planning for 2024/25 was further delayed by the late publication of the 2023/24 financial statements, which were published on 30 April 2025. This resulted in delays in the provision of evidence to support the planning procedures for 2024/25 and as a result our planning time frame and duration of work was extended until September 2025.

As at the date of this report, we are still awaiting the provision of management's latest going concern assessment. We have also not been provided with management's assessment to support its accounting for 'right of use' assets under the new International Financial Reporting Standard (IFRS) 16 which became effective for local government from the 2024/25 year. We have also not, at the date of this report, been provided with the Council's trial balance to support the draft financial statements published on 30 April 2025.

The extension of the planning time frame and impact of delays caused by the overrunning prior year audits and late publication of prior year financial statements means the cost of completing our planning work is greater than anticipated. It also means there will be insufficient time to undertake full substantive procedures for the 2024/25 audit in the time available before the 2024/25 backstop of 28 February 2026.

Whilst we have been able to obtain sufficient evidence, information and response to queries to enable us to produce this indicative audit plan, should the completion of our planning procedures result in the identification of any new audit risks or additional / alternative procedures, we will communicate these to you in our Audit Completion Report in January 2026.

Materiality

Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to those charged with governance and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these. Under ISA (UK) 260 we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA (UK) 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

An omission or misstatement is regarded as material if it would reasonably influence the users of the financial statements. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the Council and Group and the needs of the users. When planning, we make judgements about the size of misstatements which we consider to be material, and which provide a basis for determining the nature and extent of our audit procedures. Materiality is revised as our audit progresses, should we become aware of any information that would have caused us to determine a different amount had we known about it during our planning.

Our assessment, at the planning stage, of materiality for the year ended 31 March 2025 was calculated as follows:

	Group £'000	Council £'000	Explanation
Overall materiality for the financial statements	1,607	1,518	Our initial assessment is based on approximately 2% of gross revenue expenditure as disclosed in the 2024/25 draft annual report and accounts. We consider this to be the principal consideration for the users of the financial statements when assessing financial performance of the Council and Group. The financial statements are considered to be materially misstated where total errors exceed this value
Performance materiality	964	910	60% of materiality (adjusted to take into account the Council component materiality allocation for the group accounts) Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement. Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed overall materiality.
Trivial threshold	80	75	5% of overall materiality for the Council and group. Trivial misstatements are matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. Individual errors above this threshold are communicated to those charged with governance.

In addition to the above, we consider any areas for specific lower materiality. We have determined that no specific materiality levels need to be set for this audit.

Significant risks of material misstatement

Significant risks are risks that require special audit consideration and include identified risks of material misstatement that:

- Our risk assessment procedures have identified as being close to the upper range of the spectrum of inherent risk due to their nature and a combination of the likelihood and potential magnitude of misstatement; or
- Are required to be treated as significant risks due to requirements of ISAs (UK), for example in relation to management override of internal controls.

Significant risks at the financial statement level

The table below summarises significant risks of material misstatement identified at the financial statement level. These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Identified risk	Planned audit procedures
<p>Management override of controls - relates to Council and Group</p> <p>Auditing Standards require auditors to treat management override of controls as a significant risk on all audits. This is because management is in a unique position to perpetrate fraud by manipulating accounting records and overriding controls that otherwise appear to be operating effectively.</p> <p>Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities.</p> <p>Specific areas of potential risk including manual journals, management estimates and judgements and one-off transactions outside the ordinary course of the business.</p> <p>Risk of material misstatement: Very High</p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> • Documenting our understanding of the journals posting process and evaluating the design effectiveness of management controls over journals; • Analysing the journals listing and determining the criteria for selecting high risk and/or unusual journals; • Testing high risk and/or unusual journals posted during the year and after the draft accounts stage back to supporting documentation for appropriateness, corroboration and to ensure approval has been undertaken in line with the Council's journals policy; • Gaining an understanding of the key accounting estimates and critical judgements made by management. We will also challenge assumptions and consider for reasonableness and indicators of bias which could result in material misstatement due to fraud; and • Evaluating the rationale for any changes in accounting policies, estimate or significant unusual transactions.

Significant risks of material misstatement

Identified risk	Planned audit procedures
<p>Prior year opinion on the financial statements - relates to Council and Group</p> <p>As a result of the backstops, disclaimer audit opinions were provided on the Council and group's 2021/22, 2022/23 and 2023/24 financial statements.</p> <p>As a result of prior year disclaimed audit opinions:</p> <ul style="list-style-type: none"> • There is limited assurance available over the Council's opening balances, including those balances which involve higher levels of management judgement and more complex estimation techniques (e.g. defined benefit pension valuations, land and building, council dwelling and investment property valuations, amongst others); and • Significant transactions, accounting treatment and management judgements may not have been subject to audits for one or more years – or at all. This may include management judgements and accounting treatment in respect of significant or complex schemes or transactions which came into effect during the qualified or disclaimed period/s. <p>The absence of prior year assurance raises a significant risk of material misstatement at the financial statement level that may require additional audit procedures.</p> <p>Risk of material misstatement (financial statement level): Very high</p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> • Considering the findings and outcomes of prior year audits and their impact on the 2024/25 audit; • Considering the impact on our audit of qualified or disclaimed audit opinions, particularly regarding opening balances and 'unaudited' transactions and management judgements made in the previous years which continue into 2024/25; and • Considering the impact of any changes in Code requirements for financial reporting in previous and current audit years.

Significant risks of material misstatement

Significant risks at the assertion level for classes of transaction, account balances and disclosures

The table below summarises significant risks of material misstatement at the assertion level for classes of transaction, account balances and disclosures.

Identified risk	Planned audit procedures
<p>Fraud in revenue recognition (rebutted) - Relates to Council and Group</p> <p>Material misstatement due to fraudulent financial reporting relating to revenue recognition is a rebuttable presumed risk in ISA (UK) 240.</p> <p>Having considered the nature of the revenue streams at the Council, we consider that the risk of fraud in revenue recognition can be rebutted due to the following reasons:</p> <ul style="list-style-type: none"> • there is little opportunity available to manipulate revenue recognition; • there is limited incentive to manipulate revenue recognition • the Council's existing income transactions do not provide a significant opportunity to manipulate income between years in any meaningful way or to adopt aggressive recognition policies. <p>Inherent risk of material misstatement (existence and occurrence): Low</p>	<p>Whilst we have rebutted the risk of fraud in income recognition, we will perform the below procedures based on their value within the financial statements:</p> <ul style="list-style-type: none"> • Documenting our understanding of the Council's systems for income to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements; • Evaluating the Council's accounting policies for recognition of income and expenditure and compliance with the CIPFA Code; and • Substantively testing material income streams using analytical procedures and sample testing of transactions recognised for the year.

Significant risks of material misstatement

Significant risks at the assertion level for classes of transaction, account balances and disclosures

The table below summarises significant risks of material misstatement at the assertion level for classes of transaction, account balances and disclosures.

Identified risk	Planned audit procedures
<p>Fraud in expenditure recognition (rebutted) - relates to Council and Group</p> <p>We have considered Practice Note 10, which comments that for certain public bodies, the risk of manipulating expenditure could exceed the risk of the manipulation of revenue. We have therefore also considered the risk of fraud in expenditure at the Council, and we are satisfied that this is not a significant risk for the reasons set out below:</p> <ul style="list-style-type: none"> • there is little opportunity available to manipulate expenditure recognition; • there is limited incentive to manipulate expenditure recognition • the Council’s existing expenditure transactions do not provide a significant opportunity to manipulate income between years in any meaningful way or to adopt aggressive recognition policies. • significant amount of expenditure is in relation to pay, and • non-pay expenditure reflected in the Council’s financial statements exhibits a straightforward nature, characterised by reduced subjectivity, and there is little incentive to management to manipulate expenditure. <p>Inherent risk of material misstatement (completeness, existence and occurrence):</p>	<p>Whilst we have rebutted the risk of fraud in expenditure recognition, we will perform the below procedures based on their value within the financial statements:</p> <ul style="list-style-type: none"> • Documenting our understanding of the Council’s systems for expenditure to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements; • Evaluating the Council’s accounting policies for recognition of expenditure and compliance with the CIPFA Code; • Substantively testing material expenditure streams using analytical procedures and sample testing of transactions recognised for the year; and • Performing substantive testing on expenditure transactions at and around the year end to verify the accounting period that the transactions relate to and confirm that transactions have been recognised in the correct accounting period.

Significant risks of material misstatement

Identified risk	Planned audit procedures
<p>Valuation of other land and buildings and investment property (key accounting estimate) - relates to Council and Group</p> <p>Revaluation of other land and buildings and investment property should be performed with sufficient regularity so that carrying amounts are not materially misstated.</p> <p>Management engaged the services of a qualified valuer, who is a Regulated Member of the Royal Institute of Chartered Surveyors (RICS), to undertake these valuations as at 31 March 2025.</p> <p>The valuations involve a wide range of assumptions and source data and are therefore sensitive to changes in market conditions. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external expert valuers and the methods, assumptions and source data underlying the fair value estimates.</p> <p>These valuations represent a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurements and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of other land and buildings and investment property as a significant risk.</p> <p>We will further pinpoint this risk to specific assets, or asset types, on receipt of the draft financial statements and the year-end updated asset valuations to those assets where the in-year valuation movements falls outside of our expectations.</p> <p>Inherent risk of material misstatement (valuation): High</p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> • Evaluating management processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; • Evaluating the competence, capabilities and objectivity of management’s valuation expert; • Considering the basis on which the valuations are carried out and challenging the key assumptions applied; • Evaluating the reasonableness of the valuation movements for assets revalued during the year, with reference to market data. We will consider whether we require an auditor’s expert; • For unusual or unexpected valuation movements, testing the information used by the valuer to ensure it is complete and consistent with our understanding; • Ensuring revaluations made during the year have been input correctly to the fixed asset register and the accounting treatment within the financial statements is correct; and • Evaluating the assumptions made by management for any assets not revalued during the year and how management are satisfied that these are not materially different to the current value.

Significant risks of material misstatement

Identified risk	Planned audit procedures
<p>Valuation of the defined pension fund net liability (key accounting estimate) - relates to Council and Group</p> <p>An actuarial estimate of the net defined pension liability/asset is calculated on an annual basis under IAS 19 'Employee Benefits', and on a triennial funding basis, by an independent firm of actuaries with specialist knowledge and experience. The triennial estimates are based on the most up to date membership data held by the pension fund and a roll forward approach is used in intervening years, as permitted by the CIPFA Code.</p> <p>The calculations involve a number of key assumptions, such as discount rates and inflation and local factors such as mortality rates and expected pay rises. The estimates are highly sensitive to changes in these assumptions and the calculation of any asset ceiling when determining the value of a pension asset. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external experts (the actuary) and the methods, assumptions and source data underlying the estimates.</p> <p>This represents a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of the net pension liability/asset as a significant risk.</p> <p>Inherent risk of material misstatement (valuation): High</p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> • Evaluating managements processes for the calculation of the estimate, the instructions issued to management's expert (the actuary) and the scope of their work; • Evaluating the competence, capabilities and objectivity of the actuary; • Assessing the controls in place to ensure that the data provided to the actuary by the Council and their pension fund was accurate and complete; • Evaluating the methods, assumptions and source data used by the actuary in their valuations, with the support of an auditors' expert; • Evaluating whether any asset ceiling was appropriately considered (if applicable) when determining the value of any pension asset included in the financial statements; • Assessing the impact of any significant differences between the estimated gross asset valuations included in the financial statements and the Council's share of the investment valuations in the audited pension fund accounts'; and • Ensuring pension valuation movements for the year and related disclosures have been correctly reflected in the financial statements.

Significant risks of material misstatement

Identified risk	Planned audit procedures
<p>Incorrect capitalisation of revenue expenditure – relates to Council and Group</p> <p>We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through:</p> <ul style="list-style-type: none"> • Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger; • Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year. <p>If this were to happen it would have the impact of understating revenue expenditure and overstating property, plant and equipment additions in the financial statements.</p> <p>In 2024/25, the Council has capitalised £6.8m of capital expenditure.</p> <p>Inherent risk of material misstatement (classification, valuation): High</p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> • Obtaining a general ledger breakdown of capital additions in the year, reconciling this to the Fixed Assets Register and reviewing the general ledger descriptions to identify whether there are any potential transactional items that could be revenue in nature; • Sample testing additions to property, plant and equipment to ensure they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised. We review the sample selected against the definition of capital expenditure in IAS 16; • As part of our journals testing strategy, reviewing unusual journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

Other risks of material misstatement

Other identified risks

Other identified risks are those which, although not considered to be significant, will require specific consideration during the audit.

Identified risk	Planned audit procedures
<p>Implementation of IFRS 16 (key accounting estimate) – relates to Council and group</p> <p>IFRS 16 was adopted and implemented by local government bodies under the Code of Audit Practice from 1 April 2024. Under IFRS 16 a lessee is required to recognise a right of use asset and associated lease liability in its Balance Sheet. This will result in significant changes to the accounting for leased assets and the associated disclosures within the financial statements for the year ended 31 March 2025.</p> <p>As of 31 March 2024, the council does not have any material operating leases. Notwithstanding this, the Council will need to consider the impact of IFRS16 and undertake procedures to identify whether it has any ‘right of use’ assets as defined under the standard.</p> <p>We are currently waiting for the Council confirmation of the impact for 2024/25. We note that no right of use assets appear to have been accounted for in the draft financial statements and await management’s assessment of how it arrived at this conclusion.</p>	<p>Procedures performed to mitigate risks in this area will include:</p> <ul style="list-style-type: none"> • Assessing the appropriateness of the Council’s approach to identification of leases captured within the scope of IFRS 16, with a particular focus on ensuring completeness of leases; • Understanding the Council’s systems and processes to capture the data required to account for right of use (RoU) lease assets and their associated liability in accordance with IFRS 16; • Reviewing the council’s accounting policies for the year ended 31 March 2025 to assess whether they reflect the requirements of the new accounting standard; • Assessing the existence, valuation, accuracy and completeness of the right of use assets and associates lease liabilities, and the related disclosures within the financial statements. • Evaluating whether RoU assets and lease liabilities have been appropriately remeasured in line with the requirements of IFRS 16 as set out in the CIPFA Code.

Other risks of material misstatement

Identified risk	Planned audit procedures
<p>Minimum revenue provision – relates to Council</p> <p>Linked to the risk of ‘misstatements due to fraud and error’, we consider specific areas where management makes significant judgements that impact charges to the General Fund balance. Local authorities are required to charge a ‘Minimum Revenue Provision’ (MRP) to the General Fund in each financial year related to borrowing. The calculation of this charge is based on the Capital Financing Requirement. Local authorities have flexibility in how they calculate MRP but need to ensure the calculation is prudent. In calculating a prudent provision, local authorities are required to have regard to statutory guidance. There is a risk that the Council may not been appropriately prudent in its calculation of MRP and/or not followed the relevant statutory guidance.</p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> • Gaining an understanding of the processes and controls put in place by management to calculate Minimum revenue provision • Assessing and reviewing the calculation of the Capital Financing Requirement to ensure it is appropriate and consistent with other notes in the financial statements • Evaluating the appropriateness of the Council’s MRP policy • Evaluating whether MRP has been appropriately calculated in accordance with the revised statutory guidance.

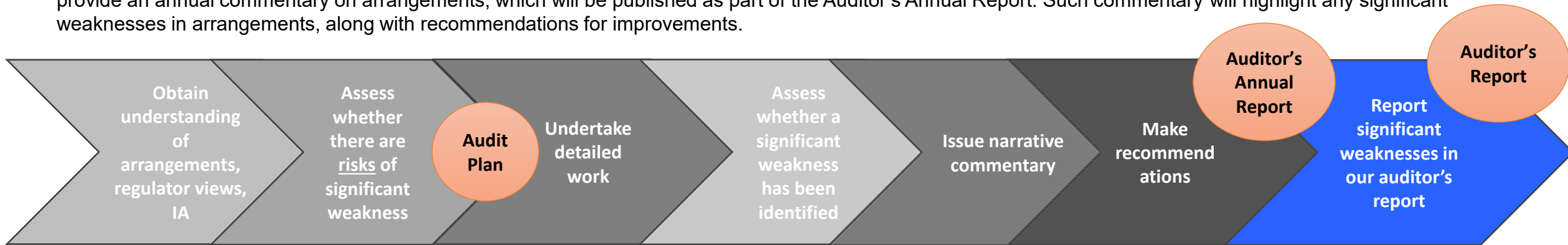
Other material balances and transactions

Under International Standards on Auditing, “irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure”. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as those adopted for the risks identified in this report.

Value for money

Under the Code of Audit Practice, we must satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (referred to here as “Value for Money”, or “VFM”).

NAO Auditor Guidance Note 03 ‘Auditors’ Work on Value for Money Arrangements’ (“AGN 03”) was updated and issued on 14 November 2024 and requires us to provide an annual commentary on arrangements, which will be published as part of the Auditor’s Annual Report. Such commentary will highlight any significant weaknesses in arrangements, along with recommendations for improvements.



When reporting on such arrangements, the Code of Practice requires us to structure our commentary under three specified reporting criteria:

Financial sustainability	How the body plans and 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

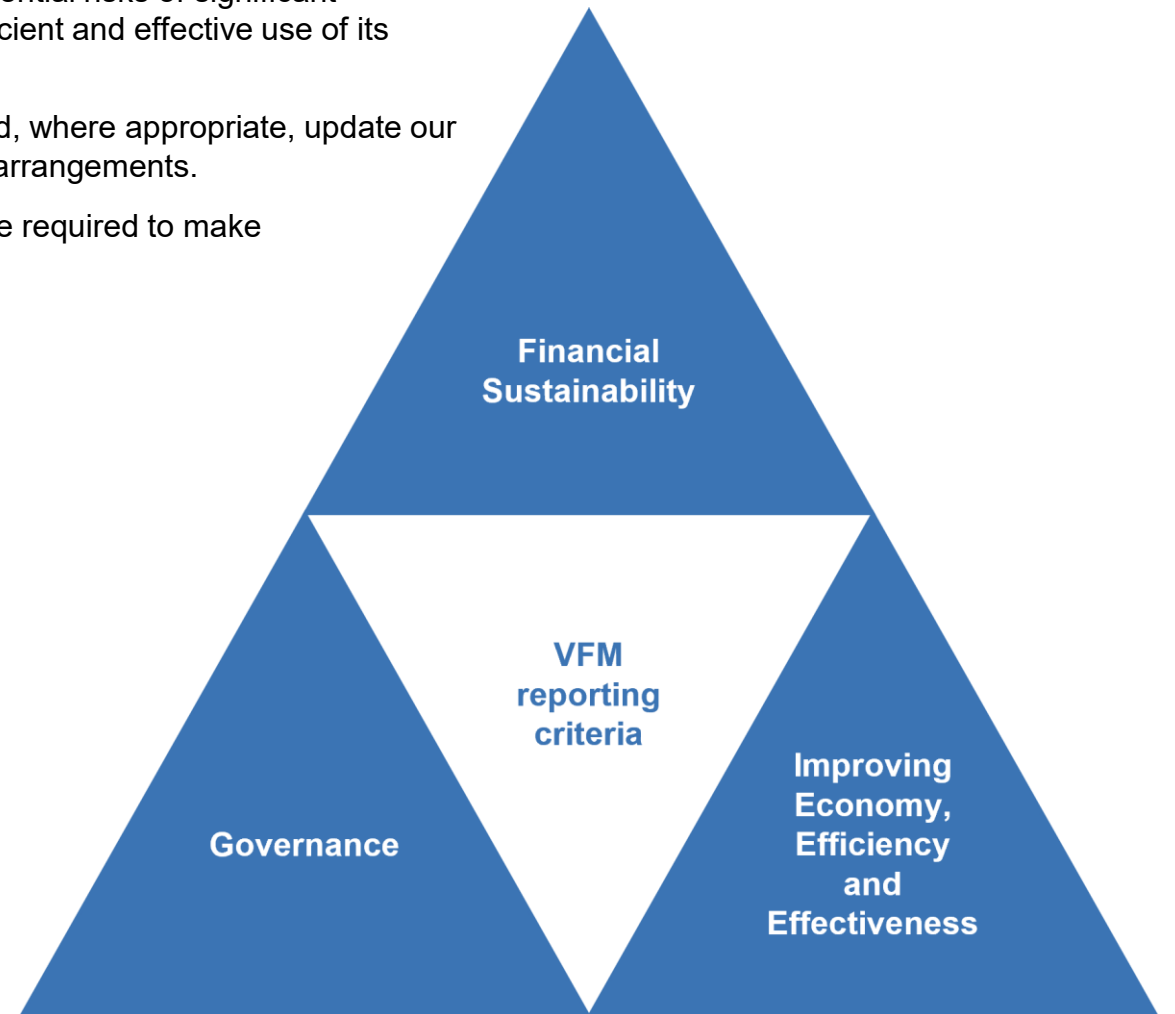
Value for Money

As part of the planning process, we are required to perform procedures to identify potential risks of significant weaknesses in the Council's arrangements to secure VFM through the economic, efficient and effective use of its resources.

We are required to re-evaluate this risk assessment during the course of the audit and, where appropriate, update our work to reflect emerging risks or findings that may suggest a significant weakness in arrangements.

Where we identify significant weaknesses in arrangements as part of our work, we are required to make recommendations setting out:

- Our judgement on the nature of the weakness identified;
- The evidence on which our view is based;
- The impact on the local body; and
- The action the body needs to take to address the weakness.



Value for Money

Risks of significant weakness in VFM arrangements

We have carried out an initial risk assessment to identify any risks of significant weakness in respect of the three specific areas of proper arrangements using the guidance contained in AGN 03. A significant weakness is a risk requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the body to deliver value for money.

We will re-evaluate this risk assessment during the course of the audit and, where appropriate, update our work to reflect emerging risks or findings that may suggest a significant weakness in arrangements.

When considering the Council's arrangements, we will have regard to the three reporting criteria set out in AGN03, as well as performing additional work in the areas identified below which are the potential areas of significant weaknesses we have identified at the planning stage.

Criteria	Potential risk of significant weakness	Our risk-based procedures and evaluation approach includes (but is not limited to)
Financial sustainability	None identified	We have not identified any risks of significant weakness at this stage. However, there are financial risks present which, if not managed effectively over the short term, could introduce significant weakness in future years. The scale of savings required to continue to set a balanced budget and maintain reserves at an appropriate level does however significantly increase in future years. The Council is cognisant of the fact it will need to respond in full to the recommendations set out in the Finance Peer Review from 2024, strengthen the arrangements in place to monitor, deliver and report on savings requirements and ensure the reserves strategy is fully aligned with financial risk. We reported these issues in our Auditor's Annual Report in 2023/24 and will follow up on the recommendations raised from the prior year.
Governance	Yes	Risk of significant weaknesses identified in the arrangements to support financial reporting requirements
Improving economy, efficiency and effectiveness	None identified	We have not at this stage identified any risks of significant weakness that require specific audit procedures. However, there are risks present which, if not managed effectively, could introduce significant weakness in future years, particularly in relation to future capital programmes and asset disposals. We reported these issues in our Auditor's Annual Report in 2023/24 and will follow up on the recommendations raised from the prior year.

Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work in accordance with the Code of Audit Practice and may not be all that exist.

Audit team and logistics

Your audit team

Role	Name	Contact details
Key Audit Partner	Paul Grady	Paul.Grady@azets.co.uk
Engagement Manager	Martha Charima	Martha.Charima@azets.co.uk
In-charge auditor	Owen Jones	Owen.Jones@azets.co.uk

Timetable

Event	Date
Planning and risk assessment	Dec 2024 to Sept 2025
Reporting of plan to Audit and Governance Committee	Sept 2025
Publication of draft accounts	30 June 2025
Year end audit	From July 2025
Auditor's Annual Report (AAR)	Nov 2025
Reporting of Audit (ISA260)	Feb 2026
Target date of approval of accounts	Feb 2026
Accounts publication deadline (as specified in the Accounts and Audit (Amendment) Regulations 2024)	27 Feb 2026

Our expectations and requirements

For us to be able to deliver the audit in line with the agreed fee and timetable, we require the following:

- Draft financial statements to be produced to a good quality by the deadlines you have agreed with us. These should be complete including all notes, the Narrative Statement and the Annual Governance Statement;
- The provision of good quality working papers at the same time as the draft financial statements. These will be discussed with you in advance to ensure clarity over our expectations;
- The provision of agreed data reports at the start of the audit, fully reconciled to the values in the accounts, to facilitate our selection of samples for testing;
- Ensuring staff are available and on site (as agreed) during the period of the audit;
- Prompt and sufficient responses to audit queries within two working days (unless otherwise agreed) to minimise delays.

The audit process is underpinned by effective project management to ensure that we co-ordinate and apply our resources efficiently to meet your deadlines. It is therefore essential that the audit team and the Council's finance team work closely together to achieve this timetable.

Independence, objectivity and other services provided

Auditor independence

We confirm that we comply with the Financial Reporting Council's (FRC) Ethical Standard and are able to issue an objective opinion on the financial statements. We have also complied with the NAOs Auditor Guidance Note 01, issued in September 2022, which contains supplementary guidance on ethical requirements for auditors of local public bodies. We have considered our integrity, independence and objectivity in respect of audit services provided and we do not believe that there are any significant threats or matters which should be brought to your attention.

Other services

We have detailed in the table below any other services provided to the Council (and the Group), the threats to our independence these present and the safeguards we have put in place to mitigate these threats.

Service	Provided to	Fee	Safeguards to mitigate threats to independence
Audit related: Certification of Housing Benefit Assurance Process (HBAP) claim (2024/25)	Council	£28,000 plus per diem rate for additional work required.	<p>Self-interest: Given this is likely to be a recurring fee, we consider a threat present. However, the fee is not significant to Azets Audit Services or East Hertfordshire Borough Council. The fee is fixed (apart from an additional £2,000 for each additional 40+ workbook) and not contingent in nature.</p> <p>Self-review: Whilst housing benefit revenue and expenditure streams are within the financial statements, we do not complete the claim form. The focus of our work is solely testing the data in the claim form prepared by the management.</p> <p>Management: As above, the claim form is completed by management and any adjustments or amendments identified to the form during the certification work are discussed and agreed by management prior to submission of the certification report.</p> <p>We therefore consider these risks sufficiently mitigated.</p>

PSAA set a fee scale for each audit that assumes the audited body has sound governance arrangements in place, has been operating effectively throughout the year, prepares comprehensive and accurate draft accounts and meets the agreed timetable for audit. This fee scale is reviewed by PSAA each year and adjusted, if necessary, based on auditors' experience, new requirements, or significant changes to the audited body. The fee may be varied above the fee scale to reflect the circumstances and local risks within the audited body.

Our estimated fee (excluding VAT) is as follows. This fee is estimated based on our understanding at this point in time and may be subject to change. Our planned fee is on the basis that our expectations set out on pages 4 and 32 are met.

	2024/25 £
Scale fee: base fee for the audit of the Council and Group's financial statements (as set out in the fee scales issued by PSAA)	180,854
IFRS16: work needed to audit the new standard. PSAA have confirmed this work is not included in the above scale fee	TBC
Disclaimer work (note 1)	TBC
Build back work (note 2)	TBC
Total audit fee for East Hertfordshire District Council	TBC

Note 1: this includes the additional annual work required to consider the disclaimed audits from prior years, development of revised approach for the Council in response to the missing assurance, the production, agreement and reporting of additional interim progress reports to management and the Audit and Governance Committee, the development and reporting of a revised 'Audit Completion Report' for reporting the additional considerations arising from the disclaimers, the drafting of a disclaimed audit report and the various risk, compliance and technical consultations arising as a result of this unique and unprecedented situation.

Note 2: this includes all work for phases 2 and 3 which require building back assurance to the last clean opinion

It is our policy to bill for overruns or scope extensions e.g., where we have incurred delays, deliverables have been late or of poor quality, where key personnel have not been available, or we have been asked to do extra work.

Our policy is to raise fees to account at appropriate stages of the audit in line with specified milestones set out by PSAA. All fee variations are subject to determination by PSAA.

The approximate total fees charged to the Council and group for the provision of services in 2024/25 is as follows:

Audit fee	2024/25 £
Audit of the Council (as above)	180,854
IFRS 16	TBC
Certification of the HBAP Claim (Excluding additional workbooks)	28,000
Additional certification work on HBAP claim (additional workbooks)	TBC
Total fees for the Council	TBC

Appendix I: Group audit scope and risk assessment

As Group auditor under ISA (UK) 600 (Revised September 2022) we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

The auditing standard for group engagements has been revised, as a result the key changes that you may see reflected in the audit plan are:

- Revisions to the definitions of a group and component extend the scope of the ISA to encompass a wider range of group scenarios. This means that a single legal entity could fall under the scope of the group's ISA based on its internal structure, while multiple legal entities may sometimes be defined as a single component;
- There is increased leadership responsibilities and involvement requirements for the group engagement leader, particularly when component auditors are utilised;
- There is a specific requirement for all component auditors to confirm their ability and willingness to comply with the FRC's Ethical Standard;
- The analytical/desktop review designation has been removed from the scope of procedures performed over a component in response to risk.

Group audit scope

The Group consists of the following entities:

Component	Nature and extent of further audit procedures	Planned audit approach
East Hertfordshire District Council	Full Scope	Full scope statutory audit, as set out in this audit plan.
Millstream Property Investments Ltd	Specific scope	Specific scope procedures to be performed by the group engagement team

Full Scope Design and perform further audit procedures on the entire financial information of the component.

Specific Scope Design and perform further audit procedures on one or more classes of transactions, account balances or disclosures.

None No further audit procedures required.

The risks identified at the Council and group level are set out in this external audit plan. Note that a component may require a statutory audit under UK or overseas company law irrespective of whether an audit is required for group reporting purposes. Management should therefore satisfy themselves that all UK and overseas company law requirements are adhered to on a company-by-company basis.

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East Herts Council Report

Audit & Governance

Date of meeting:

Report by: Kirsten Brown/ Lisa Baldock Corporate Procurement Manager (SLT)

Councillor Carl Brittain– Executive Member for Financial Sustainability (EXEC)

Report title: Annual Procurement Report

Ward(s) affected: (All Wards);

Summary

An annual report of procurement activities

RECOMMENDATIONS FOR AUDIT AND GOVERNANCE :

- a) To consider the report and make comment before it goes forward to Executive

RECOMMENDATIONS FOR EXECUTIVE

- b) to approve delegated authority to the relevant Director to commence procurement for the forthcoming procurement activities listed
- c) to consider the actions and delivery against the procurement strategy to date.
- d) to consider the activities undertaken by procurement in 2025/26

1.0 Proposal(s)

1.1 To consider the following items:

- Procurement scheduled to be commenced within the next 12 months.
- An update on the actions taken to support the procurement strategy

- Procurement and activities taken within the previous 12 months.

2.0 Background

2.1 The Forward plan requires all procurements over a value of £200k to be approved before procurement commences, otherwise this can delay the procurement process at a critical time, if approval not sought sufficiently in advance.

2.2. The following procurements are expected to be commence in within the next 12 months and request that member approve for the following projects to be commenced when required within the next 12 months.

Name of project	Expected value	Reason for procurement	Directorate responsible
Tree risk assessment	£180k - £300k proposed 3-5 year contract	Current contract expiring	Planning
Pantomime production	£1m total - over 5 years	Current contract expiring	BEAM – This contract will be income producing
Temporary Staff	£1m pa - proposed 3-5 year contract	Current contract expiring	HR
Consultants for planning to support large infrastructure developments	£250k	To support team on large specialist applications	Planning – this contract would be funded by developer contributions
Business support in Bishop Stortford	£120k -240K 2-4 year contract length to be determined	Current contract expiring	Communities - Economic Development

Name of project	Expected value	Reason for procurement	Directorate responsible
Dept Recovery agency	Concession contract	To bring together multiple arrangements	Rev's and Ben's &- Parking
Weedspray	£120k -£240k proposed 2 -4 year contract	Longer term contract to co terminus with main Grounds Maintenance	Planning
Food and Beverage at BEAM	£200k + over 3 years	Current call of contract expiring	BEAM - This contract will be income producing
Car park Cleaning	£150k -250k 3-5 year contract length to be determined.	Currently part of main Waste and street scene, intelligence suggests may be better as stand alone	Parking

2.3 A longer term pipeline covering the following two years of procurement activity over £200k is has been enclosed as an appendix to this report. It must be noted that confidence in the composition of the requirements and the likely values decreases the further into the future the procurement projects are.

2.4 The procurement strategy was approved in March 2025, which included an action plan for the Council. Below shows the current position for each of the outcome deliveries that have commenced.

Theme – Outcome Delivery	Actions taken	
Increase the number of local, small, and voluntary suppliers	Contract register published quarterly	
	Pre-market engagement being undertaken on more procurement exercises	

used within East Hertfordshire	Officer training updated	
Reduce waste through smarter procurement	New Waste contract has greener fleet	
	Air quality monitoring website procured March 2025	
Measure the delivery of social value	Councils updated Social Value policy adopted May 2025	
Measure the delivery of contract savings	Collaboration being promoted strongly	
	Framework agreements being considered where appropriate	
Provide commercial intelligence to ensure we are achieving value for money	Updated training being delivered to officers	

2.5 The following activities were undertaken in the past year.

- a) Procurement strategy produced including updated social value policy
- b) Updated Contract Procedure rules approved
- c) Procurement Act 2023 went live February 2025, necessitating updated templates, guidance for officers and training
- d) Support provided for over 20 procurement projects with various levels of support most intensively for Parking Enforcement Agents and Electric vehicle charging. Below table shows those with a value over £200k

Name of project	Estimated or actual value	Reason for procurement	Directorate responsible
Agency Framework extension	£500k – six month contract	Current contract ending extension to start from oct 25	HR
Warm homes	£1.4m - over 3 years	New Project – contract awarded Aug 25	Community - funded by grant

Name of project	Estimated or actual value	Reason for procurement	Directorate responsible
EV chargers	£30m - over 15 years (est. value to contractor not EHDC income)	New project – contract awarded Aug 25	Community Concession contract
Parking Enforcement Agents	£12m over 6 years	Current Contract ending – contract awarded Aug 25	Planning – contract costs shared with WH and SBC
Granicus renewal and expansion	£600k - over three years	Renewal land expansion of service Contract awarded Nov 24	Regeneration, customer and commercial

3.0 Implications/Consultations

Community Safety

No implications as a result of this report

Data Protection

No implications as a result of this report

Equalities

The Council has committed itself to providing high quality services that are relevant to the needs and responsive to the views of all sections of the local community, irrespective of their race, gender, disability, culture, religion, age, sexual orientation or marital status. The General Equality Duty (Section 149 of the Equality Act 2010) requires the Council to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations in the exercise of its functions. These considerations are the duty of decision makers.

Environmental Sustainability

No implications as a result of this report

Financial

It is anticipated that following best practice through the new Procurement Strategy will improve the Council's financial standing by adopting value for money procurement, efficiency gains and the mitigation of risk.

Health and Safety

No implications as a result of this report

Human Resources

As procurement occasionally involves outsourcing of services, workforce matters involving the transfer of staff in line with the Transfer of Undertakings (Protection of Employment) Regulations 2006 is an area that procuring officers may need to consider.

Human Rights

The Council require all contractors to comply fully with the Modern Slavery Act 2015, wherever it applies, with contract termination as a potential sanction for non-compliance.

Legal

The Corporate Procurement Strategy 2025-2030 will be reviewed in light of changes that may arise as a result of updated procurement legislation passed during the term of this Strategy.

Specific Wards

No

4.0 Background papers, appendices and other relevant material

4.1 Procurement Strategy 2025-2030

4.2 Procurement Pipeline Oct 26- Oct 28

Contact Member

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Corporate Procurement Manager

East Hertfordshire District Council

Corporate Procurement Strategy 2025-2030



Foreword

We have a new Corporate Procurement Strategy for 2025 to 2030 outlining our priorities and how procurement will contribute to our L.E.A.F Vision and Corporate Priorities.

East Herts Council spent around £50 million on goods, works and services in 2023/2024. We have a duty to provide value for money for our residents and customers through effective and efficient procurement policies and practices.

It's an exciting time to be launching our strategy as the new Procurement Act 2023 comes into force in February 2025. The new act reforms the existing procurement rules focussing on cutting red tape and supporting innovation, improving transparency meaning everyone has access to public procurement data, it also simplifies the process of working with the public sector, supporting more SMEs to bid for contracts.

This procurement strategy aligns with the Local Government Association's (LGA's) National Procurement Strategy that the Council has been following in recent years and brings the key considerations from this strategy to the forefront. There are links to the Council's wider objectives which are highlighted in the five principle foundations of our new strategy. Naturally as our landscape continually changes, the strategy will be updated periodically to reflect today's evolving environment.

East Herts Council made a Climate Change Declaration in July 2019 and then further strengthened its position when all Members unanimously declared a Climate Emergency in July 2023 which amplifies and accelerates efforts to tackle climate change by reducing greenhouse gas emissions, restoring natural environments and planning for the local impacts of climate change. Many sustainable and carbon reduction benefits can be achieved through supplier engagement before the procurement process begins. The Council will work with the market to understand the benefits and opportunities not only for East Herts Council but to society, the local economy and minimising damage to the environment.

We recognise that procurement has a pivotal role to play in supporting much of what the Council is looking to do. As an organisation we have a significant level of change during the lifetime of this strategy, and as Executive Member for Financial Sustainability I view

this as a real opportunity to bring the procurement service and procuring departments along that journey and add value to the Council and the communities it supports.



Councillor Carl Brittain
Executive Member for Financial Sustainability

L.E.A.F

Our values, perspectives, and the needs of our community is reflected in our promises and will be central to every procurement exercise. It is also important for the Council to ensure that the organisations and individuals it does business with have culture and values that align with the Council's.

Procurement is a function which works alongside many other areas of the Council. There is a requirement for awareness and adherence to UK Law and other Council policies and strategies. For example, Health and Safety Acts and regulations, Safeguarding, Equality and Diversity, Transfer of Undertakings (Protection of Employment) Regulations 2006, Confidentiality and Publicity, Data Protection, Freedom of Information, the Modern Slavery Act, Anti-terrorism, Anti-Fraud and Corruption, the Social Value Policy, the Cultural Strategy and the Climate Change Strategy.

East Herts Council will promote effective procurement across the district with a long-term focus on its Vision and Corporate Priorities based around the four themes below.



Listening open and transparent	Environmentally focused	Acting with the community	Fair and inclusive
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Five Principle Foundations of East Herts Council Procurement

The Procurement Strategy for 2025-2030 is made up of five principle foundations.

Each foundation is a building block of the considerations that need to underpin the procurement process and will be embedded in the way we procure our goods, works and services contracts to support the Council's Vision and Corporate Priorities.



1. Transparency

At East Herts Council, we are committed to being open and transparent with the spending on our contracts for supplies, service and works.

The Government has set out the need for greater transparency across all public bodies to enable the public to hold public bodies and politicians to account. The Local Government Transparency Code 2015 requires us as a Council to publish procurement information. This includes commitments relating to expenditure and is intended to help achieve better value for money.

The principle of transparency can be defined as ‘the access to clear, precise and accurate information that is understandable to all’. Within the public sector, transparency is vital to ensure the spending of taxpayers’ money can be properly scrutinised. Transparency needs to be hardwired into procurement as a lack of it can result in diminished due diligence, rushed solutions and poor-quality tenders, and may lead to several problems downstream in implementation. If carried out effectively, transparency enables processes and decisions to be monitored and reviewed, to help ensure that decision-makers can be held accountable.

East Herts Council require all procuring departments to open procurements to competition by increasing awareness of contracting opportunities. Suppliers will be given the same access to information and will be judged on the same criteria. This will make it easier for would-be suppliers to access all relevant information and reduce the time and cost required to tender.

We will ensure that the procurement package for prospective bidders is clear and to the point, including the timeline, setting out the end-to-end tender process in detail. We will include clear specifications containing realistic asks, key performance indicators (KPIs), and service levels, provided in formats that are accessible for all parties. For qualitative elements, the package will explicitly say the capabilities required and how they are to be evidenced in the assessment process, including the relative weight attributed to each section or question so bidders understand this when producing their response. We will consider how easy it will be for SMEs to respond to ensure a breadth of inclusive competition for all.

Transparency is a fundamental, broad-reaching aspect of the Procurement Act 2023. The need to share information, enable others to understand the decision-making process, and act with integrity are all set out in the procurement objectives. Transparency is embedded into every part of the procurement lifecycle – from planning to procurement, contract management and termination – by

sharing information through the publication of notices. Robust transparency provisions are essential for providing the openness, accountability and oversight to balance with the new flexibilities set out elsewhere in the Procurement Act 2023. The legal provisions for transparency are set out in the Procurement Act 2023 and in the Regulations.



2. Focus on the Environment

East Herts Council made a Climate Change Declaration in July 2019 in recognition of the climate emergency we are all facing. This declaration committed the Council to take action to address the causes and impacts of climate change across the district with a target to be carbon neutral by 2030. This position was further strengthened in July 2023 when all Councillors unanimously declared a Climate Emergency. Tackling climate change and focusing on the environment to improve sustainability must be a key foundation for all procurement activity. By harnessing our purchasing power, we will: help combat climate change and reduce carbon emissions; reduce waste; save resources; improve air quality; and enhance green space and promote biodiversity. It would clearly be naïve to think East Herts Council can tackle climate change alone. There is much for the national government to do, both unilaterally and through international cooperation. Furthermore, we operate within a three-tier model of local government comprised of Hertfordshire County Council (HCC), East Herts Council and town and parish councils throughout the district. All have a role to play. It is possible to empower everyone to reduce their carbon emissions, including the supply chain.

We will drive sustainability into our procurement process in the following ways:

- As a minimum comply with all relevant environmental, social and procurement legislation.
- Support our goal of net-zero emissions by 2030 and reduce carbon dioxide emissions from contracted services.
- Wherever possible, the Council will specify products which are made from recycled products, can be recycled or re-used, can be operated in an energy efficient manner and cause minimal damage to the environment in their production, distribution, use and disposal; so long as the requirements for value for money and quality are met.
- Lessen environmental impacts across design, construction and operation, as well as services and goods provision.
- Ensure that waste is reduced, reused, and recycled wherever possible.
- Reduce all plastic waste.

- Integrate environmental considerations throughout the procurement process, from options appraisal to contract completion, applying appropriate significance.
- Reduce energy consumption and maximise the use of green energy sources.
- Reduce the energy consumption and subsequent contribution to the Council's carbon footprint from ICT equipment and electrical appliances.
- Support services that help generate improved air pollution within the district.
- Reduce transport impacts through smarter delivery options and encourage greener vehicles to be used both within the Council's fleet and for contracted services.
- Avoid the unnecessary use of chemicals and prevent the use of hazardous chemicals wherever possible on our estate and within our contracted services.
- Support options that encourage green infrastructure and biodiversity.



3. Social Value and Ethical Procurement

'Social Value' is a way of thinking about how scarce resources are allocated and used. It involves looking beyond the price of each individual contract and looking at what the collective benefit to a community is, when a public body chooses to award a contract. Social value asks the question 'If £1 is spent on the delivery of services, can that same £1 be used to also produce a wider benefit to the community?' The Public Services (Social Value) Act came into force on 31 January 2013. It requires people who commission public services to think about how they can also secure wider social, economic and environmental benefits. Before they start the procurement process, commissioners should think about whether the services they are going to buy, or the way they are going to buy them, could secure these benefits for their area or stakeholders.

East Herts Council has a Social Value Policy which sits alongside the Procurement Strategy. The Council has chosen to use the Social Value Portal to manage social value within covered contracts – <https://socialvalueportal.com/> evaluating social value comprises of themes, opportunities and measures. The themes which are being used in procurement at East Herts Council are:

- Work: Providing opportunities.
- Economy: Driving inclusive growth.
- Community: Empowering communities.
- Planet: Environmental stewardship.

We will support the development of a framework and criteria for social value, giving substance to the concept and to ensure better local social and economic outcomes. Where contracts are for short term works and under threshold supplies and services we will evaluate Social Value in-house.

Social Value can help support revival of local economies, renew trust in local services and deliver a renaissance of local government; by giving businesses and communities a bigger stake in the local economy.

The council is committed to ensuring a high standard of ethical trade practices, across its commissioning and procurement activities. The council expects its suppliers, service providers and contractors to act with integrity and transparency in their dealings and

practices, adhering to the laws of the countries where they operate, most are governed by legal requirements which if breached would be grounds for excluding the supplier from further contracts for non-compliance.

We require all of our contractors to comply fully with the Modern Slavery Act 2015, wherever it applies, with contract termination as a potential sanction for non-compliance.

Procurement can be the target of anti-competitive, fraudulent and corrupt activities. The Council will take steps to minimise the opportunity for these and use clear policy statements and codes of conduct which are easily accessible by members, staff and the public.



4. Value for Money

East Hertfordshire District Council recognises that it is operating in a rapidly changing environment, with increasing financial challenges which are expected to become even more demanding in future years.

Procurement of services, supplies and works will be founded upon value for money for the residents of East Herts, having due regard to propriety and the Council's legal obligations. Value for money as a contract criterion will be defined as the optimum combination of whole life cycle cost and quality (or fitness for purpose) to meet the customer's requirement. It is essential to adopt processes to secure best value, the Council is therefore:

- driven by optimising output and results
- driving down the costs of goods works and services procured
- challenging the status quo in order to continually improve the way in which we procure and commission goods, works and services
- balancing quality and cost
- using competition to obtain best value
- valuing innovation and creativity
- being transparent and accountable
- working with other organisations and/or partners in order to achieve value for money and maximise economies of scale for routine supplies
- recognising the benefits of social and community value

5. Pro-active Procurement

High quality, professional procurement support is essential to deliver better procurements and also for developing a knowledge and intelligence base to support the delivery of the Council's Vision and Corporate Priorities. The procurement process spans from the pre-market engagement, preparation, the tender and award and through to the final stage of contract management. We expect to form a pro-active approach at all stages in the procurement cycle taking stock and considering our options to best meet the needs of our residents.

Pro-active Communication

- Generating opportunities to engage with our stakeholders, developing a knowledge base of an up-and-coming pipeline of procurements and understanding how they translate into the Council's Vision and Corporate Priorities.
- Reaching out to establish opportunities to engage with the community, local businesses, the voluntary sector through meet the buyer events and by utilising technology to offer webinars on how to do business with the Council.
- Through this process, building a repository of intelligence and using it to enable us to be best placed to provide appropriate guidance, developing a consultative pro-active approach across the Council to all our procurements.

Pro-active Learning

- From the procurements we have undertaken, wherever possible we will follow up with a review of lessons learnt to ensure that we are making the most effective use of public money and looking for opportunities to develop our local supply base.
- The Corporate Procurement team will ensure that they are appropriately trained and guided, with suitable tools and data to pro-actively move the procurement strategy forward.
- Providing opportunities to develop skills and knowledge, as well as creating career pathways that will enable the Council to attract and retain the best talent.

- The Council will continually review how its procurement teams are resourced to pro-actively support and deliver the challenges of the Procurement Strategy.
- The Corporate Procurement team will deliver training to procuring staff across the Council to promote the five principle foundations of the Procurement Strategy.

Pro-active Analysis

- Data integrity and intelligence is beneficial to good pro-active procurement. We will use the Council's financial data to assist with our planning and decision making.
- Have the ability to generate reports that provide a complete understanding of our contractual spend and supplier make up.

Pro-active Contract Management

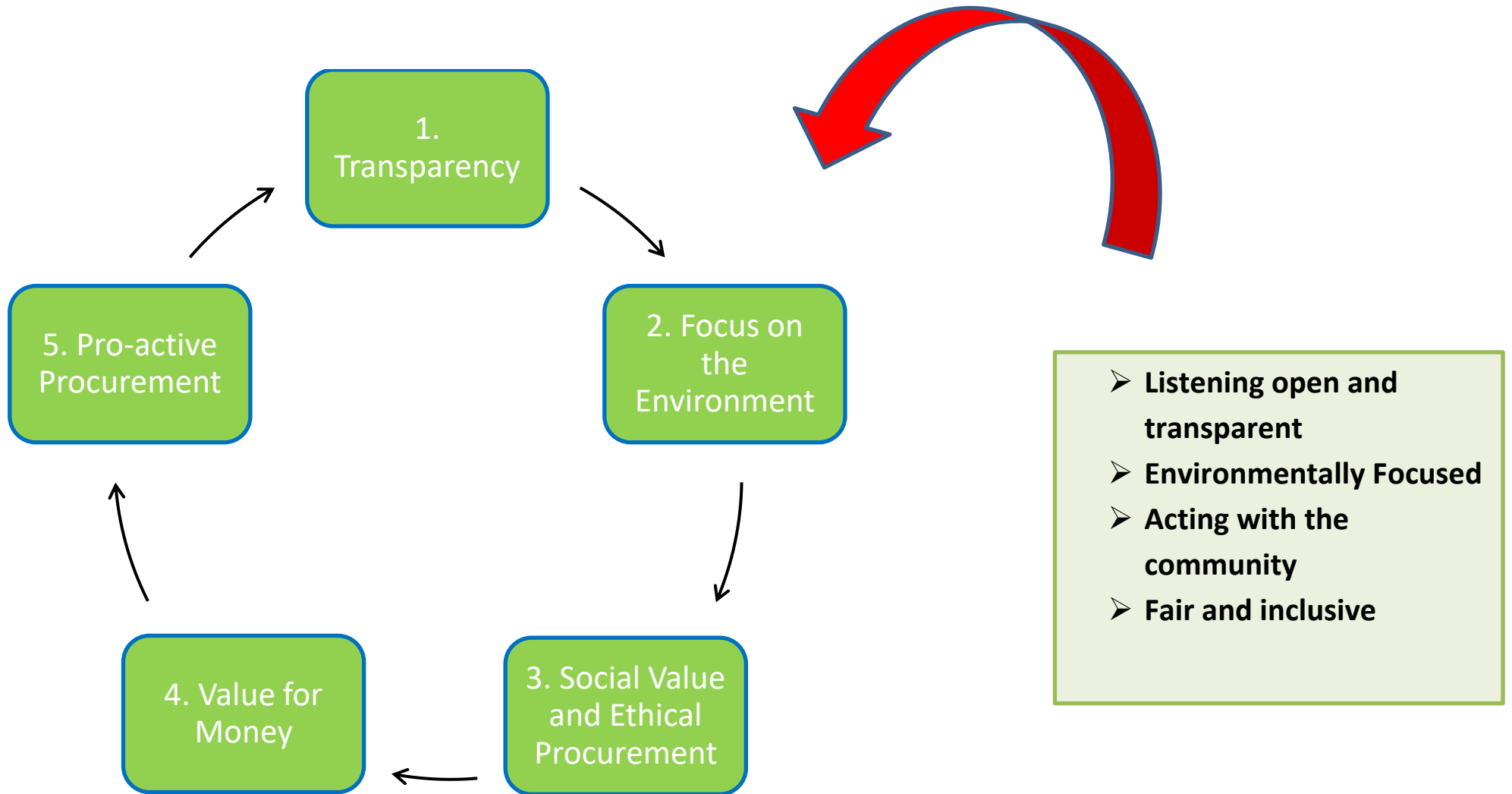
- Meeting the requirements of the Local Government Transparency Code 2015 by capturing all contracts over £5,000 on the Council's central contracts register to support effective contract management and publishing all notice requirements following the introduction of the Procurement Act 2023.
- Procuring Officers will confirm procurements for major and operational contracts have appropriate KPI's and outcome measures included.
- Learning from suppliers and stakeholders to understand how performance and outcomes have been delivered and can be improved, keeping records of decisions along with lessons learnt to build into future procurements.
- Undertaking benchmarking exercises of pre-agreed services and continually reviewing the contracts to ensure maximum value is being achieved.
- Where contracts are modified during their term, records are maintained, and notices published if required.
- Regular checks are carried out on suppliers to determine eligibility to perform public contracts.
- Delivering training on a regular basis to support officers that are pro-actively managing contracts.

Pro-actively Moving Forward

- Reviewing progress across the five principle foundations of the Procurement Strategy.
- Taking on board feedback from all stakeholders (internal and external) and constantly striving through our procurements to deliver maximum social, environmental and economic benefits for our local communities.
- Providing guidance through spend and contract information on where our focus should be in supporting the Council's Vision and Corporate Priorities while balancing the need to make efficiencies.



Moving Forward – The Five Principle Foundations



Transparency

Transparency in public procurement means that information on the public procurement process must be available to everyone: contractors, suppliers, service providers and the public at large, unless there are valid and legal reasons to keep certain information confidential.

Outcome Delivery – Increase the number of local, small, and voluntary suppliers used within East Hertfordshire

Indicators

- Number of contracts awarded to local, small, and voluntary suppliers

1.	Understand opportunities for local, small, and voluntary suppliers	Target: to commence February 2025
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- Through supplier events and by improving our online offer specific to local, small and voluntary suppliers, enabling them to learn more about the support available, future opportunities and how to register on the procurement portal – www.supplyhertfordshire.uk and the Central Digital Platform.
- Maintaining and ensuring the contracts register is up to date and published on the Council’s website on a quarterly basis.

2.	Conducting preliminary market engagement	Target: to commence February 2025
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- Procuring departments will undertake preliminary market engagement to shape their requirements before opening the market to competition. The Council can engage with everyone who expresses an interest in a preliminary market engagement.

3.	Consideration to the size of a procurement	Target: to commence February 2025
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- Where a procurement is of high value and complex consideration to using lots might encourage small and medium-sized enterprises (SMEs) to bid; for example, they may find it easier to tender for or deliver smaller contracts, or smaller parts of larger contracts. This can support innovation, value for money, economic growth and potential expansion of the supplier base for that market. This will be delivered through officer training and updated procurement guidance notes.

4.	Providing a clear procurement package for prospective bidders	Target: to commence February 2025
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- Procuring Officers must ensure that any procurement documentation includes a timeline, end to end process details, clear specifications, key performance indicators, service levels and are accessible for all parties. The documentation must advise on the capabilities required and the quality assessment including the relative weight attributed to each section or question.

Focus on the Environment

The Council's commitment to achieving net zero emissions by 2030 will be supported through the procurement process.

Outcome Delivery – Reduce waste through smarter procurement

Indicators

- How many of our suppliers have strategies in place to reduce carbon in the supply chain. This will be tested through the evaluation of the procurement process and contract management.

1.	Create a Procurement Sustainability check list for use on all future procurements	Target: by September 2025
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- Using the Council's Climate Change Strategy develop a sustainability check list to be used as part of the procurement process.
- Corporate Procurement to work with departments to ensure that the check list captures all sustainable aspects in procurements that will be undertaken.

2.	Reduce East Herts Council's own impact on air quality	Target: to commence February 2025
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- We will continue to take steps towards greening the fleets of our contractors, notably our waste management and ground maintenance contractors.

3.	Contract Management	Target: to commence February 2025
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- Outsourced contracts both existing and new will be contract managed by procuring officers and contract managers to drive through improvements in carbon reduction across the district.

Social Value and Ethical Procurement

East Herts Council is firmly committed to social value and ethical procurement and will be embedding social value into long term tendered procurements in line with the Social Value Policy.

Outcome Delivery – Measure the delivery of social value

Indicators

- The individual TOM's (Themes, Opportunities and Measures) will be reported on from the Social Value Portal.

1.	To update the Council's Social Value Policy	Target: by May 2025
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- The Social Value Policy will be updated to include new TOM's which align with the Council's Vision and Corporate Priorities.

2.	To report on the TOM's data for East Herts Council	Target: to commence February 2025
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- Use the available data to report on the Social Value being created by the supply chain across East Herts Council.

3.	Modern Slavery Statement	Target: to commence April 2025
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- To review and update the Council's Modern Slavery Statement on an annual basis.

Value for Money

The Council recognises the duty of best value and responsibility to achieve value for money in service delivery. East Herts Council will seek to incorporate value for money principles in delivering services by taking account of costs, quality of services and the local context.

Outcome Delivery – Measure the delivery of contract savings
Indicators <ul style="list-style-type: none"> ➤ Savings realised through the procurement process ➤ Savings realised through contract management

1.	Achieving Value for Money in the Procurement Process	Target: to commence February 2025
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- Monitoring Council expenditure for any off contract spend
- Looking to collaborate on procurement exercises internally and with other public bodies
- Considering the use of framework contracts
- Ensuring that the procurement specification in the procurement process is as required

2.	Achieving Value for Money in the Contract Management Process	Target: to commence February 2025
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- Procuring Officers and Contract Managers to work with suppliers to achieve continuous improvement in quality and cost throughout the duration of a contract. Savings to be recorded as part of contract management meetings and reviews.
- Recording the outcomes of key performance indicators within contracts
- Benchmark contracts with the marketplace

Pro-active Procurement

Outcome Delivery – Provide commercial intelligence to ensure we are achieving value for money

Indicators

- Maintain the contracts register and identify opportunities to collaborate
- Work with internal departments to understand opportunities and risks of up and coming projects and contract management
- Developing supplier relationships
- Savings/cost avoidance

1.	Pro-active Communication	Target: to commence April 2025
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- Pro-actively manage up and coming opportunities and publish a pipeline of up-and-coming procurements on the Council’s website
- Support local, small and voluntary businesses by offering webinars and participating at meet the buyer events
- Update and build a repository of new guidance and web links relevant to procuring officers as and when required on the internal intranet

2.	Pro-active Learning	Target: to commence February 2025
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- Set up a process to enable a debrief and lessons learned plan after all tendered procurements.
- Continually review how the Council’s procurement function is resourced in order to ensure it is equipped to support and deliver the challenges of the Corporate Procurement Strategy.

- To deliver training to procuring staff across the Council to promote the five principle foundations of the Corporate Procurement Strategy.

3.	Pro-active Analysis	Target: to commence February 2025
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- Working with departments to ensure there is a full awareness of data requirements and how this feeds into supporting the Council's Vision and Corporate Priorities.
- Create reports to provide an understanding of our contractual spend including spend on SME's, local and voluntary suppliers.

4.	Pro-active Contract Management	Target: to commence February 2025
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- All contracts over £5,000 are to be recorded on the central contacts register and published online.
- Procuring Officers to ensure all contracts have appropriate KPI's and outcome measures included.
- Work with departments and offer guidance and training to ensure contract management and performance is achieving contractual commitments.
- Undertake benchmarking exercises of pre-agreed services and continually review the contracts to ensure maximum value is being achieved.

5.	Pro-actively Moving Forward	Target: to commence February 2025
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- Building in the milestones set out across all of the five principle foundations in the Corporate Procurement Strategy and reviewing regularly to make sure we are on track.

East Herts Procurement Pipeline Oct 26 – 29

Contract	Current supplier	Contract end/ extension end	Notes
Finance system	Advanced	End Feb 27 but can be extended to Feb 28 or 29	Likely to be extended to suit LGR transition
Grounds Maintenance	Glendale	Dec 27 or extend to Dec 32	
Business Rates review	Inform CDI	Dec 26	County wide procurement previously led by Hertsmere
Energy supplies	EDF and Total Gas via CCS framework	Feb 27	Will continue to utilise CCS framework
Insurance	Various	May 27 can be extended to May 29	
Electric vehicles	Sinclair Finance	Jan 28	Likely to be leased via a Framework agreement
Waste permits	Permiserve	Jan 28	Procurement led by NHDC as part of Shared Waste Partnership
Customer Relationship Management	Granicus Firmstep	Nov 28	
Payments system	Adelante	Nov 27	

Agenda Item 8

Audit and Governance Committee

Date of meeting: 30 September 2025

Report by: Councillor Carl Brittain, Executive Member for Financial Sustainability

Report title: Assets of Community Value Report 2025

Ward(s) affected: All

Summary – this report updates Members on the current Community Asset Register.

RECOMMENDATIONS FOR COMMITTEE:

- a) That Committee Members review the Asset Register

1.0 Proposal(s)

- 1.1 Committee Members are encouraged to review the register and comment on any issues regarding Assets of Community Value

2.0 Background

- 2.1 Committee Members have previously asked for an annual update in regard to Assets of Community Value (ACV), the first of which was provided in September 2021.

What are Assets of Community Value?

- 2.2 The Localism Act (2011) was brought in by the Conservative/ Liberal Democrat Coalition government to increase community involvement and accountability in delivery of public services. Legislation pertaining to ACVs was designed to provide an additional safeguard for community facilities such as pubs, village halls, shops and local sports grounds.

Specifically, it creates an opportunity for local groups to take on ownership of such facilities that are threatened with closure.

2.3 The Regulations Section 88(2) of the Localism Act defines an asset / land of community value if:

- a) There is a time in the recent past (or current) when an actual use of the building or other land that was not an ancillary use furthered the social wellbeing or interests of the local community, and
- b) It is realistic to think that there is a time in the next five years when there could be non-ancillary use of the building or other land that would further (whether or not in the same way as before) the social wellbeing or social interests of the local community

2.4 The thresholds for meeting these tests are quite low and largely in the gift of the local authority who maintain the register. For example, even if a building such as a village pub has been closed for several years with the current owner having no intention to return it to this use, it is still entirely feasible that this *could* happen and therefore the pub meets the criteria.

2.5 Groups such as parish councils and constituted local voluntary and community organisations are able to nominate local land or buildings to be included in the list of community assets maintained by the relevant local authority. In two tier areas, this is the District/ Borough Council. Details of the nomination process can be found on our website: [Assets of Community Value \(ACV\) | East Herts District Council](#)

What happens when a building or land is nominated?

2.6 Following receipt of a nomination form, the Council notifies the freeholder and, if relevant, leaseholder, with an invitation

to submit information or evidence in regards to any objections to the nomination. A panel date is set to consider all the information, usually with four to six weeks of the nomination being received. The panel is chaired by the Director for Regeneration, Customer and Commercial Services who is responsible for determining whether assets should be accepted or not. This is done in consultation with other panel members including representatives from planning and legal services.

- 2.7 Once a decision is made, the owner is notified. In the case of it being added to the register the owner has 28 days to appeal this process. An appeal will be undertaken internally by another senior officer not hitherto involved in the nomination. If the appeal is not upheld, the asset is then added the register. If the owner is still unhappy with the appeal outcome, their only option is to appeal to the first tier tribunal. To date, only two owners have pursued this option and in both cases the tribunal judge upheld the Council's decision to add them to the register (the Rose and Crown Pub, Aston, and the Cock Inn, Stocking Pelham).
- 2.8 As part of the registration process the Council updates the title via the Land Registry so that the ACV status will show on any future searches.
- 2.9 If an asset is placed on the register, the owner is obliged to notify the local authority when intending to dispose of it, which will trigger a moratorium period of six weeks. During this time, the community group can apply to be treated as potential bidders through by submitting an expression of interest. If the owner does not give notice to the local authority, any future disposal will be deemed unlawful.
- 2.10 The owner will be able to begin the sale process after an interim period of six weeks if no bidder has come forward. If a written intention to bid is received in that time, then a full

six month moratorium period will take place which gives community groups time to prepare a bid. During that six months the owner is not able to dispose of it to any other buyer. In practice this means they are able to advertise but not agree a sale (up to the point of exchanging contracts).

- 2.11 The sale itself takes place under normal market conditions and whilst the community group will be given an opportunity to submit a bid the owner is not compelled to accept it.
- 2.12 Certain buildings and land are excluded, including residential property and land, hotels, land owned by the church of England (specifically places of worship) and land used by public utilities. A property will remain on the list for five years. It can be re-nominated after that point.

How well used is the legislation?

- 2.13 After an initial period of publicity and interest, the provisions of the Localism Act have received little attention or support from national government in recent years. However, at local level, communities have been continuing to make use of the tool albeit the number of assets purchased by local groups remains relatively low.
- 2.14 The Ministry of Housing, Communities and Local Government does not collect formal statistics on either the number of listed assets or the number bought by community groups. However they did provide a grant to the Plunkett Foundation in 2017 to maintain an overall list nationally which can be found here: [Keep It in the Community - Plunkett Foundation](#)
- 2.15 ACV status is usually applied for in the case of village and town pubs in an attempt to prevent them being closed in anticipation for residential development. We have seen a similar pattern in East Herts also however a number of other types of assets have also been listed including woodland and shops.

Does an ACV registration make any difference?

- 2.16 This is an important question. There are very few examples nationally of where adding an asset to the register has resulted in a community group taking on ownership through the moratorium process. Where a local group has the necessary funds to make a realistic bid and the landlord is co-operative and engaged, the legislation isn't needed. Where an owner has no intention of disposing for anything less than market value, they will simply keep their asset advertised and wait for the six months to elapse before moving ahead with a sale.
- 2.17 Most of the assets listed in East Herts are relatively uncontroversial and go unchallenged. However some have become complicated and this is largely in the case of village pubs that have been closed and where the owner is attempting to convert the building to residential use. Local groups often apply for ACV status in this instance to provide some level of protection against this happening and often in the context of galvanising local support to keep them open. This has been the case in the past regarding the former pubs mentioned above (the Rose and Crown, Aston, and the Cock Inn, Stocking Pelham) and has also been the case in regards to more recent additions including the Bell Inn, Benington and the White Horse, Wareside.
- 2.18 It should be noted that an ACV status is no guarantee of preventing conversion to residential development. Any planning application to do so would be considered on its own merits. However in some cases the ACV status may be of relevance to planning determinations. It is up to the planning authority to decide what weight should be given to an ACV status. In East Herts it has never been a material consideration to date however it does provide a proxy for community interest and commitment to retain local facilities

(noted in the rulings by the judges in the first tier tribunal cases referenced above).

- 2.19 It is worth noting that whether a local group has the necessary funds or capacity to take on ownership of a community asset is irrelevant to the nominating process. In some cases local groups simply wish to prevent the loss of a community facility and slowing it down by six months is all that can be realistically achieved.

Are any changes planned to the ACV legislation?

- 2.20 The English Devolution and Community Empowerment Bill, published in July, contains a number of radical proposals for the landscape of local government. With a large focus on structures, devolution and re-organisation, the elements in relation to ACV legislation are easy to overlook. However, the Bill does contain some changes to how these will operate.
- 2.21 The Bill updates the ACV regime through the introduction of the Community Right to Buy. This effectively replaces the community right to bid and gives community groups a first refusal right for purchase. However, it is not clear what this means in practice given the six month moratorium period on a sale already exists where an expression of interest is received. The only likely impact will be the removal of the expression of interest period and moving straight into a moratorium. This will also be extended to twelve months instead of six, providing more time for the group to raise funds. As with current arrangements, there is no obligation on the owner to accept the offer.
- 2.22 The Bill also widens the definition of ACV to include derelict high street buildings and land. It also creates a Sporting Asset of Community Value (SACVs). All eligible sports grounds and facilities will be automatically designated as

SACVs, with indefinite protection and first-refusal rights for communities exercising their Community Right to Buy. At the time of writing, full details about implementation is not available. It is not clear what automatic designation means in practice or how this operate.

2.23 The Bill was introduced into the House of Commons in July of this year so is unlikely to become law until next year at the earliest.

2.24 In East Herts the current list of assets can be found a Appendix A and also on our website: [Assets of Community Value Register | East Herts District Council](#)

2.25 Nominations/ re-nominations which have been received since the last update to Committee are:

- The George and Dragon (Watton-at-Stone)
- Budgens (Watton-at-Stone)
- The Bull (Watton-at-Stone)
- Land at park (footpath across Bengo field), Wadesmill Road, Bengo (re-nomination)
- Bell Inn, Bennigton (please note this was a re-nomination as it had previously expired following the owner's intention to sell)
- Land at County Hall (comprising the Cricket Field and woodland adjacent. The landowner has given notice of intention to dispose)
- Hunsdon Village Store and Post Office
- Catherine Wheel Albury
- Crooked Billet Ware (re-nomination)

3.0 Reason(s)

3.1 The Community Asset register has to be kept up to date by East Herts Council, as outlined in the 2011 Localism Act.

4.0 Options

- 4.1 There are no options to not maintain the register as it is a statutory requirement

5.0 Risks

- 5.1 N/A

6.0 Implications/Consultations

- 6.1 Owners of any assets registered (including any leaseholders or tenants) are consulted with upon receiving a nomination

Community Safety

No

Data Protection

No

Equalities

No

Environmental Sustainability

No

Financial

No

Health and Safety

No

Human Resources

No

Human Rights

No

Legal

No

Specific Wards

No

7.0 Background papers, appendices and other relevant material

- 7.1 Appendix A – Current Community Asset Register available on the website: [Assets of Community Value Register | East Herts District Council](#)

Contact Member

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East Herts Council

Audit & Governance Committee Report

Anti-Fraud Report 2024/25

Purpose

1. This report provides details of the work undertaken by the Council and the Shared Anti-Fraud Service (SAFS) to protect the Council against the risk of fraud and delivery of the Council's Anti-Fraud Plan for 2024/2025.

Recommendations

2. **Members are asked to:**
 - a) **Note the activity undertaken by the Shared Anti-Fraud Service to deliver the 2024/2025 Anti-Fraud Plan for the Council.**
 - b) **Note all Anti-fraud activity undertaken by Officers and SAFS to protect the Council against fraud in 2024/25.**

Background

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

4. Some of the most significant recent reports include:

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

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

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

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

5. The Public Sector Fraud Authority (Cabinet Office) estimated, in its 2023 **Cross Government Fraud Landscape Report**, that fraud and error cost the public purse at least £33bn each year. The last time that any effective national fraud measurement took place in local government was in 2017 and at the time fraud loss alone was estimated at £2.4bn annually.
6. The Public Sector Fraud Authority (Cabinet Office), Ministry of Housing Communities and Local Government (MHCLG), National Audit Office, and the Chartered Institute of Public Finance and Accountancy (CIPFA) all continue to issue advice and best practice to support local councils in the fight to combat fraud and prevent loss to the public purse.
7. It is essential that the Council has in place a framework to recognise its fraud risks and invests sufficient resources to prevent and deter fraud, including effective strategies and policies, and a response to deal with the investigation of suspected fraud required.

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

Report - Delivery of the 2024/2025 Anti-Fraud Plan

2024/2025 Plan

9. In 2024, this committee approved the Anti-Fraud Plan for the 2024/2025. A copy of the Plan can be found at [\(Public Pack\)Agenda Document for Audit and Governance Committee, 30/01/2024 19:00](#)
10. The Anti-Fraud Plan had regard for the recommendations of the Fighting Fraud and Corruption Locally Strategy (FFCL), adopting the five 'pillars' of Protect, Govern, Acknowledge, Prevent and Pursue. [Fighting Fraud Corruption Locally Strategy 2020 | Cifas](#)
11. The Plan was designed to meet the Council's requirements based on known/historic fraud risks and the process for responding to these, as well as new and emerging risks as they occur. Resources and staffing were based on the Council's contribution to SAFS with an agreed work-plan including proactive and reactive projects.
12. The Plan included Key Performance Indicators (KPIs) for SAFS which were agreed with senior officers. KPI performance can be found in **Table 1** below.

Staffing & SAFS Performance

13. The SAFS Core Team (in April 2024) was composed of 23 counter fraud staff and is based at the County Council's offices in Stevenage, although SAFS officers also work from the Council's offices and other locations across Hertfordshire.

14. Each SAFS Partner receives dedicated counter-fraud support and for 2024/25 this was achieved by allocating a set number of operational days that could be drawn on to deliver all parts of the Anti-Fraud Plan. This included fraud-risk assessment, fraud awareness training, proactive work such as the use of data-analytics or reactive work as part of the Council's fraud response plan.
15. SAFS was contracted to provide 267 operational days to deliver the Council's Anti-Fraud Plan in 2024/25, as well as the agreed programme of work support is provided by the SAFS management team as and when required. The SAFS were able to deliver 275 days due to the need to deal with several slightly more complex matters in-year, there was no additional charge for these days as they were taken from contingency.
16. All SAFS officers are all fully trained and accredited and members of the Government Counter Fraud Profession or working towards this. The Profession is made up of various streams including awareness training, fraud risk assessment, investigations, intelligence, data-analytics, and investigation management.

Table 1. SAFS Performance 2024/2025

KPI	Measure	Objectives	Performance
1	Return on investment from SAFS Partnership.	Demonstrate that the Council is receiving a financial return on investment from membership of SAFS and that this equates to its financial contribution. A. Meetings to take place with the Councils Head of Strategic Finance and Property B. Head of Strategic Finance and Property will sit on the SAFS Board that meets quarterly. C. Regular meetings to take place with Service Leads to agree and update local work plans.	A. Meetings took place with the Head of Strategic Finance and Property B. Head of Strategic Finance and Property is a SAFS Board Member, received its reports and was invited to attend its quarterly meetings. C. SAFS met with other service leads across the Council as and when required.
2	Provide an investigation service.	A. Target to deliver 90%-110% of the funded 267 Days of counter fraud activity including proactive and reactive investigation work, data-analytics, training and fraud risk management (Supported by SAFS Intel/Management). B. 3 Reports to Audit and Governance Committee. C. SAFS attendance at corporate governance, 'service champion' meetings, local management team meetings.	A. SAFS provided 275 days (103%) of those planned for the year. B. SAFS provided reports to the Councils A&G Committee in the summer, autumn of 2024 and Spring 2025. C. SAFS has works with service champions in R&B, Finance and Housing.
3	Action on reported fraud.	A. All urgent/ high risk cases will be responded to within 24 hours . B. All other cases 2 Days , on Average.	All referrals (including urgent/high risk) were actioned within 24hours on average.
4	Added value of SAFS membership.	A. Membership of NAFN & PNLD B. Access to CIFAS/NCSC/AF/FFCL alerts, trends, best practice C. NAFN Access/Training for relevant Council Staff	A. SAFS provided membership to PNLD and NAFN. B. SAFS (HCC) is a member of CIFAS. C. NAFN service awareness is part of the training plan for 2024/25.

		D. 5 Training sessions for staff/Members in year. (To be agreed with Service leads and HR)	D. 7 Sessions delivered with additional sessions for NFI/NAFN.
5	Allegations of fraud received. & Success rates for cases investigated.	A. All reported fraud (referrals) will be logged and reported to officers by type & source. B. All cases investigated will be recorded and the financial value, including loss/recovery/ savings of each will be reported to officers. C. SAFS will work with social providers across the Borough to deal with misuse of housing stock.	A. Fraud reporting options available for staff and residents on the Council's webpage and intranet- This is linked to SAFS reporting tools. B. All cases with reports/values/outcomes recorded on SAFS CMS. C. SAFS contracts in place with housing providers.
6	Making better use of data to prevent/identify fraud.	A. Support the output from NFI 2024/25 Council services. B. Membership and VFM from the Herts FraudHub in 2024/25.	A. The NFI data-upload was delivered on time with the output reviewed by officers and SAFS in Q4. B. The Council made use of the Fhub and the Herts Ctax Framework.

Fraud Awareness and Prevention

8. A key objective for the Council is to continue building on its existing anti-fraud culture. The Council achieves this by:
 - a) Ensuring senior managers and elected members consider the risk of fraud when developing policies or processes,
 - b) Deterring potential fraud through external communication highlighting the actions that it has taken where fraud is detected,
 - a) Helping to prevent fraud occurring by having effective controls in place, and
 - b) Encouraging all officers to report suspected fraud.
9. The Councils published policies on fraud prevention can be found here [Fraud and Whistleblowing Policies | East Herts District Council](#)
10. The council's website has links for the public to report fraud by email, telephone or by using the SAFS online reporting tool. [Benefit Fraud | East Herts District Council](#)
17. Council staff can use the same methods to report fraud, or they can report fraud directly to SAFS officers working at the Council. <https://reportafraud.co.uk/safs>
18. SAFS delivered seven anti-fraud training sessions both face-to-face and via virtual means during 2024/2025 including general fraud awareness, ID fraud, the use of the services provided by National Anti-Fraud Service, and a session by the Competition and Markets Authority on bid-rigging. SAFS provided a number of updates and guidance on services provided by the Cabinet Office as part of the National Fraud Initiative (NFI) and in May 2024 provided training for members of the Audit & Governance Committee.
19. SAFS receives regular updates on new fraud threats from a various sources including National Anti-Fraud Network (NAFN), National Cyber Security Centre (NCSC), City of London Police (national lead on fraud and cyber-crime for policing), London Fraud Forum (LFF), Credit Industry Fraud Avoidance Service (CIFAS), CIPFA, Hertfordshire Police and the Home Office.

Executive Reports

- 20.** Executive Reports (ER) analyse specific fraud incidents, providing an insight into how the fraud materialised and making recommendations to strengthen processes and controls to prevent further fraud. These reports evaluate current controls and mitigation measures, pinpointing potential vulnerabilities and limitations that could lead to fraud. SAFS accompanies each ER with a management action plan detailing recommendations and/or best practice to be adopted.
- 21.** SAFS did not issue any ERs for East Herts Council in 2024/25 but did share a generic ER for all SAFS Partners around the risk of fraud associated with 'Public Facing Bank Accounts'. SAFS made a number of best practice recommendations in this ER for review by senior management.

Fraud Risk Assessments

- 22.** Fraud Risk Assessment (FRA) constitutes a systematic evaluation of potential fraud risks within a council, designated service area, or particular scheme or process. As part of its wider Service Plan for 2024/25 SAFS developed an FRA programme for 2024/2025. This programme encompassed FRA's focused on internal fraud risks, fraud risks within the procurement process, and recruitment/use of agency workers.

Fraud Alerts

- 23.** In 2023 SAFS introduced fraud alerts to the services provided to partners. These bimonthly fraud updates equip partners with national and local intelligence to strengthen controls considering emerging and current fraud trends and threats. SAFS published five alerts in 2024/25 covering areas such as Outlook account compromise, one time password (OTP) fraud, impersonation fraud and Council Tax refund fraud.
- 24.** Complimenting the bimonthly alerts are SAFS 'real time' fraud risk reports. These reports are circulated as soon as a significant risk is identified. In 2024/25 SAFS circulated 38 real time threat alerts which included internal fraud, email spoofing, CEO fraud, mandate fraud, housing application fraud and more.

Case Study 1: Typical Fraud Alert for dissemination across Partners



SAFS Fraud Alert – 22 July 2024

Corporate Impersonation Fraud

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

NOT FOR WIDER CIRCULATION WITHOUT CONSENT FROM SAFS

Corporate Impersonation Fraud

The impersonation of large construction companies requesting to change bank account details continues, presenting a risk to the SAFS partner authorities.

Fundamental Points

1. Known and Trusted Suppliers are impersonated
2. Legitimate emails are spoofed
3. Multiple emails sent to the target organisation
4. Fraudsters advise of a change of bank details in the emails
5. Copies of seemingly legitimate invoices are sent detailing fraudulent bank account details with the request for large sums of money

Recent Incident

The fraudsters appear to have spoofed the email account of an existing employee of **Wates Construction Ltd**. The fraudsters advised of a change to the bank account details of Wates to: Metro Bank PLC. [REDACTED] Account Number [REDACTED]

Wates confirmed the request to change bank details was fraudulent and that there have other reported incidents of Wates being impersonated in recent weeks.

SAFS Recommendations to Prevent, Detect, and Deter Fraud

STOP! Regardless of the sender's seniority or the apparent legitimacy of the email, never take action upon receiving an email that notifies a change in bank details.

Think! Remain vigilant. You could be targeted in a mandate fraud.

Call! Always verify any changes to financial details directly with the company using established contact details, not the ones provided in the suspicious email or invoice.

Invoice Verification: Ensure all invoices have a valid purchase order reference that aligns with the supplier who issued it, and confirm the receipt of the services or goods.

Staff Awareness: Regularly educate and update your staff about such fraud threats and the importance of being vigilant.

Report: Ensure all potential fraud is reported [SAFS](#) and adhere local policies and procedures when receiving and reporting emails of a suspicious nature.

Report Fraud

If you have a concern about fraud or wish to discuss these threats in more detail please contact us.



SAFS Hotline: 0300 123 4033

fraud.team@herfordshire.gov.uk

www.herfordshire.gov.uk/fraud



25. SAFS maintains a close working relationship with the Shared Internal Audit Service (SIAS) with both services exchanging knowledge and best practice. The relationship with the Council's Legal Team has been maintained including work on criminal litigation and policy reviews.

Reactive and Proactive Fraud Investigation

26. During 2024/2025 SAFS received 99 allegations (referrals) of fraud affecting council services, a reduction from the 111 in 2023/2024, but still on trend generally since the Covid Pandemic. Reporting by the public in 2024/25 (74) was up from the previous year (66), but Council staff reporting suspected fraud saw a significant decline from 41 in 2023/24 to just 20 in 2024/25.
27. Although all allegations are assigned to specific service areas (see Table 2 below) there can be great variance in the types of fraud or 'MO' used to commit fraud. Under Council Tax for example this year we have found false applications for single person discounts or the under-declaration of income/capital to claim entitlement to the council tax reduction scheme (CTRS), these are fairly routine. But, across our District and Borough Councils we have also seen attempted money laundering through council tax overpayments, theft of payment records to commit other crime, stolen credit card details to pay council tax and even the use of false council tax liability to obtain school placements.

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

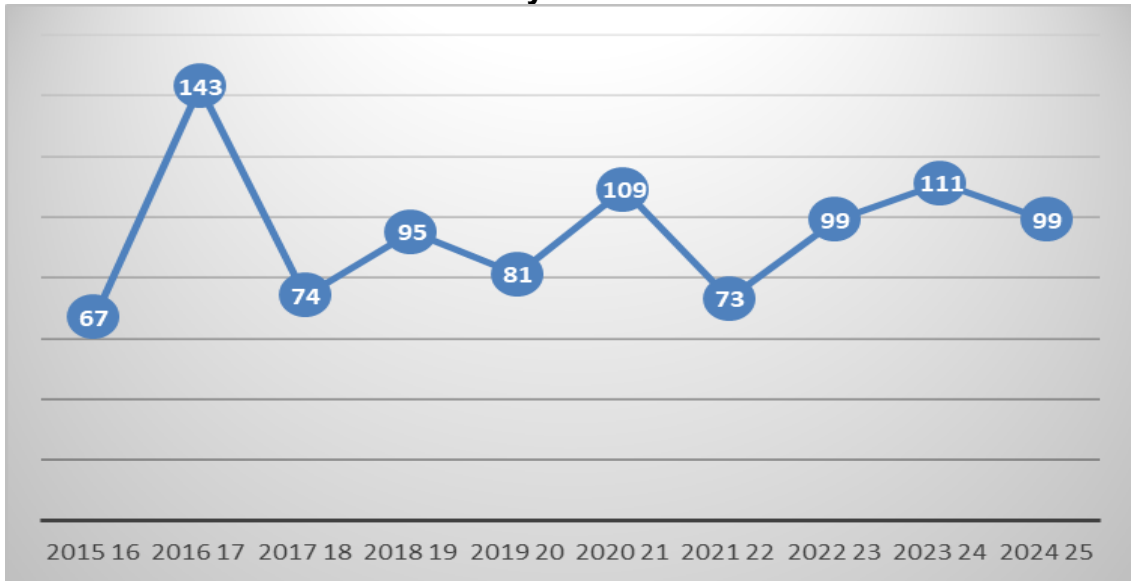
Blue Badge	Housing Benefit/CTax	Housing	Business Rates	Other *	Total
7	72	13	2	5	99

**Other includes Mandate & Payment/ Grants/ Payroll/ Forgery etc.*

Table 3. Who is reporting fraud:

Fraud Reported by Staff	Reports from Public	Data-Matching/ Proactive	Other Agencies	Total
20	74	3	2	99

Table 4. Historic Fraud Referrals by Year



28. As table 4 shows, the volume of fraud referrals, or allegations of fraud, has fluctuated the last decade, but normally remains around 100 each year, and this is comparable to other SAFS Partners of a similar size/geography/demographic.
29. It should be emphasised that not every referral/allegation will need to be investigated as some allegations can be false, misleading, or simply incorrect. Every referral is risk assessed and sifted by the SAFS Intelligence Team. In total, 47 allegations received in 2024/25 were not selected for further investigation.

Table 5. Closed Referrals in year.

Failed Sift	No Action Required	Referred to 3 rd Party	SAFS Advice	Warning Letter	Total
13	20	7	5	2	47

- ‘Failed Sift’ is used where the allegation cannot be attributed to any service provided by the Council.
 - ‘No Action Required’ are referrals where the subject can be identified but no error/fraud is apparent, or the Council is already aware of the facts reported in the allegation.
 - Referrals that are passed to third parties occurs where another agency, such as DWP or HMRC, is best placed to investigate the matter.
 - ‘SAFS Advice’ occurs when guidance/advice/support has been provided to Council officers, but a full investigation is not required to resolve the allegation.
 - ‘Warning Letters’ are issued where a fraud may have occurred but is minor and/or not current as a reminder about rules/responsibilities.
30. In addition to the referrals that did not require a full investigation, 42 ‘low risk/value’ cases including some carried forward from 2023/24 were resolved through compliance activity, intervention, or review, this ‘light touch’ approach identified around **£93k** in council tax/housing benefit fraud.

Case Study 2: Council Tax Intervention

In June 2024 an anonymous allegation was received stating that a person living in Sawbridgeworth had failed to report that their partner was living with them whilst claiming benefits as a single person.

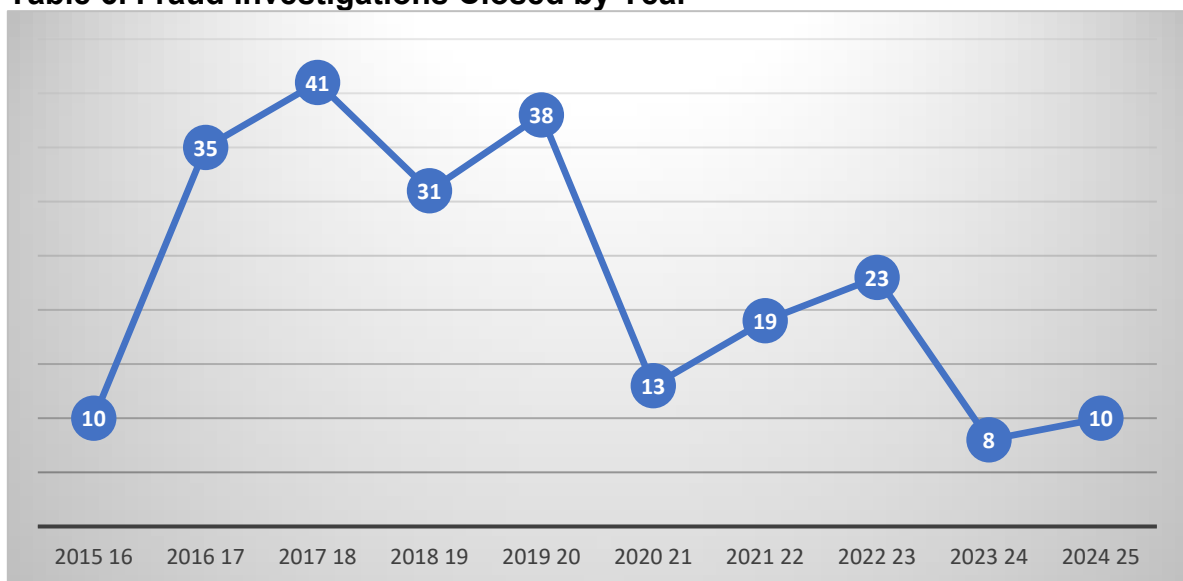
Checks showed that the resident was in receipt of SPD, CTR, and DWP benefits, but there were no links to show anybody at the address. The resident had been claiming benefits as a single person since 2016.

Checks undertaken by SAFS identified another adult living at the address and the information was provided to the resident with a request that they provide an explanation. After several attempts to contact the resident, they declined to provide any further information.

As a result, the Councils Revenue and Benefits team re-assessed the council tax liability and housing benefits claims between 2016 and 2024 resulting in overpayments of £22k.

31. We continue to work with the Council's communication team to issue publicity encouraging residents and businesses to report fraud and help protect public funds. The Council took part in the International Fraud Awareness Week in November 2024 along with other Councils across the region.
32. At this time many cases raised for investigation last year are still live. However, of the 10 cases investigated and closed in the year, 7 identified fraud - with recoverable losses of **£342k**, and fraud savings, through prevention, of **£62k** reported.
33. At year end of March 2025, 26 cases remained under investigation with an estimated fraud loss combined of £273k. SAFS monitor these figures to identify trends, such as changing working practices, new service delivery, the cost-of-living crisis and other factors.

Table 6. Fraud Investigations Closed by Year



34. Although referrals have remained fairly stable and matters requiring investigation have declined over the last 4-5 years, it is important that the Council does not become complacent. Although the data appears to evidence that actions to deter/prevent fraud are being effective we know that fraudsters are reactive, unfettered by rules and extremely agile. They will find and exploit gaps in systems/processes or new schemes and target Council finances/assets/services.
35. As well as the financial values identified, SAFS works with the Council's housing needs and nominations team where allegations of fraud impact on the Council's housing register or homelessness applications. These cases may not deliver an obvious financial value but do assist in identifying fraudulent applications for housing which may create additional pressure on this critical service area.

Case Study 3: Housing Application Fraud

SAFS and Council officers reviewed data provided by the National Fraud Initiative 2024/25 that indicated that 113 records on the Councils Housing Register may be incorrect or fraudulent.

The priority was to review these matches and identify any applications from individuals or families that might be false, or indeed where the data was simply incorrect.

As a result of this one-off exercise a number of applications were found to be incorrect or potentially false without the need for full investigations. All of these applications were removed from the Housing Register.

This type of exercise is essential to ensure that data held by the Council is accurate and up to date to prevent any fraud occurring and the potential that such a fraud could result in genuine applications missing out as a result.

36. In April 2023 the Fraud Advisory Panel (FAP) published its report 'Lost Homes-Lost Hope'. This report calculated the losses of an average housing fraud, per case, to the public purse to be in the region of £42k, of which £36k is attributable to the cost for local authorities through the provision of temporary accommodation. <https://www.fraudadvisorypanel.org/wp-content/uploads/2023/10/Lost-Hope-Lost-Homes-Methodology.pdf>
37. East Herts Council does not hold housing stock and relies on registered (social) housing providers within the Council's boundaries to supply properties for residents entitled to social housing. These providers have neither the legislative powers nor the resources to investigate housing fraud or illegal sub-letting.
38. SAFS works with a number of registered housing providers, with stock within the Council's boundaries, including Peabody and Clarion, and continues to reveal fraud such as the illegal sub-letting, fraudulent right-to-buy applications, and other misuse of the social housing stock within the Council's boundaries.

Case Study 4: Working with Social Housing Providers.

Working with Peabody in 2024/25 seven investigations into the unlawful sub-letting of social properties were conducted which resulted in six properties being returned to stock with one of these properties being in East Herts.

A number of tenancies were still subject to investigation and recovery at the year end.

Working with SAFS enables social housing providers to conduct more effective investigations and recover properties that are being misused swiftly. These properties are then released for nomination to local residents from the Councils Housing Register.

The financial value to the Council has been calculated as being in the region of £42k from reduced temporary accommodation costs for East Herts Council

39. SAFS continued to provide support to the Councils Business Rate Team in 2024/25 where fraudulent Covid Grants were suspected. One case was identified where the Council had paid grants totalling **£20k** following what were clearly fraudulent claims and this matter has been recorded and reported to the Business and Trade Department. This work also uncovered other business rate related fraud.

Case Study 5: Business Rates Fraud

Information came to light as part of a review into a suspected Covid Grant fraud that had identified a business in Mill Road that had been claiming Small Business Rate Reduction (SBRR).

*Enquiries by SAFS revealed evidence that the business had made false claims for Grants as well as a reduction in its business rates liability. The business was found to have avoided paying the correct business rates for a number of years totalling **£58k** and has been invoiced for this sum- which is now being repaid by instalments.*

Data Matching and Analytics

40. The Council is required to submit data in October every two years as part of the Cabinet Office mandated [National Fraud Initiative - GOV.UK \(www.gov.uk\)](https://www.gov.uk). This exercise occurs every second year and for the Council datasets such as payroll, pensions, creditor/payments, housing benefit and council tax are required. The data collected from councils, NHS and other public sector bodies and is analysed to identify discrepancies/fraud. The exercise also uses data from sources such as Operation Amberhill, HMRC, DWP and General Register Office.
41. The output, or 'matches,' from NFI is released to councils between February and March following the October data upload. These matches are shared in various formats to be actioned. For Council and SAFS officers administer access to and reporting for those service areas that are required to provide a response to these reports/matches.
42. The Council received 839 matches to review in a number of reports from the 2024/2025 exercise in Q4. Many of these matches require administrative review only and will not identify fraud, error, or savings, but it is essential that all are actioned and reported to avoid any fraud being missed and ensure that the Council's data is edited/updated.
43. Working with SAFS, Council officers have reviewed a small number of the high priority matches and work is ongoing with the lower priority matches – in total 468 reviews were conducted identifying **£9k** in loss/savings. Further work has taken place to clear the remainder of the high priority matches in Q1 2025/26.

44. Working with the Cabinet Office for NFI, SAFS has developed a 'Hertfordshire FraudHub' for all SAFS Partners following the same process as the two-yearly exercise, but with data collected and matched more frequently throughout the year. In 2024/2025 SAFS identified 839 matches resulting in **£10k** savings. We worked closely with officers in Q1 and Q2 Of 2024/25 to resolve a number of matches, but the focus on resources in Q3/Q4 switched to the main NFI exercise.
45. SAFS manages the Hertfordshire Council Tax Framework for all district councils across the County. This framework is funded by the County Council and provides a fully managed service to review discounts claimed by residents against their Council Tax liability. During 2024/25 East Herts Council accessed the Framework to review those accounts with a single person discount (761 being removed and **£349k** liability identified) or reported as being empty for a long term (with 95 council tax exemptions/premiums being amended and potential New Homes Bonus awarded).

Transparency Code – Fraud Data

46. The Department for Communities and Local Government (DCLG) published a revised Transparency Code in February 2015, which specifies what open data local authorities must publish.
47. The Code also recommends that local authorities follow guidance provided in the following reports/documents:

The National Fraud Strategy: *Fighting Fraud Together*

(<https://www.gov.uk/government/publications/nfa-fighting-fraud-together>)

CIPFA Red Book 2 – *Managing the Risk of Fraud – Actions to Counter Fraud and Corruption*

(http://www.cipfa.org//media/files/topics/fraud/cipfa_corporate_antifraud_briefing.pdf)

48. The Code requires that Local Authorities publish the following data in relation to Fraud. The response for East Herts Council for 2024/25 is in **bold**:
- Number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers.

Nil. (East Herts Council makes use of the National Anti-Fraud Network (NAFN) to conduct such enquiries on their behalf).

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

1.5 FTE

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

1.5 FTE

- Total amount spent by the authority on the investigation and prosecution of fraud.
£89,180 (SAFS fee) + NFI and FraudHub contracts.

- Total number of fraud cases investigated.

10 cases investigated and closed in year

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

- Total number of cases of irregularity investigated-

See above.

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

7 Occasions where fraud was identified.

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

Reactive- £404k fraud reported. £93k Compliance. (A further £174k estimated).

Proactive- £19k of fraud was identified through NFI & FraudHub.

Other Exercises - £42k Social Housing/ £20k Covid Grants

From Council Tax Framework £263k

Total - £841k of fraud/irregularity identified.

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

Not recorded separately

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

- (b) ***Councillors Workbook on Bribery & Fraud Prevention (LGA 2017)***
- (c) ***Fighting Fraud and Corruption Locally - A Strategy for the 2020's (CIPFA/CIF9AS/LGA 2020)***
- (d) ***Tackling Fraud in the Public Sector (CIPFA 2020)***
- (e) ***Code of Practice - Managing the Risk of Fraud and Corruption (CIPFA 2014)***
- (f) ***Lost Homes, Lost Hope (Fraud Advisory Panel 2023)***



East Herts Council

Audit & Governance Committee

September 2025

Anti-Fraud Progress Report 2025/2026

Purpose

1. This early 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 2025/26.
2. Further reports will be provided during this financial year and a final report covering all anti-fraud work in 2025/26 will be provided to this Committee in the summer 2026.

Recommendations

Members are asked to:

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

The Anti-Fraud Plan

3. The Anti-Fraud Plan for the current financial year was approved by this Committee at its February 2025 meeting ([Public Pack](#))[Agenda Document for Audit and Governance Committee, 18/02/2025 19:00](#) . The Plan covers all areas recommended by CIPFA and the *Fighting Fraud and Corruption Locally Strategy for the 2020s*. The Plan also provides assurance that the council continues to benefit from a positive return on its investment in the SAFS Partnership.

Anti-Fraud Prevention

4. The Council has in place Anti-Fraud, Bribery & Corruption Policies and these are kept under constant review to ensure compliance with current best practice and the impact of any changes required by legislation. These policies were last reviewed in 2021, and an officer review is planned for later this year.
5. SAFS provided alerts on new and emerging fraud trends through its Board members and directly with officers working in our Partners. These alerts come from a variety of sources including the National Anti-Fraud Network (NAFN), Credit Industry Fraud Avoidance Service (CIFAS), National Fraud Intelligence Bureau (NFIB) at the City of London Police, and others.
6. Between April and August 2025 SAFS issued 2 Fraud Alerts including a reminder about fake documents and published reports on the propensity for people to commit fraud as well as guidance on the new 'Failure to Prevent Fraud' offence. SAFS also provide regular Fraud Threat Reports that summarise new and emerging risks and provide officers with the latest guidance to assist with identification and prevention. SAFS has issued 6 such reports this year focused on multiple employment fraud, housing application fraud, fake blue badges and 'mandate' fraud.
7. A training plan to build on staff awareness and fraud reporting, along with publicity campaigns to inform the public and encourage fraud reporting has been developed

with officers in HR and Comms teams for 2025/26. Three training sessions have been delivered in the first half year, with three further in Q3 in place.

8. Across all partners SAFS provides Executive Reports (ER) to senior management and internal audit where investigations identify that fraud or attempted fraud occurred due to system/process weaknesses, SAFS also provides recommendations for management to consider the removal/reduction/mitigation of any ongoing fraud risk. No ERs have been issued so far this year for East Herts Council.
9. A new offence of 'Failing to Prevent Fraud' introduced by the Economic Crime and Corporate Transparency Act 2023 came into force in September this year. Along with all other Councils East Herts Council will be caught by this legislation and SAFS are liaising with the LGA and FFCL to better understand the risks and implications of this new legislation so the Council is prepared for it.
10. SAFS are part of several 'working' parties with the Cabinet Office- Public Sector Fraud Authority (PSFA) including development of the Counter Fraud Profession, and new legislation passing through parliament that will impact on local government including the Public Authorities (Fraud, Error and Recovery) Bill.

Reactive Work

11. Between April and July, 26 allegations of fraud had been received affecting service areas such as housing, council tax, procurement, and Blue Badge misuse- only 2 referrals were made by Council officers, compared to previous years this is very low. SAFS currently have 18 cases under investigation, or at referral stage (8), with estimated losses of £129K recorded in this caseload.
12. One case referred to the Councils legal team earlier this year is still under review for charges to be issued and two further cases (one involving a very large HB loss) are being considered by the DWP/CPS. The Council makes use of other sanctions as alternatives to prosecutions where these are appropriate, this includes the use of civil penalties for council tax matters.
13. SAFS have been assisting with the recovery a large business rate debt where a fraud had been identified in 2024 and this is now being recovered by a monthly payment arrangement.
14. SAFS continues to work closely across the Council Housing services, working with officers to assist in the review of housing and homelessness applications and a number of investigations have been raised since April.
15. SAFS also works with housing providers across the Borough and we are in discussion with Clarion Housing to assist with their tenancy fraud work in 2025/26.

Proactive Work

16. SAFS and Council officers ensured that all data required for submission as part of the Cabinet Office 'National Fraud Initiative' (NFI) was uploaded in late 2024. The output from this exercise produced 843 general matches, creditors and council tax reports. Officers from SAFS and the Council have been reviewing the various reports/matches prioritising high-risk areas, this work has identified 5 potential frauds, with savings through prevention of £33k reported so far.
17. The Council is signed up the Herts Fraudhub for 2025/26. The FraudHub works in a similar fashion to the main NFI exercise with data being submitted along with the other SAFS partners to help identify fraud through data-analysis/matching. We have suspended activity on the FH until Q2 to focus on clearing the matches from the main NFI exercise.
18. The Council is also signed up through an MOU to make use of the county-wide Council Tax Review Framework this year, and discussions are ongoing with the providers within the Framework to deliver that work in the current financial year.
19. SAFS KPIs were agreed in the Anti-Fraud Plan and progress is reported below.

Key

Met/ Complete	On Target	Part Met	Not Met
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KPI	Measure	Objectives	Performance for Q1
1	Return on investment from SAFS Partnership.	<p>Demonstrate that the Council is receiving a financial return on investment from membership of SAFS and that this equates to its financial contribution.</p> <p>A. Regular meetings to take place with the Councils Head of Strategic Finance and Property at least quarterly or as required by Council officers.</p> <p>B. Head of Strategic Finance and Property will be the SAFS Board representative for the Council and attend its quarterly meetings.</p>	<p>A. Meetings have been planned with the Service Director Resources.</p> <p>B. Service Director Resources is a member of the SAFS Board and is invited to its quarterly meetings.</p> <p>SAFS meet with other service leads across the Council as and when required with a focus on the highest risk areas.</p>
2	Provide an investigation service.	<p>A. Target to deliver at least 95% of the funded 298 Days of counter fraud activity including proactive and reactive investigations, data-analytics, staff training and fraud risk management. (Supported by SAFS Intel/Management).</p> <p>B. 3 Reports to Finance Audit and Risk Committee. (Annual Report, Updates, 25/26 AF Plan)</p>	<p>A. To the end of June 2025 SAFS had provided 84 days (28%) of those planned for the year.</p> <p>B. SAFS reports agreed for September/ November / March FAR Committees as part of the Fwd Plan.</p>
3	Action on reported fraud.	<p>A. All cases to be reviewed within 2 Days of receipt, on Average.</p>	<p>A. In Q1 referrals were triaged within 0.5 days on average.</p>
4	Allegations of fraud received. &	<p>A. 100% of all reported fraud (referrals) will be logged by type & source.</p> <p>B. 100% of all cases investigated will be recorded and the financial value,</p>	<p>A. All referrals, from all sources are logged on SAFS CMS.</p> <p>B. All cases investigated are recorded and managed on the SAFS CMS.</p>

	Success rates for cases investigated.	including loss/recovery/ savings of each will be reported to officers.	Reports on referrals and investigations including status/source/value/outcomes are available.
5	Making better use of data to prevent/identify fraud.	A. Ensure output from NFI 2024/25 is resolved as required by legislation. B. Ensure membership of the Herts FraudHub in 2025/26 and that the ROI from this is reported to Council officers.	A. The NFI reports/matches are being reviewed with SAFS support. B. The Council has a contract in place for the FHub and data is being uploaded and output to commence in Q2.
6	Added value of SAFS membership.	A. Membership of NAFN & PNLD for 2025/26 B. 5 fraud awareness/prevention sessions for staff/Members in year. (To be agreed with Service leads and HR)	A. NHC is a member of both NAFN and PNLD via SAFS licences. Council officers have access and SAFS provide training/awareness. B. We have delivered 3 training sessions, with at least 3 more for delivery in Q3..

Further Reading

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

- (a) *Councillors Workbook on Bribery & Fraud Prevention (LGA 2017)*
- (b) *Fighting Fraud and Corruption Locally - A Strategy for the 2020's (CIPFA/CIF9AS/LGA 2020)*
- (c) *Code of Practice - Managing the Risk of Fraud and Corruption (CIPFA 2014)*
- (d) *Lost Homes, Lost Hope (Fraud Advisory Panel 2023)*
- (e) *Tackling fraud and corruption against government (NAO 2023)*
- (f) *National Fraud Initiative Report 2022 – 2024 (HMG March 2025)*



East Herts Council Audit & Governance Committee

30 September 2025
Shared Internal Audit Service –
Progress Report

Recommendations

Members are recommended to:

- a) Note the Internal Audit Progress Report
- b) Note the Implementation Status of High Priority Recommendations

Contents

- 1 Introduction and Background
 - 1.1 Purpose
 - 1.2 Background

- 2 Audit Plan Update
 - 2.1 Delivery of Internal Audit Plan and Key Findings
 - 2.4 Internal Audit Plan Changes
 - 2.5 High Priority Recommendations
 - 2.7 Performance Management

Appendices:

- A Progress against the 2025/26 Internal Audit Plan
- B Implementation Status of High Priority Recommendations
- C Internal Audit Plan Items (April 2025 to March 2026) - Indicative start dates agreed with management
- D Assurance Definitions / Priority Levels

1 Introduction and Background

Purpose of Report

- 1.1 To provide Members with:
- The progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's 2025/26 Internal Audit Plan to 12 September 2025.
 - The findings for the period 1 April 2025 to 12 September 2025.
 - Details of any changes required to the approved Internal Audit Plan.
 - The implementation status of previously agreed audit recommendations.
 - An update on performance management information to 12 September 2025.

Background

- 1.2 Internal Audit's Annual Plan for 2025/26 was approved by the Audit & Governance Committee at its meeting on 22 April 2025. The Audit & Governance Committee receive periodic updates against the Internal Audit Plan. This is the first update report for 2025/26.
- 1.3 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 function is fulfilling its statutory obligations. It is considered good practice that progress reports also include details of changes to the agreed Annual Internal Audit Plan.

2 Audit Plan Update

Delivery of Internal Audit Plan and Key Audit Findings

- 2.1 As of 12 September 2025, 25% of the 2025/26 Internal Audit Plan days have been delivered (the calculation excludes any contingency days that have not yet been allocated).
- 2.2 One audit from 2024/25 (Payroll) was finalised after 31 March 2025 and the outcome was reported in the Annual Report to this Committee in May 2025. The following final reports have also been issued since 1 April 2025:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Insurance	July 2025	Substantial	One Advisory Action
Social Media	July 2025	Reasonable	Two Medium and Four Low Priority
IT Hardware Inventory (2024/25)	Aug 2025	Reasonable	Two Medium Priority

See definitions for the above assurance levels and recommendation priorities at Appendix D.

- 2.3 The table below summarises the position regarding delivery of the 2025/26 approved projects to 12 September 2025. Appendix A provides a status update on each individual project within the 2025/26 Internal Audit Plan.

Status	No. of Audits at this Stage	% of Total Audits
Final Report Issued	3	13%
Draft Report Issued	1	4%
In Fieldwork/Quality Review	4	16%
In Planning/Terms of Reference Issued	1	4%
Allocated	12	50%
Not Yet Allocated	3	13%
Cancelled/Deferred	0	0%
Total	24	100%

Internal Audit Plan Changes

- 2.4 There has not been any Internal Audit Plan changes since it was approved by this Committee on 22 April 2025.

Critical and High Priority Recommendations

- 2.5 Members will be aware that a Final Audit Report is issued when it has been agreed (“signed off”) by management; this includes an agreement to implement the recommendations that have been made.
- 2.6 The schedule attached at Appendix B details any outstanding Critical and High priority audit recommendations. No new Critical or High Priority recommendations are shown in the schedule.

Performance Management

- 2.7 The 2025/26 annual performance indicators were approved at the SIAS Board meeting in March 2025.
- 2.8 The actual performance for East Herts Council against the targets that can be monitored in year is set out in the table overleaf:

Performance Indicator	Performance Target for 31 March 2026	Profiled Performance 12 Sept 2025	Actual Performance 12 Sept 2025	Notes
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excludes unused contingency)	95%	30%	25%	60.5 days delivered out of the current 245 days planned
2. Planned Projects * – percentage of actual completed projects to draft report stage against planned completed projects by 31 March 2026	90%	25%	17%	4 projects to draft or final report from the 24 planned
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	90%	90%	100%	Based on the results of the 1 completed questionnaire received (from the 3 issued)
4. Number of High and Critical Priority Audit Recommendations agreed as a percentage	95%	N/A	N/A	No High Priority recommendations have been made during 2025/26

* Based on Audit Plan 'deliverables' at draft and final stage, and items carried forward from 2024/25 that were not at draft report stage by 31 March 2025.

2.9 In addition, the performance targets listed below are annual in nature. Members will be updated on the performance against these targets within a separate Annual Report:

- **5. Annual Plan** – prepared in time to present to the March meeting of each Audit & Governance Committee. If there is no March meeting, then the Plan should be prepared for the first meeting of the financial year. This indicator was achieved for 2025/26 as the audit plan for the financial year 2025/26 was presented to the Audit & Governance Committee in April 2025.
- **6. Planned Projects** - percentage of actual completed projects to final report stage against planned completed projects. This was reported to the committee in May 2025
- **7. Chief Audit Executive's Annual Report** – presented at first available 2025/26 meeting of the Audit & Governance Committee. This indicator was achieved for 2025/26 as the Client Audit Manager's Annual Report (for 2024/25) was presented to the May 2025 meeting of this committee.

- 2.10 We currently report no risks to the delivery of a robust annual assurance opinion. However, it should be noted that EHC Plan delivery is currently in deficit against the profile. This is a service wide performance issue which was recently reported to the SIAS Board with the following reasons:
- a) Recruitment to two existing trainee auditor vacancies during quarter one, with both not starting until quarter two.
 - b) Some audits being pushed back at client request, thereby altering the profile of delivery.
 - c) Sickness absence of one of our Client Audit Managers, thereby impacting on the pace of delivery of some audits.
 - d) Delays in our external co-sourced partner being able to commence some of their allocated audits.
 - e) Some low-level anecdotal evidence of senior staff at partners experiencing capacity challenges linked to LGR. This is a known risk talking to Heads of Internal Audit who have already been through this process.

The current EHC deficit against the profile is largely attributable to delays in delivering both the Homelessness (2024/25) and Premises Licensing Follow Up audits. The audit sponsor for these audits is aware of this position.

APPENDIX A - PROGRESS AGAINST THE 2025/26 INTERNAL AUDIT PLAN

2025/26 Internal Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS *				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Key Financial Systems – 60 days									
Business Rates (shared with SBC)						60	Yes	6	Allocated
Council Tax (shared with SBC)							Yes		Allocated
Housing Benefits (shared with SBC)							Yes		Allocated
Treasury Management							Yes		Allocated
Accounts Receivable							No		Not Yet Allocated
Accounts Payable							No		Not Yet Allocated
Payroll							No		Not Yet Allocated
Insurance	Substantial	0	0	0	1		Yes		Final Report Issued
Cash & Banking							Yes		Allocated
Operational Services – 50 days									
BEAM						15	Yes	8	In Fieldwork
Premises Licensing Follow Up Audit						5	Yes	1	In Fieldwork
Park & Open Spaces						10	Yes	9.5	Draft Report Issued
Recycling						10	Yes	0	Allocated
Old River Lane						10	Yes	0	Allocated
Corporate Services/Themes – 68 days									
On Demand Grant Audits						6	No	0	Not Yet Allocated
Transformation Project Assurance						10	Yes	0	Allocated
Business Support						10	Yes	0	Allocated
Corporate Governance						6	Yes	0	Allocated
Equality, Diversity & Inclusion						10	Yes	0	Allocated
Procurement Act						10	Yes	2	ToR Issued
Risk Management						6	Yes	0	Allocated

APPENDIX A - PROGRESS AGAINST THE 2025/26 INTERNAL AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS *				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Social Media	Reasonable	0	0	2	4	10	Yes	10	Final Report Issued
IT Audits – 6 days									
Cyber Security – Reliance on Alternative Assurance						6	Yes	2	In Fieldwork
Completion of Deferred 2024/25 Projects – 10 days									
Homelessness						9	Yes	4	In Fieldwork
IT Hardware Inventory	Reasonable	0	0	2	0	1	Yes	1	Final Report Issued
Contingency – 5 days									
Contingency						5		0	Through Year
Strategic Support – 51 days									
Head of Internal Audit Annual Report						3	Yes	3	Complete
Audit & Governance Committee & Recommendation Follow Up						12	Yes	5	Through Year
Client Engagement & Adhoc Advice						8	Yes	4	Through Year
2026/27 Audit Planning						6	Yes	0	Allocated
SIAS Service Development						10	Yes	0	Through Year
Plan & Progress Monitoring						12	Yes	5	Through Year
SBC TOTAL		0	0	4	5	250		60.5	
* C = Critical Priority, H = High Priority, M = Medium Priority, LA = Low/Advisory Priority									

APPENDIX B: IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

The following appendix provides Audit & Governance Committee Members with a summary of the most recent update provided by management in respect of any outstanding critical and high priority recommendations.

No.	Report Title	Recommendation / Original Management Response	Responsible Officer / Original Due Date	Latest management update (or previous commentary where appropriate)	Status of Progress (Sept 2025)
1.	Premises Licensing (issued Oct 2024).	<p>High Priority Recommendation: <u>To address audit findings that relate to fee administration and collection.</u></p> <p>We recommend that a full business process review is completed to allow the annual maintenance fee to be administered and fees collected in an efficient and effective manner. Any review should address weaknesses in:</p> <ul style="list-style-type: none"> • Inter-departmental communication. • Aged debt monitoring and recovery. • Accuracy and completeness of records relating to premises licencing. • Arrangements for suspending licenses. • Defining the roles and responsibilities of the Licensing Officers. • Accuracy and completeness of procedure notes, including those relating to annual maintenance fees. <p>Agreed Management Actions(s):</p> <p>A cross service working group will be formed, chaired by OR. Including licensing, finance, and the transformation team.</p> <p>Transformation will support the preprocess re-engineering. Group to be tasked with addressing all the issues in the audit by the end of September 2025.</p> <p>The group will initially draw up a timetabled action plan to be signed off by JG. Quarterly updates to JG. Any barriers to improvement or issues requiring corporate input will be escalated by JG to leadership team to ensure all the identified issues are addressed.</p>	<p>Responsible Officer: Oliver Rawlings (OR) / Jonathan Geall (JG).</p> <p>Original Due Date: September 2025.</p> <p>Revised Due Date: December 2025.</p>	<p>Sept 2025. Significant progress has been made with implementing the agreed management actions and there are no barriers to completing them. However, re-engineering business processes has been a bigger undertaking than originally anticipated, hence the revised due date.</p>	Partially implemented.

APPENDIX C: INTERNAL AUDIT PLAN 2025/26 – PLANNED AUDIT START DATES

April	May	June	July	August	September
IT Hardware Inventory c/f from 2024/25 Final Report Issued	Social Media Final Report Issued	Parks & Open Spaces b/f from July Draft Report Issued	Homelessness c/f from 2024/25 In Fieldwork	BEAM c/f from July In Fieldwork	Cyber Security In Fieldwork
Insurance Final Report Issued			Follow Up Audit (Premises Licensing) b/f from August In Fieldwork		Procurement Act c/f from June ToR Issued
October	November	December	January	February	March
Risk Management Allocated	Business Rates Allocated	Council Tax Allocated	Accounts Receivable Not Yet Allocated	Accounts Payable Not Yet Allocated	
Business Support Allocated	Housing Benefits Allocated	Treasury Management Allocated	Payroll Not Yet Allocated		
Recycling c/f from September Allocated	Cash & Banking Allocated	Corporate Governance Allocated			
Transformation Project Assurance Allocated	Old River Lane Allocated	Equality, Diversity & Inclusion Allocated			

APPENDIX D - ASSURANCE / RECOMMENDATION PRIORITY LEVELS

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

East Herts Council Report

Leadership Team Meeting

Date of meeting: Tuesday 9 September 2025

Report by: Councillor Carl Brittain – Executive Member for Financial Sustainability

Report title: Provisional Outturn 2024/25 & Draft Statment of Accounts 2024/25

Ward(s) affected: (All Wards);

Summary – This report presents the provisional outturn for the General Fund Revenue Budget and the Capital programme outturn for the 2024/25 financial year. The outturn remains provisional as the figures are subject to external audit.

Also presented is the 2024/25 draft Statement of Accounts.

RECOMMENDATIONS FOR AUDIT & GOVERNANCE COMMITTEE:

- a) Note the general fund revenue outturn of £132k overspend to be funded from the general reserve; and
- b) Note the capital outturn position and approve carry forward budgets of £358k; and
- c) Receive the 2023/24 draft statement of accounts.

1.0 Proposal(s)

- 1.1** To advise member on the 2024/25 revenue outturn position and provide explanations for significant variances against approved budgets.
- 1.2** To advise members of the final capital outturn position and financing arrangements for the 2024/25 capital programme.
- 1.3** To provide the 2024/25 draft statement of accounts.

2.0 Background

- 2.1** The 2024/25 budget was set at full Council in February 2024. Quarterly budget monitoring reports were presented to members during the year, this report provides the 2024/25 outturn position.
- 2.2** The provisional outturn forms part of the Council's closure of accounts process for 2024/25. The outturn is reported prior to the audit of the council's Accounts by the Councils external auditors, Azets, and therefore remains provisional until the audit is complete.
- 2.3** The draft 2024/25 Statement of Accounts were published on the Council's website by the statutory deadline of 30th June 2025.

3.0 Reason(s)

Revenue

3.1 An overspend of £132k is reported against the 2024/25 revenue budget. In line with the Councils financial procedure rules the Director of Finance, Risk & Performance has approved that the overspend be funded from the general reserve. Table 1 shows the position before this use of reserves.

Table 1: Summarised 2024/25 Outturn position

	2024/24 Original Budget	2024/25 Outturn	Variance
	£'000	£'000	£'000
Net Cost of Services	17,177	18,863	1,686
Corporate Budgets	6,424	6,884	460
Net (use)/Transfer to Reserves	(2,348)	(4,585)	(2,237)
Funding	(8,601)	(8,378)	223
Council Tax	(12,652)	(12,652)	-
2024/25 Overspend		132	132

Appendix A provides the provisional outturn position in more detail.

Variations against 2024/25 budget

3.2 The variances that make up the £1.686m overspend against Net Cost of services can be found in Appendix B.

3.3 The £460k variance against the corporate budgets is made up of the following movements:

- Review of Minimum Revenue Provision resulting in a £281k reduction against budget
- Interest payment on loans was £587k lower than budgeted, partially due to lower interest rates on the Councils borrowing than those assumed at budget setting. Also a reduction of interest paid due to capitalisation of interest on the Councils capital projects, as approved in February 2025.
- The interest that the Council received on its investments was £530k higher than budgeted due to better performance of the councils short term investments.
- A £1.857k pressure is included in corporate budgets to represent the forecast loss on the Lothbury property fund, this has partially been funded through use of reserves, as per paragraph 3.4 and the overachievement of investment income.

3.4 The reserve position of the Council as at 31 March, is shown in table 2.

Table 2: 2024/25 General and earmarked reserve position

Usable reserves	2024	2025	2024/25 movement
	£'000	£'000	£'000

General Fund	3,854	3,854	-
Earmarked reserves	22,015	17,297	4,718
Capital grants unapplied	189	189	-
Total	26,058	21,340	4,718

The calculated minimum level of general fund balance is £3.1m, as at 31 March 2025 the councils general fund balance was £3.854m, this is set aside to meet unforeseen risks.

In 2024/25 a net £4.718m was transferred from the Councils earmarked reserves, the main uses of reserves were:

- £3m to fund capital expenditure on BEAM, as approved by full Council.
- £132k to fund the 2024/25 overspend
- In 2024/25 a new provision was created in respect of anticipated loss on investment in the Lothbury Property Fund. The council has withdrawn from the fund in 2024/25 and as at 31 March £7m of the initial £10m invested had been redeemed. It is estimated that there will be a loss of £1.9m on this fund, £1.6m of this has been funded through a reserve specifically set aside for this purpose (interest equalisation reserve) in 2024/25.

Funding

3.5 The funding position shows an underachievement of income of £223k, this is due to government grants not being received in line with the budget set and growth on business rates being higher than budgeted.

Comparison of outturn position to Q3 monitoring

3.6 In the 2024/25 quarter 3 budget monitoring report presented to Audit and Governance committee in February 2025, an overspend of £955k was forecast. The outturn position is significantly lower than this at £132k. The main reasons for this movement are:

- A £323k movement in net cost of services (further details included in Appendix B);
- The impact of capitalisation of interest wasn't included in the quarter 3 position, this has reduced the 2024/25 position by £340k from the Q3 forecast;
- A review of MRP was undertaken in quarter 4 2024/25 by the interim Head of Strategic Finance and Property, in conjunction with the Councils treasury advisors, this review resulted in a reduction against budget of £281k.

Capital

3.7 The progress of the capital programme has been reported to Audit and Governance Committee throughout the year as part of the budget monitoring process. Capital expenditure in 2024/25 was £7.065m, against a budget of £19.147m as set out in table 3.

Table 3: 2024/25 Capital outturn & budget carry forwards to 2025/26

	2024/25 revised budget	2024/25 Outturn	Variance	Carry forwards to 2025/26
	£'000	£'000	£'000	£'000
Land & Buildings	7,294	4,964	(2,330)	1,422
Infrastructure	347	345	(2)	-
Vehicles & Equipment	10,198	482	(9,716)	7,810
Community Assets	1,258	934	(324)	111
REFCUS	50	-	(50)	-
Capitalisation of interest	-	340	340	-
Total	19,147	7,065	(12,082)	9,343

A breakdown of expenditure against the capital programme is shown in Appendix C.

3.8 The 2025/26 capital programme, approved at full Council on 26th February 2025, included carry forwards of £8.985m. As at 31st March 2025 an additional £358k of carry forwards have been identified for approval where schemes were not completed by the end of the financial year. Of the £12.082m underspend, £2.7m will not be carried forward to 2026/27, this is due to a review of the budgets required, details are shown below:

- Refuse and recycling- vehicles, the original budget in the capital programme was estimated at £8m following procurement of the vehicles the required budget is £6.2m – a reduction of £1.8m
- The capital budgets for investment in operational assets, Hostels and Old River Lane were reviewed as part of the 2025/26 budget setting process and set at the level required therefore £900k of underspends in 2024/25 are not required to be carried forward

3.9 The 2024/25 capital programme has been financed from the following sources:

Table 4: 2024/25 Capital financing

	£'000
Capital receipts	372
Government grant	221
Third part contributions	1,756
Borrowing	1,618
Revenue	3,098
Total	7,065

2024/25 Draft Statement of Accounts

3.10 The 2024/25 draft Statement of Accounts are included as Appendix D, and are available on the Councils website, the period for public inspection opened on 27th June 2025 and closed on 8th of August 2025, no correspondence was received during this time. Officers are working with the councils external auditors (Azets) to complete the 2024/25 audit by the backstop date of 27th February 2026.

4.0 Options

4.1 The executive can chose not to carry forward capital budgets although this would cause budget shortfalls and overspends on projects. This is not recommended.

5.0 Risks

5.1 The Statement of Accounts and provisional outturn are subject to external audit and there is a risk that the accounts will need to be adjusted, which may affect the outturn position.

6.0 Implications/Consultations

6.1

Community Safety

None arising directly from this report.

Data Protection

None arising directly from this report.

Equalities

None arising directly from this report.

Environmental Sustainability

None arising directly from this report.

Financial

All financial implications are included in the report.

Health and Safety

None arising directly from this report.

Human Resources

None arising directly from this report.

Human Rights

None arising directly from this report.

Legal

Regular monitoring and forecasting of the revenue budget and capital programme are required to ensure that the council is managing its resources effectively and complies with section 28 of the Local Government Act 2003 and the Councils financial procedure rules.

Specific Wards

No.

7.0 Background papers, appendices and other relevant material

7.1

Appendix A	2024/25 Revenue outturn
Appendix B	2024/25 Net cost of services variances
Appendix C	2024/25 capital outturn
Appendix D	2024/25 Draft statement of Accounts

Contact Member

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DRAFT 2024/25 Revenue Outturn

		Original Budget 2024/25 £'000	Outturn £'000	Variance £'000
Net Cost of Services	Chief Executive & Directors	362	435	72
	Communications, Strategy & Policy	1,943	2,158	215
	HR & Organisational Development	597	575	(22)
	Strategic Finance & Property	2,212	2,725	512
	Corporate Budgets	96	917	822
	Housing & Health	2,252	2,103	(149)
	Legal and Democratic	1,571	1,547	(24)
	Planning & Building Control	2,238	2,353	114
	Operations	2,158	2,894	736
	Shared Revenues & Benefits Service	1,721	1,781	60
	Revenues & benefits retained costs	(465)	(516)	(52)
	Housing Benefit Subsidy	(371)	(405)	(34)
	Shared Business & Technology Services	2,774	2,329	(445)
	Capital Salaries	(150)	(177)	(27)
	CERA	238	145	(93)
Total Net Cost of Services	17,177	18,863	1,686	
Corporate Budgets	Minimum Revenue Provision	1,032	751	(281)
	Interest Payments on loans	2,955	2,368	(587)
	Interest & Investment income	(1,200)	(1,730)	(530)
	(Gain)/Loss on Property Funds	-	1,857	1,857
	Revenue contribution to capital	3,000	3,000	-
	Pension Fund Deficit contribution	637	637	-
	Corporate Budgets Total:	6,424	6,884	460
Use of Reserves	Contributions to Earmarked reserves	652	220	(432)
	New Homes Bonus Priority Spend	(3,000)	(3,000)	-
	Contributions from Earmarked reserves	-	(1,805)	(1,805)
	Use of General reserve	-	-	-
	Contributions to/from collection fund reserves	-	-	-
	Net Use of Reserves:	(2,348)	(4,585)	(2,237)
Net Cost of Services Total:		21,253	21,162	(92)
Non Departmental Budgets	NDR	(4,294)	(5,347)	(1,053)
	(Surplus)/Deficit on Collection fund	(500)	(617)	(117)
	Other General Grants	(1,999)	(599)	1,400
	Revenue support Grant	(111)	(118)	(7)
	New Homes Bonus	(1,697)	(1,697)	-
Non Departmental Budgets Total:		(8,601)	(8,378)	223
	Council Tax	(12,652)	(12,652)	-
Total		0	132	132

Variance against base operational budgets							
Budget area	2024/25 Budget	Qtr3 2024/25 Forecast		2024/25 Outturn Position			Reason for variance
		Forecast outturn	Variance	Outturn	Variance	Movement	
	£'000	£'000	£'000	£'000	£'000	£'000	
NNDR	1,588	1,843	255	1,896	308	53	National Non Domestic Rates bills for Multistorey car parks and Wallfields are significantly higher than budgeted due to the 2023 Business Rate Revaluation. The property team will engage agents to appeal the revaluation in an attempt to reduce the liability, however there is no guarantee of success.
Transformation, staff restructuring costs	-	160	160	160	160	-	Service restructuring under the Transformation programme has resulted in one-off costs of £160k.
Planning service – staffing costs & reduced planning income	2,238	2,549	311	2,353	115	(196)	<p>Planning is £115k overspent at year end. This is mainly due to planning application income and ongoing recruitment difficulties. Whilst the number of planning applications has been better than recent years, the pattern is not completely stable and is linked to market factors such as high construction costs. However, the set increase in planning applications fees from April 2025 has meant that there has been an increase in applications submitted in Q4 force which has helped reduce the pressure on income.</p> <p>In terms of recruitment, whilst the service has been successful since January 2023 in filling a number of planning vacancies, there remains a shortage of planners available at a principal level in development management to deal with the more complex planning applications. In order to mitigate this impact, the service has introduced a number of measures to support existing staff progress their careers and gain the necessary experience. However, this does mean that the use of agency planners is still required in the short term to assist with the more complex applications.</p>
BEAM	(548)	953	1,501	980	1,528	27	Overspend and under achievement of income against profiled budget. Main reasons include: delayed opening from May to August, NNDR estimate of £200k against budget of £30k, delayed IT infrastructure /lack of Wi-Fi has meant using an overnight security company.
Charringtons House	-	333	333	319	319	(14)	Charringtons House was closed to tenants on 31 March 2023, the council remains liable for costs in relation to business rates and utilities.
Buntingford Depot	268	476	208	410	142	(66)	A rent review has been undertaken in respect of Buntingford Depot which has resulted in additional costs of £118k.
Miscellaneous assets, rent	(329)	(414)	(85)	(403)	(74)	11	Rent reviews have been undertaken on council owned assets which has resulted in rental income overachieving the budget.
Legal & Democratic Services	513	445	(68)	442	(71)	(3)	Underspend against salary budget of £71k following restructure of Legal Services team.
Housing & Health, salaries	2,252	2,053	(199)	2,103	(149)	50	Underspend on salaries due to vacant posts.
Housing Benefits	(371)	(737)	(366)	(405)	(34)	332	Budgets overstated for Housing Benefit subsidy and payments resulting in an underspend.

Strategic Finance	733	672	(61)	722	(11)	50	Underspend against salary budgets as a result of vacant post, costs including staff apointment and agency to cover S151
Parking	(1,115)	(1,373)	(258)	(1,308)	(193)	65	Projected over achievement of income.
UK shared prosperity fund	-	(42)	(42)	(42)	(42)	-	4% admin fee to be retained by East Herts, not budgeted for.
Waste Service	3,817	3,443	(374)	3,174	(643)	(269)	Waste services are forecasting an underspend against budgets this relates to: · contract inflation being lower than budgeted, · higher than budgeted income received for sales of recyclable materials
Senior Management Restructure	(250)	(61)	189	(61)	189	-	
Ban on overtime payments	(200)	(36)	164	(36)	164	-	All overtime budgets have been removed and saving achieved for these lines. The £200k was an overestimate of the budgets to be removed.
Avoidable contacts	(24)	-	24	-	24	-	Savings to be realised following implementation of Corporate Support Hub
Wallfields – renting out part of building	(117)	-	117	-	117	-	Savings built in with assumption of rent received from part way through the year, due to ongoing negotiations this date hasn't been achievable therefore the saving won't be achieved in full in 2024/25
Xeroboxes	(20)	-	20	-	20	-	Removal of xeroboxes from Wallfields to be implemented following upgrade of wifi
Procurement Act 2023 changes	(50)	-	50	-	50	-	Discussions underway with Stevenage Borough Council
Intranet	(28)	(7)	21	(7)	21	-	Work on replacing the hosted intranet underway, full saving to be realised in 2025/26. 4 months worth of saving to be achieved in 2024/25
Advertising on Assets	(18)	-	18	-	18	-	An Invitation to Tender is going out on an ESPO framework on Friday 7th February 2025 with the intention to award a contact mid-March ready for implementation 1 April.
Launchpad	(15)	15	30	22	37	7	Forecast income is for 2024/25 is £160k. Expenditure forecast is £175k. This includes all running costs (salaries, utilities, rates', marketing) and rental income to the council (£73,500 p/a)
Not previously reported							
IT services	2,774	2,788	14	2,329	(445)	(459)	Underspend on shared IT services due to delay in recruitment to new roles.
Capital Expenditure funded from Revenue Account	238	238	-	145	(93)	(93)	Budget set too high - revised for 2025/26
Capital Salaries funding	(150)	(150)	-	(177)	(27)	(27)	Agency staff cost funded from Capital
Northgate End Residential/Comercial	-	-	-	64	64	64	No budget for Council tax, security, insurance.
Revenue items to be funded from reserves	-	-	-	125	125	125	£61k transformation costs, £33k uninsured losses & £30k healthy lifestyle promotions
Total	11,186	13,148	1,962	12,805	1,619	(343)	
Other minor balances	5,992	6,039	47	6,058	67	20	
Overall total	17,178	19,187	2,009	18,863	1,686	(323)	

Capital Forecast Outturn - March 2025


	Revised Budget	Outturn	Variance	Carry Forward
	2024/25	2024/25	2024/25	2024/25
	£'000	£'000	£'000	£'000
Land and Buildings				
Investment in operational assets	616	251	(365)	80
Buntingford Depot	681	-	(681)	681
Hertford Theatre	4,815	4,504	(311)	311
Old River Lane and Arts Centre	552	199	(353)	-
URC Church Hall	170	-	(170)	170
Hostels	270	-	(270)	-
Pinehurst Community Hall	180	-	(180)	180
Buntingford Public WC - UKSPF	10	10	-	-
Infrastructure				
Bridges	347	345	(2)	-
Vehicles, Equipment and Intangible Software				
Rolling programme to be utilised on ICT projects subject to ITSG review	450	414	(36)	-
Sports Equipment - Pool Cover - UKSPF	37	37	-	-
Air Quality Website - UKSPF	31	31	-	-
Refuse & Recycling - cleansing vehicles	8,000	-	(8,000)	6,130
Refuse & recycling - containers	1,680	-	(1,680)	1,680
Community Assets				
Replacement play equipment across the district	50	49	(1)	-
Bishops Stortford Castle Park - HLF	633	518	(115)	-
Bishops Stortford Castle Park - UKSPF	93	93	-	-
Hertford Castle Grounds - Development Phase - HLF	213	181	(32)	32
Parks & Open Spaces	219	60	(159)	79
Tree Planting - UKSPF	50	50	-	-
Year End Adjustments	-	(17)	(17)	-
Revenue Expenditure Funded as Capital Under Statute (REFCUS)				
Community Capital Grants	50	-	(50)	-
Capitalisation of Interest		340	340	-
Current Capital Programme Budget Total	19,147	7,065	(12,082)	9,343


Approved But Not Yet Committed	
Transformation Programme	2,500
Cannon Mill Lane, BS	30
Home Improvement Loans	140
Historic Building Loans	20
Capital Contingency - Major Projects	1,500
Current Capital Programme Budget Total	4,190

DRAFT STATEMENT OF ACCOUNTS 2024-25



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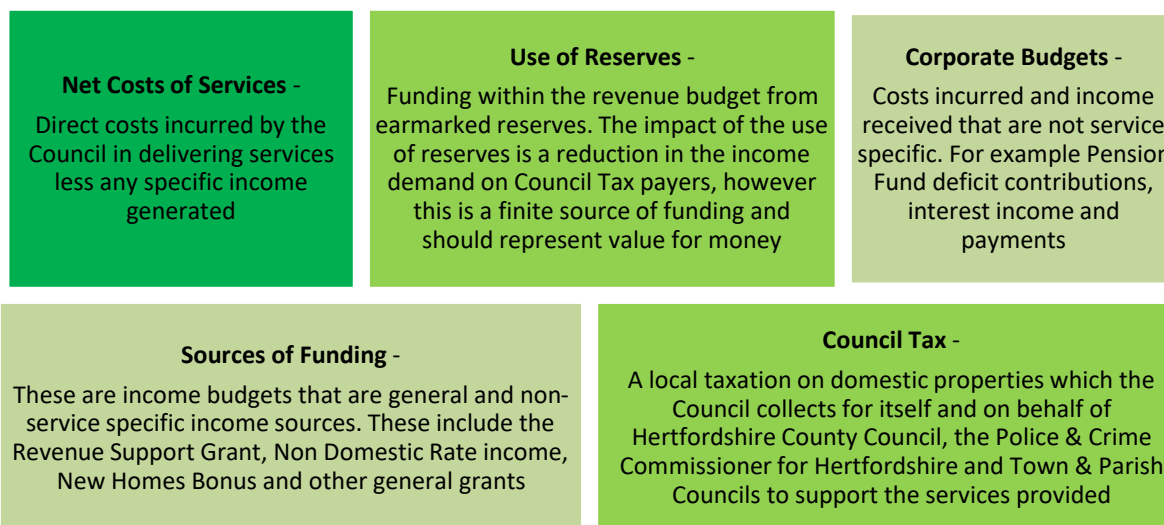
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The Annual Governance Statement 2024/25 is published alongside the draft Statement of Accounts at www.eastherts.gov.uk

FINANCIAL PERFORMANCE IN 2024/25

The 2024/25 budget was set by Council in March 2024 as part of the budget report and Medium Term Financial Plan for 2024/25 to 2028/29. There are five major 'building blocks' to the Council's revenue budget. These are shown below:



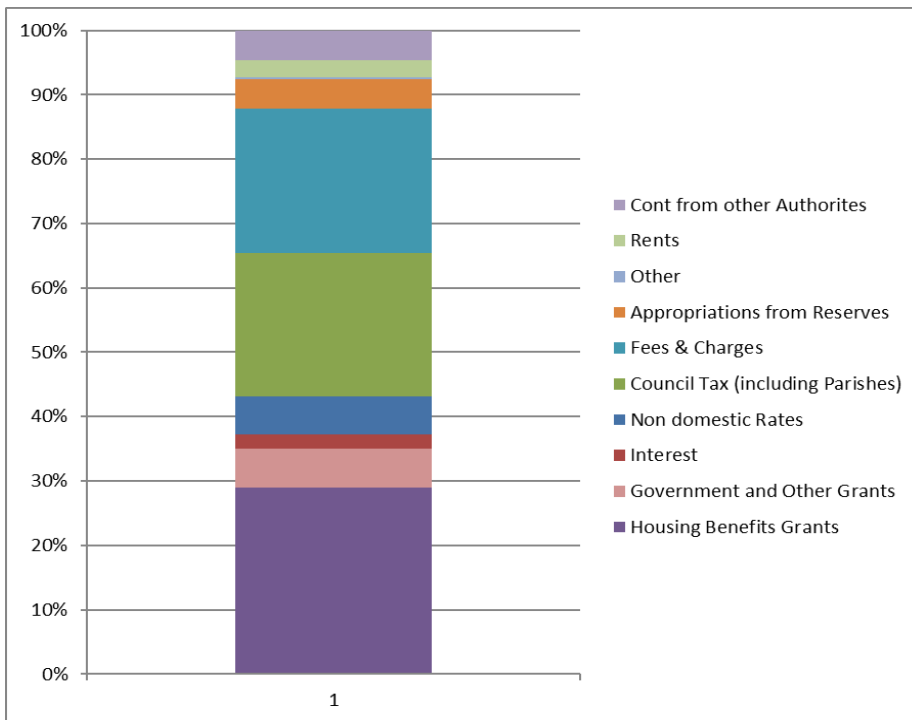
The table below details the Council's performance against the five major 'building blocks'. There was a £132K overspend in 2024/25, this has been funded from the General Reserve.

	Original Budget 2024/25	2024/25 Outturn	Variance
	£'000	£'000	£'000
Total Net Cost of Services	17,177	18,863	1,686
Corporate Budgets Total	6,424	6,884	460
Net Use of Reserves	(2,348)	(4,585)	(2,237)
Funding	(8,601)	(8,378)	223
Council Tax	(12,652)	(12,652)	0
Overspend	0	132	132

The Council's budget is monitored monthly by senior management and reported quarterly to the Executive. Further details on the 2024/25 outturn position will be presented to Audit and Governance Committee in September 2025.

2024/25 Income streams

The chart below shows the £81.2m of income that the Council received in 2024/25. The largest source of income was Housing Benefits subsidy (from Central Government) which is used to fund the payment of Housing Benefits to claimants.



Fees and charges are the second largest source of funding for the Council, highlighted below are some of the largest income generating activities of the Council;

- £4.2m Income collected through the Council's 25 pay and display car parks
- £2m income from planning applications
- £4.3m income from waste and recycling, from the sale of recyclable materials and credits from the County Council for waste diverted from landfill and income from garden waste.

Included in the £5m of government and other grants income are:

- £1.7m of New Homes Bonus, which is a Government scheme aimed at encouraging local authorities to grant planning permission in return for additional revenue.
- £0.7m General government grants (Revenue Support Grant, Funding Guarantee & Services grant) to fund service provision
- £0.7m grants received to support homelessness
- £1.5m grants received in relation to UK Shared Prosperity Fund

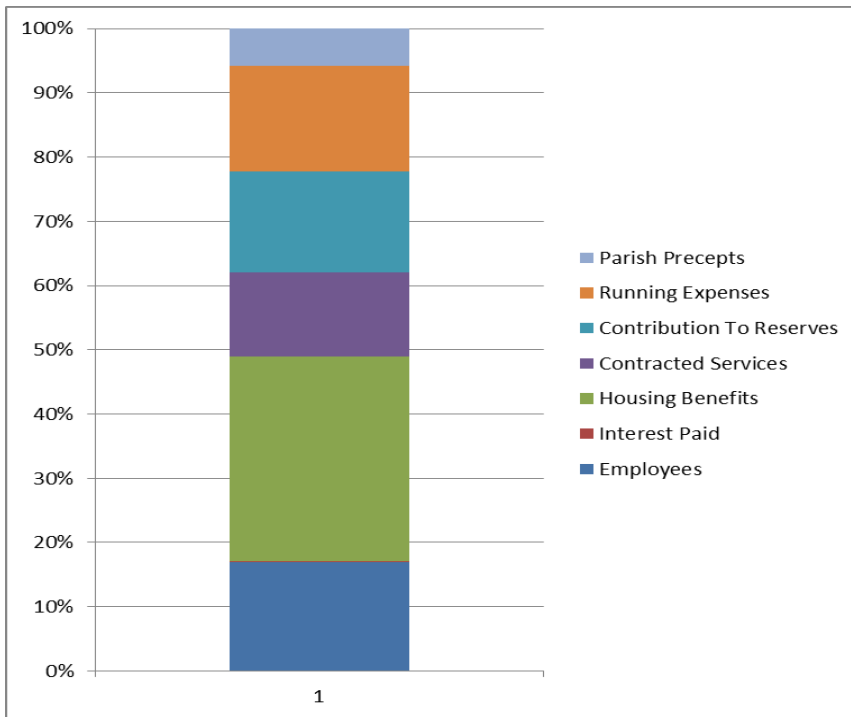
East Herts Council is the billing authority for Non Domestic Rates (Business Rates) collected from businesses across the district. This is then distributed to Central Government, East Herts Council and Hertfordshire County Council. After distribution the income attributable to East Herts including section 31 grant income totalled £1.1m in 2024/25.

As the billing authority, East Herts Council collects Council Tax income from residents of the district; this is then distributed between Hertfordshire County Council, East Herts Council and the Police and Crime Commissioner. Of the income collected the Council's share in 2024/25 was £18.8m; £6m of which was distributed to Town and Parish Councils across the district. The remaining Council Tax income is used to fund services in the year.

The Council earned Interest and Investment income of £1.7m in 2024/25 on its portfolio of investments and holdings in property funds.

2024/25 Expenditure

The chart below shows the £81.2m that the the Council spent in 2024/25. Housing benefits make up the largest outgoing (£22.1m) of the Council.



Included in the Council's running expenses figure of £81.2m are the following expenditure:

- £4.7m of premises related costs, including ongoing maintenance of the Council's operational buildings, business rates, insurance and utilities costs for all the Council's buildings, car parks, theatre and leisure facilities;
- £11.7m direct costs of providing Council services throughout the year including, public and environmental health, planning, sports, leisure and parks.

The cost of the Council's main contracts are included in the contracted services figure (£10.5m) are as follows:

- £4.6m Refuse & Recycling
- £1.4m Grounds maintenance
- £0.9m Parking enforcement
- £0.9m Cleansing

FINANCIAL MANAGEMENT

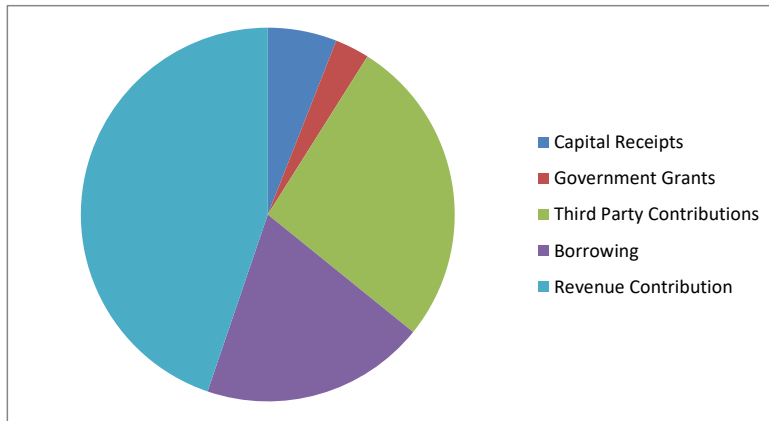
Capital

Capital expenditure relates to the acquisition or enhancement of assets which generates a benefit for a period greater than one year. This differs to the Revenue expenditure, discussed previously, which is defined as money that the authority spends or receives in the same year that the services are delivered.

During 2024/25 the Council incurred expenditure of £6.7m on capital projects, compared with a capital programme budget of £19m. A total budget of £9.4m has been carried forward to 2025/26 to match ongoing schemes which didn't commence in 2024/25 or where works are ongoing. A selection of the capital schemes undertaken this year are shown below:

- £4.5m final build costs for BEAM (Hertford Theatre)
- £0.8m investment in parks and open spaces
- £0.4m improvements to information, communication and technology infrastructure

A combination of capital grant income, receipts from disposal of assets, third party contributions and revenue contributions were used to fund the 2024/25 capital programme. The split is shown in the following pie chart:



MEDIUM TERM FINANCIAL PLAN

East Herts' approach to setting the revenue and capital budget for the four years commencing 2024/25 was to improve the organisational financial sustainability and resilience in the forthcoming years.

The budget report sets out the proposals and outcomes that Officers and Members had arrived at to ensure that the Council maintains a sustainable budget position for the future.

The MTFP provides the framework for the development of annual budgets in line with the aims of the Council's Corporate Strategy.

Reserves are an essential part of good financial management. They help councils cope with unpredictable financial pressures, help them smooth the impact of known spending requirements over time, and help to fund any in-year overspending. In 2024/25 the Council contributed a net £4.7m to general and earmarked reserves; the balance held in earmarked at the end of the year is £17.3m.

Details of the Council's earmarked reserves (set aside for a defined purpose to meet known or predicted future liabilities) and General Reserve (to manage cash flows and limit the need for temporary borrowing and to provide a contingency for unforeseeable events and emergency spending) can be found within the Statement of Accounts.

PENSION FUND

The Council participates in the Local Government Pension Scheme which is administered by Hertfordshire County Council. Under current accounting standards the impact of any pension liability must be shown in the balance sheet.

Further information is given in note 33, on page 61.

EXPLANATION OF ACCOUNTING STATEMENTS

Statement	Explanation
Movement in Reserves Statement	Shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves
Comprehensive Income & Expenditure Statement	A summary of the resources generated and consumed by the Council in the year
Balance Sheet	Sets out the financial position of the Council on 31 March 2025
Cash Flow Statement	Summarises the Council's inflows and outflows of cash for the year 2024/25
Notes to the Accounts	Provides support to the core financial statements, which informs and gives sufficient information to present a good understanding of the Council's activities. The notes include a Statement of Accounting Policies which details the legislation and principles on which the Statement of Accounts have been prepared. The purpose is to explain the basis for recognition, measurement and disclosure of transactions and other events in the Statement of Accounts
Supplementary Financial Statements – The Collection Fund	Shows the level of Non Domestic Rates and Council Tax that has been received by the Council, as billing authority, during the period
Glossary of Financial Terms	Explains some of the key terms used in the Statement of Accounts
Statement of Responsibilities for the Statement of Accounts	Identifies the officer who is responsible for the proper administration of the Council's financial affairs. The purpose is for the Chief Finance Officer to sign under a statement that the Statement of Accounts present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2025

The Core Accounting Statements

MOVEMENT IN RESERVES STATEMENT

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

		General Fund Balance	Earmarked General Fund Reserves	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Reserves
		£000	£000	£000	£000	£000	£000
Balance at 31 March 2024		3,854	22,016	189	26,058	92,478	118,536
Movement in reserves during 2024/25		(12,371)	-	-	(12,371)	-	(12,371)
Other Comprehensive Income & Expenditure		0	-	-	-	(11,045)	(11,045)
Total Comprehensive Income and Expenditure		(12,371)	-	-	(12,371)	(11,045)	(23,416)
Adjustments between accounting basis and funding basis under regulations	Note 5	7,653	-	-	7,653	(7,653)	0
Net Increase/Decrease before Transfers to Earmarked Reserves		(4,718)	-	-	(4,718)	(18,698)	(23,416)
Transfers to/(from) Earmarked Reserves	Note 6	4,718	(4,718)	-	-	-	-
Increase/Decrease in Year		0	(4,718)	-	(4,718)	(18,698)	(23,416)
Balance as at 31 March 2025 carried forward		3,854	17,298	189	21,340	73,780	95,120

		General Fund Balance	Earmarked General Fund Reserves	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Reserves
		£000	£000	£000	£000	£000	£000
Balance at 31 March 2023		3,854	19,567	224	23,645	94,935	118,580
Movement in reserves during 2023/24		(15,000)	-	-	(15,000)	-	(15,000)
Other Comprehensive Income & Expenditure		-	-	-	-	18,576	18,576
Total Comprehensive Income and Expenditure		(15,000)	-	-	(15,000)	18,576	3,576
Adjustments between accounting basis and funding basis under regulations	Note 5	17,448	-	(35)	17,413	(21,033)	(3,620)
Net Increase/Decrease before Transfers to Earmarked Reserves		2,448	-	(35)	2,413	(2,457)	(44)
Transfers to/(from) Earmarked Reserves	Note 6	(2,448)	2,449	-	-	-	-
Increase/Decrease in Year		-	2,449	(35)	2,413	(2,457)	(44)
Balance as at 31 March 2024 carried forward		3,854	22,016	189	26,058	92,478	118,536

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices (GAAP), rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations, generally this will be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

	2024/25		2023/24	
	Gross	Gross	Net	Net
	Expenditure	Income	Expenditure	Expenditure
	£000	£000	£000	£000
Chief Executive, PA's & Directors	543	0	543.00	563
Communications, Strategy & Policy	3,952	(1,957)	1,995.00	1,512
Human Resources & Organisation Development	592	(15)	577.00	611
Strategic Finance & Property	6,151	(1,701)	4,450.00	5,028
Democratic & Legal Services	2,019	(454)	1,565.00	1,692
Housing & Health	4,407	(2,143)	2,264.00	3,306
Planning & Building Control	4,475	(2,111)	2,364.00	2,676
Operations	30,097	(14,566)	15,531.00	20,055
Shared Revenues & Benefits Service	25,349	(24,474)	875.00	973
Shared Business & Technology Services	2,778	(446)	2,332.00	2,239
NET COST OF SERVICES			32,496	38,655
Payments of precepts to parishes			6,045	5,351
Gain on disposal of non current (fixed) assets			(372)	(974)
Minimum Revenue provision			751	600
OTHER OPERATING EXPENDITURE			6,424	4,977
Interest payable and similar charges			2,369	541
Net Interest on the net defined benefit liability & remeasurements of the defined benefit liability for long term employee benefits			(491)	189
Interest receivable and similar income			(1,729)	(1,774)
Income from investment properties (Note 10)			(432)	(501)
Direct expenditure incurred on investment properties (Note 10)			320	364
Changes in Fair Value of Investment Properties			(364)	740
Other Investment			1,857	-
FINANCING AND INVESTMENT EXPENDITURE			1,530	(441)
Recognised capital grants and contributions			(1,977)	(3,423)
Council tax income			(18,844)	(17,722)
Non domestic rates			911	322
Non service related government grants			(8,078)	(7,298)
Renewable energy			(91)	(70)
TAXATION AND NON-SPECIFIC GRANT INCOME (Note 29)			(28,079)	(28,191)
(SURPLUS) / DEFICIT ON PROVISION OF SERVICES			12,371	15,000
(Surplus) or Deficit on revaluation of Fixed assets			(1,762)	(12,637)
Remeasurements of the net defined benefit liability (Note 33)			14,835	(7,656)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE (SURPLUS) OR DEFICIT ON PROVISION OF SERVICES			13,073	(20,293)
(Surplus) / Deficit on revaluation of financial instruments (Note 12)			(2,028)	1,717
ITEMS THAT MAY BE RECLASSIFIED TO THE (SURPLUS) OR DEFICIT ON PROVISION OF SERVICES			(2,028)	1,717
OTHER COMPREHENSIVE INCOME AND EXPENDITURE			11,045	(18,576)
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE			23,416	(3,576)

BALANCE SHEET

These financial statements are authorised by Brian Moldon - Director for Finance, Risk and Performance 26/06/2025

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council.

		31 March '25		31 March '24
		£000	£000	£000
Property, Plant & Equipment	<i>Note 7</i>			
- Other land and buildings		110,754		89,854
- Vehicles, plant, furniture and equipment		1,936		1,884
- Infrastructure assets		1,270		1,140
- Community assets		7,481		6,625
- Surplus assets		1,739		4,886
- Assets under Construction		3,595		31,328
			126,775	
Investment Properties	<i>Note 10</i>	4,292		7,853
Intangible Assets	<i>Note 11</i>	259	4,551	199
			131,326	143,769
Long Term Investments	<i>Note 12</i>	11,524		17,838
Long Term Debtors	<i>Note 15</i>	3,530	15,054	5,188
TOTAL LONG TERM ASSETS			146,380	166,795
Assets Held For Sale	<i>Note 17</i>	12,294		4,441
Short Term Investments	<i>Note 12</i>	2,942		6,500
Short Term Debtors	<i>Note 15</i>	16,575		12,433
Cash and Cash Equivalents	<i>Note 16</i>	21,294		4,156
CURRENT ASSETS			53,105	27,530
Provisions	<i>Note 19</i>	(2,106)		(249)
Short Term Creditors	<i>Note 18</i>	(17,592)		(18,200)
Short Term Borrowing	<i>Note 12</i>	(63,000)		(52,120)
CURRENT LIABILITIES			(82,698)	(70,569)
Provisions	<i>Note 19</i>	(995)		(997)
Long Term Borrowing	<i>Note 12</i>	(1,500)		(1,500)
Net Pension Liability	<i>Note 33</i>	(9,111)		5,266
Grant Receipts in Advance	<i>Note 29</i>	(3,868)		(2,066)
- Capital				
- Revenue		(6,193)		(5,923)
LONG TERM LIABILITIES			(21,667)	(5,220)
NET ASSETS			95,120	118,536
USABLE RESERVES				
- General Fund	<i>Note 20</i>	3,854		3,854
- Earmarked Reserves	<i>Note 6</i>	17,297		22,015
- Capital Receipts Reserve	<i>Note 20</i>	0		0
- Capital grants Unapplied	<i>Note 20</i>	189		189
			21,340	26,058
UNUSABLE RESERVES				
- Revaluation Reserve	<i>Note 21</i>	32,128		31,032
- Financial Instrument Revaluation Reserve	<i>Note 21</i>	(132)		(2,160)
- Pensions Reserve	<i>Note 21</i>	(9,111)		5,250
- Capital Adjustment Account	<i>Note 21</i>	51,445		57,999
- Deferred Capital Receipts	<i>Note 21</i>	139		142
- Collection Fund Adjustment Account	<i>Note 21</i>	(482)		491
- Short-term Accumulating Compensated Absences Account	<i>Note 21</i>	(207)		(276)
			73,780	92,478
TOTAL RESERVES			95,120	118,536

THE CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period.

	2024/25		2023/24
	£000	£000	£000
OPERATING ACTIVITIES			
Cash Inflows			
Council Tax receipts	(13,856)		(12,985)
NNDR Receipts	(19,172)		(16,025)
DWP grants for benefits	(21,137)		(24,370)
Other Government grants	(10,840)		(9,330)
Cash received for goods and services	(29,218)		(18,365)
Interest received	(1,826)		(1,774)
Cash inflows generated from operating activities	(96,049)		(82,849)
Cash Out Flows			
Cash paid to and on behalf of employees	16,981		15,754
Housing Benefit paid out	21,333		22,705
Other operating cash payments	30,231		40,107
Precepts paid to other authorities	6,045		5,351
Interest paid	2,986		1,306
Cash outflows generated from operating activities	77,576		85,223
Net Cash Inflow from operating activities		(18,473)	2,374
INVESTING ACTIVITIES			
- Purchase of property plant and equipment, investment property and intangible assets	3,926		24,149
- Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(206)		(1,722)
- Capital grants	(2,262)		(3,917)
- Proceeds from short-term and long-term investments	(7,056)		(4,000)
Net cash outflow from investing activities		(5,598)	14,510
FINANCING ACTIVITIES			
- Cash receipts of short and long-term borrowing	(10,880)		(18,500)
- Cash Payments for the reduction of the outstanding liabilities relating to finance leases (Principal)			
- Other payments for financing activities	17,813		6,405
Net cash outflow from financing activities		6,933	(12,095)
Net increase in cash and cash equivalents		(17,138)	4,789
Cash and cash equivalents at the beginning of the reporting period		(4,155)	(8,944)
Cash and cash equivalents at the end of the reporting period		(21,293)	(4,155)

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

	General Policies
i.	The Statement of Accounts summarises the Council's transactions for the 2024/25 financial year and its position at the year-end of 31 March 2025. The Accounts and Audit (England) Regulations 2015 require the Council to prepare the Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2024/25 and the Service Reporting Code of Practice (SeRCOP) 2024/25, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.
ii.	The accounts are prepared on a going concern basis; that is, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future from the date that the accounts are authorised for issue.
iii.	Accruals of income & expenditure
	Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:
	<ul style="list-style-type: none"> Income from the provision of services in the form of sales, fees, charges and rents is recognised and accounted for in the period to which they relate.
	<ul style="list-style-type: none"> Expenses in relation to services received (including services provided by employees, transport related, premises related, and supplies and services related expenditure) are recorded as expenditure when the services are received rather than when payments are made, with the exception of quarterly utility payments where no actual apportionment is made for bills spanning two financial years.
	<ul style="list-style-type: none"> Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
	<ul style="list-style-type: none"> Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Provision is made for doubtful debts and known uncollectable debts are written off in accordance with the Council's agreed policy.
iv.	Cash and cash equivalents
	Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three weeks or less that are readily convertible to known amounts of cash with insignificant risk of change in value and are used to meet short term liquidity requirements.
	In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash

v.	Prior period adjustments, changes in accounting policies and estimates and errors
	Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.
	Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.
vi.	Charges to revenue for non-current assets
	Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year;
	<ul style="list-style-type: none"> · Depreciation attributable to the assets used by the relevant service
	<ul style="list-style-type: none"> · Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
	<ul style="list-style-type: none"> · Amortisation of intangible fixed assets attributable to the service.
	The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. Depreciation, revaluation, impairment losses and amortisations are therefore transferred to the Capital Adjustment Account in the Movement in Reserves Statement.
vii.	Employee benefits
	Benefits payable during employment
	Short-term employee benefits are those due to be settled within 12 months of the year- end. They include such benefits as salaries, paid annual leave and paid sick leave, and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements and flexi time earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday

Post employment benefits (pensions)	
	The Council participates in one scheme, the Local Government Pension Scheme, which is a defined benefit final salary scheme administered by Hertfordshire County Council.
	The liabilities of the Hertfordshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit credit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of future earnings for current employees.
	Liabilities are discounted to their value at current prices, using a discount rate. The discount rate has been determined as the long-term government bond yield plus an allowance for the average difference between the yield on corporate bonds and government bonds. This difference in yields is a result of the difference in the risk of default. This approach has been adopted as government bonds have a long enough term to match the term of the liabilities whereas corporate bonds have shorter terms.
	The assets of Hertfordshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value as required under IAS19.
	The change in the net pensions' liability is analysed into seven components:
	<ul style="list-style-type: none"> · Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
	<ul style="list-style-type: none"> · Past service cost / gain – the increase / decrease in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited / credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs;
	<ul style="list-style-type: none"> · Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
	<ul style="list-style-type: none"> · Expected return on assets – the annual investment return on the pension fund assets attributable to the Council, based on an average of the expected long-term return, credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
	<ul style="list-style-type: none"> · Gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs;
	<ul style="list-style-type: none"> · Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve;
	<ul style="list-style-type: none"> · Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense

	In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.
	In line with the requirements of the Code the past service contribution is no longer a current revenue item but is included as part of the payments to the pension fund (in accordance with pension scheme regulations) and is treated as a cash flow item which reduces the pensions liability. This is also in line with the requirements of the Code.
	Further information can be found in Hertfordshire County Council's Pension Fund's Annual Report, which is available upon request from LPP, Hertfordshire County Council, Post point CHO 033, County Hall, Pegs Lane, Hertford, SG13 8DQ.
viii.	Events after the balance sheet date
	Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:
	<ul style="list-style-type: none"> · Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted where material to reflect such events
	<ul style="list-style-type: none"> · Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.
	Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

ix.	Government grants and contributions - revenue and capital
	Grants and contributions relating to capital and revenue expenditure are accounted for on an accruals basis and recognised in the accounts when there is reasonable assurance that the Council will comply with any conditions attached to the payments, and the grants or contributions will be received.
	The grant or contribution is recognised immediately within the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition relating to the initial recognition that the Council has not satisfied.
	Monies received as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as a liability within the Grants Receipts in Advance Account. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.
	Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund expenditure.
	Revenue grants specific to service provision are shown against the relevant service in the Comprehensive Income and Expenditure Statement. General grants allocated by central government directly to local authorities as additional revenue funding which are non- ring fenced are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.
x.	Minimum revenue provision
	In accordance with current legislation the minimum revenue provision (MRP) for the redemption of debt is required to be calculated on a prudent basis having regard to guidelines set out for application of the prudential code.
xi.	Overheads and support services
	As the Council does not include the recharge of overheads and support services in how they monitor and manage financial performance they are no longer included in the year end accounts.
xii.	Provision for bad debt
	The value of receivables (debtors) shown on the Balance Sheet is adjusted for doubtful debts. The level of bad debt provision is reviewed annually. Uncollectable debts are written off against the provision. The following methods are used:
	Trade Accounts Receivable - Age and Collectability
	Housing Benefits Overpayments - Age and Collectability
	National Non-Domestic Rates - Currently 100% of outstanding arrears
	Council Tax - 0.52% against the net debit due reviewed against sums written off and opening yearly balances

xiii.	Revenue Expenditure Funded from Capital under Statute (REFCUS)
	Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account is made which reverses out the amounts charged so that there is no impact on the level of council tax.
xiv.	Capital receipts
	Capital Receipts arise from the sale of non-current assets (Property, Plant and Equipment and Investment Properties). Further to the introduction of the Prudential Capital Finance System on 1 April 2004, capital receipts are all deemed to be "usable" and are held within the Capital Receipts Reserve.
	Prior to this date, in accordance with Government legislation, a proportion of certain receipts had to be "set aside" and are retained within the Capital Adjustment Account as provision for the repayment of debt.
xv.	VAT
	Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenues & Customs and in most circumstances all VAT paid is recoverable from them. VAT has been included in the income and expenditure accounts only to the extent that it is irrecoverable.
xvi.	Tax Income (Council Tax, Non-Domestic Rates (NDR))
	The Council Tax and NDR income in the CIES is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in the Councils General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the collection fund adjustment account and included as a reconciling item in the Movement in Reserves Statement
	The Balance Sheet includes the Council's share of the end of year balances in respect of the Council Tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments, prepayments, and appeals.
	Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under statutory arrangements will not be made, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line within the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

xvii.	Interests in other entities
	The Council has set up a wholly owned subsidiary called Millstream Property Investments Ltd, which has the principal activity of acquiring, developing and refurbishing properties. The Company's accounts are consolidated into the Council's accounts and the consolidated accounts are included in the Council's Statement of Accounts.
	In addition, the Council also has an interest in Hertfordshire Building Control Limited, a company which is equally owned by seven Hertfordshire authorities.
xviii.	Capitalisation of interest
	The Council capitalises borrowing costs incurred whilst qualifying assets are under construction. Qualifying assets are where there is a 'substantial period of time' from the first capital expenditure financed from borrowing until the asset is ready to be brought into use. A substantial period of time is considered to mean in excess of two years.

2. Expenditure and Funding Analysis

The object of the Expenditure and Funding Analysis is to demonstrate to Council Taxpayers how the funding available to the authority (ie government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with general accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2024/25	Net Expenditure chargeable to the General Fund		
	balance £000	Adjustments between Funding & Accounting basis £000	Net Expenditure in CIES £000
Chief Executive, PA's & Directors	543	108	652
Communications, Strategy & Policy	1,994	14	2,008
Human Resources & Organisation Development	577	2	578
Strategic Finance & Property	4,451	706	5,157
Legal & Democratic Services	1,566	19	1,584
Housing & Health	2,264	161	2,424
Planning & Building Control	2,364	11	2,375
Operations	15,531	12,636	28,167
Shared revenues & Benefits Service	875	16	891
Shared Business & Technology Services	2,332	3	2,335
Net cost of services	32,496	13,676	46,172
Other income and Expenditure	(31,307)	(2,494)	(33,801)
(Surplus) or Deficit on Provision of Services	1,189	11,182	12,371
Operating General Fund balance at 1 April 2024	26,058		
Transfers to/(from) Earmarked Reserves	(4,717)		
Closing General Fund Balance at 31 March 2025	21,341		

2023/24	Net Expenditure chargeable to the General Fund		
	balance £000	Adjustments between Funding & Accounting basis £000	Net Expenditure in CIES £000
Chief Executive, PA's & Directors	402	161	563
Communications, Strategy & Policy	1,435	75	1,510
Human Resources & Organisation Development	595	16	611
Strategic Finance & Property	4,083	613	4,696
Legal & Democratic Services	1,627	64	1,691
Housing & Health	3,877	1,524	5,401
Planning & Building Control	2,590	85	2,675
Operations	2,568	17,486	20,054
Shared revenues & Benefits Service	823	150	973
Shared Business & Technology Services	2,235	4	2,239
Net cost of services	20,235	20,178	40,413
Other income and Expenditure	(24,311)	(1,102)	(25,413)
(Surplus) or Deficit on Provision of Services	(4,076)	19,076	15,000
Operating General Fund balance at 1 April 2023	23,644		
Transfers to/(from) Earmarked Reserves	2,414		
Closing General Fund Balance at 31 March 2024	26,058		

Note to the Expenditure and Funding Analysis - Adjustments between Funding and Accounting Basis

2024/25

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for	Net change for	Other	Total
	Capital Purposes	the Pensions	Differences	Adjustments
	(Note 1)	(Note2)	(Note 3)	Adjustments
	£000	£000	£000	£000
Chief Executive, PA's & Directors	108	0	(0)	108
Communications, Strategy & Policy	20	2	(8)	14
Human Resources & Organisation Development	3	0	(2)	2
Strategic Finance & Property	713	2	(9)	706
Legal & Democratic Services	22	1	(5)	19
Housing & Health	173	3	(15)	161
Planning & Building Control	17	3	(8)	11
Operations	12,642	2	(7)	12,636
Shared Revenues & Benefits Service	28	4	(16)	16
Shared Business & Technology Services	3	0	0	3
Net cost of services	13,729	16	(70)	13,676
Other income and expenditure from the Funding Analysis	(2,339)	(1,128)	973	(2,494)
Difference between General Fund (surplus) or deficit and Comprehensive Income & Expenditure Statement (surplus) or deficit	11,390	(1,112)	903	11,182

2023/24

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for	Net change for	Other	Total
	Capital Purposes	the Pensions	Differences	Adjustments
	(Note 1)	(Note2)	(Note 3)	Adjustments
	£000	£000	£000	£000
Chief Executive, PA's & Directors	147	10	4	161
Communications, Strategy & Policy	33	38	6	77
Human Resources & Organisation Development	4	11	1	16
Strategic Finance & Property	562	40	11	613
Legal & Democratic Services	30	30	5	65
Housing & Health	1,436	72	13	1,521
Planning & Building Control	18	59	8	85
Operations	17,448	31	7	17,486
Shared Revenues & Benefits Service	36	97	17	150
Shared Business & Technology Services	4	0	0	4
Net cost of services	19,718	388	72	20,178
Other income and expenditure from the Funding Analysis	(2,040)	(428)	1,366	(1,102)
Difference between General Fund (surplus) or deficit and Comprehensive Income & Expenditure Statement (surplus) or deficit	17,678	(40)	1,438	19,076

Note 1 – Adjustments for Capital Purposes

Adjustments for capital purposes for this column add in depreciation and impairment and revaluation gains and losses in the services line and for:

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

Note 2 – Net change for the pensions' adjustments

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

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

Note 3 – Other Differences

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

- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

3. Accounting Standards Issued not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the Council to disclose information relating to accounting standards that have been issued but have not yet been adopted that could have a material impact on the accounts.

For this disclosure the standards introduced by the 2024/25 Code are:

- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

4. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future that are otherwise uncertain. Estimates are made taking into account professional advice (e.g. actuarial advice), historical experience, current trends and other relevant information. Items included within the Council's Balance Sheet at 31 March 2025 for which there is a risk of material adjustment in the forthcoming year are as follows:

Pension Liability

The value of the pension liability as at 31st March 2025 is £112.362m. This liability depends on a number of factors, including discount rates, changes in retirement age, mortality rates and expected return on pension's assets. These are determined on an actuarial basis by Hymans Robertson, the actuaries for the Hertfordshire pension fund.

Change in assumptions at 31 March 2025	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£m)
0.1% decrease in Real Discount Rate	2%	2
0.1% increase in the Salary Increase Rate	0%	1
0.1% increase in the Pension Increase Rate	2%	2

Property, Plant and Equipment

The Council's assets are shown in the accounts at either Fair Value, Fair Value (Existing Use) or Market Value (dependent on the class of asset. Further information can be found in Note 7). The valuations are carried out by our internal asset management team in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation professional standards and International Financial Reporting Standards (IFRS). These valuations are arrived at using recent comparable transactions and for specialised properties using depreciated replacement cost methodology.

The tables below show the 31 March 2025 value of the assets in the Statement of Accounts, the impact a 5% increase or decrease in asset value would have on the Balance Sheet and the depreciation charged to the Comprehensive Income and Expenditure statement.

	31/03/2025	-5%		5%	
	Value	Movement	Value	Movement	
	£000	£000	£000	£000	£000
Other Land & Buildings	150,316	142,800	(7,516)	157,831	7,516
Vehicles, Plant, Furniture & Equip.	22,469	21,345	(1,123)	23,592	1,123
Infrastructure	8,978	8,529	(449)	9,427	449
Community Assets	7,572	7,194	(379)	7,951	379
Surplus Assets	1,739	1,652	(87)	1,826	87
	191,073	181,520	(9,554)	200,627	9,554

Depreciation

	31/03/2025	-5%		5%	
	Value	Movement	Value	Movement	
	£000	£000	£000	£000	£000
Other Land & Buildings	39,562	37,584	(1,978)	41,540	1,978
Vehicles, Plant, Furniture & Equip.	20,533	19,506	(1,027)	21,559	1,027
Infrastructure	7,708	7,323	(385)	8,093	385
	67,803	64,412	(3,390)	71,193	3,390

Investment Properties

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. The Council's investment property has been valued as at 31 December 2024 (with a statement of professional opinion given that there has been no material change up to 31 March 2025) by the Council's Estates and Asset Manager, Anna Osborne (MRICS) and Principal Assets and Estates Surveyor Lucy Smith (MRICS) in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Non Domestic Rates – Provision for outstanding appeals

Since the Retained Business Rate scheme was introduced on 1st April 2013 Local Authorities have assumed the liability for refunding business rate payers who successfully appeal against the rateable value of their property.

Appeals against the rateable value of a property are lodged by the rate payer with the Valuation Office Agency, who provides information of all the appeals that have been lodged to the Council.

An estimate of the potential impact of successful appeals has been calculated using analysis provided from Inform (a member of the Institute of Rating, Revenues and Valuation) and local knowledge.

The carrying amount of the provision at 31 March 2025 is £3.1m, of which the Council's share of £1.2m is reflected in the accounts. Higher success rates of appeals could result in a need for a larger provision. An increase of 5% would change the required provision by £60k affecting the surplus/deficit distribution to the Council, Hertfordshire County Council and Central Government.

Debtors - As at 31 March 2025 the authority had a balance of short term debtors of £19.6m. A review of the age and collectability of the debts outstanding has resulted in a bad debt provision of £3m. If collection rates were to deteriorate then an additional provision would be required.

5. Adjustments between Accounting Basis and Funding Basis under Regulations

2024/25

Adjustments involving the Capital Adjustment Account:

Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:

Statement:

Charges for depreciation of non current assets

Revaluation / Impairment on Property Plant and Equipment

Movements in the market value of Investment Properties

Amortisation of intangible assets

Capital grants and contributions applied

Revenue expenditure funded from capital under statute

Revenue grants written down to the Capital Adjustment Account

Disposal of non current assets

Disposal of investment Properties

Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:

Statement:

Statutory adjustment relating to capital element of principal repayment for finance lease

Capital expenditure charged against the General Fund

Adjustments involving the Capital Grants Unapplied Account:

Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement

Application of grants to capital financing transferred to the Capital Adjustment Account

Adjustments involving the Capital Receipts Reserve:

Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement

Use of Capital Receipts Reserve to finance new capital expenditure

Adjustments involving the Deferred Capital Receipts Reserve:

Statutory adjustment relating to capital element of principal payment for finance lease

Adjustments involving the Pensions Reserve:

Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 33)

Employer's pensions contributions and direct payments to pensioners payable in the year

Adjustments involving the Collection Fund Adjustment Account:

Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements

Adjustment involving the Accumulated Absences Account

Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements

Total Adjustments

	Usable Reserves			
	General Fund balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Charges for depreciation of non current assets	3,299	-	-	(3,299)
Revaluation / Impairment on Property Plant and Equipment	10,137	-	-	(10,137)
Movements in the market value of Investment Properties	(364)	-	-	364
Amortisation of intangible assets	137	-	-	(137)
Capital grants and contributions applied	(1,977)	-	-	1,977
Revenue expenditure funded from capital under statute	-	-	-	-
Revenue grants written down to the Capital Adjustment Account	-	-	-	-
Disposal of non current assets	-	-	-	-
Disposal of investment Properties	-	-	-	-
Statutory adjustment relating to capital element of principal repayment for finance lease	-	-	-	-
Capital expenditure charged against the General Fund	(3,000)	-	-	3,000
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(372)	372	-	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	(372)	-	372
Statutory adjustment relating to capital element of principal payment for finance lease	2	-	-	(2)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 33)	1,870	-	-	(1,870)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,982)	-	-	2,982
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	973	-	-	(973)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(70)	-	-	70
Total Adjustments	7,653	0	0	(7,653)

2023/24 comparative figure

Adjustments involving the Capital Adjustment Account:

Reversal of items debited or credited to the Comprehensive Income and Expenditure

Statement:

	General Fund balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Charges for depreciation of non current assets	3,002			(3,002)
Revaluation / Impairment on Property Plant and Equipment	14,653			(14,653)
Movements in the market value of Investment Properties	740			(740)
Amortisation of intangible assets	166			(166)
Capital grants and contributions applied	(3,423)			3,423
Revenue expenditure funded from capital under statute	1,883			(1,883)
Revenue grants written down to the Capital Adjustment Account	-			-
Disposal of non current assets	641			(641)
Disposal of investment Properties	-			-

Insertion of items not debited or credited to the Comprehensive Income and Expenditure

Statement:

Statutory adjustment relating to capital element of principal repayment for finance lease				-
Capital expenditure charged against the General Fund				-

Adjustments involving the Capital Grants Unapplied Account:

Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement

			35	35.00
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Application of grants to capital financing transferred to the Capital Adjustment Account

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Adjustments involving the Capital Receipts Reserve:

Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement

	(1,615)	1,615		-
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Use of Capital Receipts Reserve to finance new capital expenditure

		(1,615)		1,615
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Adjustments involving the Deferred Capital Receipts Reserve:

Statutory adjustment relating to capital element of principal payment for finance lease

	2			(2)
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Adjustments involving the Pensions Reserve:

Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 33)

	2,754			(2,754)
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Employer's pensions contributions and direct payments to pensioners payable in the year

	(2,793)			2,793
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Adjustments involving the Collection Fund Adjustment Account:

Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements

	1,366			(1,366)
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Adjustment involving the Accumulated Absences Account

Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements

	72			(72)
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Total Adjustments 17,448 0 (35) (17,413)

6. Transfers to/from Earmarked Reserves

Amounts appropriated to / from reserves are distinguished from service expenditure disclosed in the Statement of Accounts. Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for purposes such as general contingencies and cashflow management.

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide funding for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2024/25

	Balance 1 April 2023 £000	Transfers Out/(In) 2023/24 £000	Balance 31 March 2024 £000	Transfers Out 2024/25 £000	Transfers In 2024/25 £000	Balance 31 March 2025 £000
General reserve	(878)	(225)	(1,103)	133	-	(970)
Interest Equalisation Reserve	(2,045)	(1,212)	(3,257)	1,680	-	(1,577)
Insurance Fund	(747)		(747)	33	-	(714)
Emergency Planning Reserve	(36)		(36)	-	-	(36)
LDF/Green Belt Reserve	(62)		(62)	-	-	(62)
Housing Condition Survey Reserve	(90)		(90)	-	-	(90)
Council Elections Reserve	(98)	(235)	(333)	-	-	(333)
Sinking fund - Leisure Utilities / Pension Reserve	(228)		(228)	-	-	(228)
Performance Reward Grant Reserve	(10)		(10)	-	-	(10)
Waste Recycling Income Volatility Reserve	(353)		(353)	-	(150)	(503)
Footbridge Reserve	(150)		(150)	-	-	(150)
DCLG Preventing Repossessions	(18)		(18)	-	-	(18)
New Homes Bonus Priority Spend	(7,938)	(931)	(8,869)	3,000	-	(5,869)
Collection Fund Reserve	(1,663)	(3,400)	(5,063)	-	-	(5,063)
DEFRA Flood Support	(4)		(4)	-	-	(4)
Neighbourhood Planning	(64)	(111)	(175)	-	-	(175)
IER	(80)	32	(48)	-	-	(48)
MTFP Transition Funding Reserve	(413)	98	(315)	61	(72)	(326)
Flexible Homelessness Grant	(354)		(354)	-	-	(354)
Preventing Homelessness New Burdens Reserve	(31)		(31)	-	-	(31)
Healthy Lifestyle Promotions Reserve	(33)		(33)	33	-	-
Land Charges New Burdens	(30)		(30)	-	-	(30)
HB Subsidy Volatility Reserve	(100)		(100)	-	-	(100)
Section 31 NNDR	(3,535)	3,535	-	-	-	-
Parks & Open Spaces Reserve	(306)		(306)	-	-	(306)
Revs & Bens New Burdens Reserve	(300)		(300)	-	-	(300)
Total	(19,566)	(2,449)	(22,015)	4,940	(222)	(17,297)

General reserve	This reserve was established to assist the Council in managing the impact of yearly over and underspends against the revenue budget. £133k was utilised from the reserve in 2024/25.
Interest Equalisation Reserve	This reserve was established to assist the Council in managing the financial implications of adverse interest rate fluctuations. £1.7m has been utilised from this reserve to create a provision to cover the forecast loss on property fund investment.
Insurance Fund	Its purpose is to support the Council's insurance and risk management process in anticipation of setting up a self-insurance fund in some areas to reduce future insurance premiums. £33k was utilised in 2024/25
Emergency Planning Reserve	The reserve was set up to support the work of an Emergency Planning Officer Group that has been established within the Council. There was no call on it in 2024/25.
Local Development Framework / Green Belt Reserve	This reserve was established to smooth expenditure over the Council's Medium Term Financial Plan (MTFP). There has been no call on the reserve in 2024/25.
Housing Condition Survey Reserve	This reserve was established to fund House Condition Surveys. There has been no movement on the reserve in 2024/25.
Council Elections Reserve	Established to smooth the cost of Elections over the MTFP.
Sinking Fund – Leisure Utilities and Pension	Further to the Council awarding a leisure contract to Sports and Leisure Management from January 2020, the Council provided guarantees in respect of utilities and employers pension costs. There was no call on it in 2024/25.
Performance Reward Grant Reserve	The Council received revenue grant funding in respect of the Local Area Agreement (Performance Reward Grant) in 2009/10. There was no call on the reserve in 2024/25.
Waste Recycling Income Volatility Reserve	The reserve has been established to manage income volatility in recycling income. £150k was added to the reserve in 2024/25.
Footbridge Reserve	This reserve was created to manage potential maintenance costs or liabilities that may arise relating to the footbridge over the River Stort. There was no call on the reserve 2024/25.
DCL Preventing Repossessions	This reserve was established from unspent Government Grant monies. There were no appropriations in 2024/25.
New Homes Bonus Priority Spend	This reserve was established from unspent New Homes Bonus monies received from DCLG. Over the years, further amounts of New Homes Bonus monies have been transferred to this reserve. In 2024/25 £3m was used to part fund capital expenditure at Beam.

Collection Fund Reserve	This reserve was established to smooth the effect on the Council of income volatility from the Collection Funds. There was no call on this reserve in 2024/25.
DEFA Flood Support for Local Businesses	This reserve was established from the unspent element of a DEFRA grant received to enable the Council to support local businesses to repair damage following the flooding in 2013/14. There has been no call on this in 2024/25.
Neighbourhood Planning Grant	Created from unspent Neighbourhood Planning grant received from MHCLG to fund future spend. There has been no call on this reserve in 2024/25.
IER Grant	This reserve was created from unspent grant monies received from the Cabinet Office to fund the costs of additional work involved in the Individual Electoral Registration Scheme. Further unspent grant monies were added to the reserve in 2019/20. There was no call on this reserve in 2024/25.
MTFP Transition Funding Reserve	A new reserve established in 2016/17 from the Transition Grant awarded by MHCLG as part of the 2016/17 financial settlement. A net £11k was transferred into this reserve in 2024/25, this in part funded services in the year and an element to fund future one off costs in the MTFP.
Flexible Homelessness Grant	Established from unspent Government Grant monies in 2017/18 specifically to prevent and deal with homelessness. Further unspent grant monies have been added in 2019/20. No call on this reserve in 2024/25.
Preventing Homelessness New Burdens	This reserve contains unspent Government Grant to deal with Homelessness, to be utilised in future years towards the cost of dealing with homelessness. There was no call on this in 2024/25.
Healthy Lifestyle Promotions	A new reserve created in 2018/19 from unspent grant monies received to promote healthy living. This reserve has been fully utilised in 2024/25.
Land Charges New Burdens	This reserve was created from unused government grant received to cover costs of transferring the local land charges register to HM Land Registry. There has been no call on this in 2024/25.
HB Subsidy Volatility Reserve	This reserve was created to manage the financial implications of fluctuations in Housing Benefit subsidy. There has been no call on this in 2024/25.
NNDR Section 31 Reserve	A new reserve created in 2020/21, as a result of the Covid-19 pandemic, from Section 31 grants received in 2020/21 but for use in 2021/22 to fund NNDR Collection Fund transactions. This reserve was fully utilised in 2023/24.
Parks & Open Spaces Reserve	A new reserve created in 2021/22 from unspent contribution to be used to fund future works. No call made on this reserve in 2024/25.
Revs & Bens New Burdens	A new reserve established in 2021/22 from unspent Government Grant monies. No call made on this reserve in 2024/25.

7. Property, Plant & Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price;
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;

The Council capitalises borrowing costs incurred whilst assets are under construction. Assets are then carried in the Balance Sheet using the following measurement bases:

- Operational non-specialised property – fair value based on existing use value. The multi-storey car parks and surface car parks have been valued using the Existing Use Valuation method on the basis of income & expenditure, profit information;
- Operational specialised property (inc leisure centres and Hertford theatre) – depreciated replacement cost (DRC).;
- Community assets – nominal value or historical cost;
- Infrastructure and all other assets – depreciated historical cost;
- Surplus assets - fair value, estimated at highest and best use from a market participant's perspective.

In the event of a future disposal the market value at that time may realise more or less than the carrying value. Since April 2016 the Council has revalued its assets on an annual basis (formerly four year rolling basis). Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

The Valuations were carried out by the Council's Estates and Asset Manager, Anna Osborne (MRICS) and Principal Assets and Estates Surveyor Lucy Smith (MRICS) on the basis of standards of professional practice set out in the guidance below:

- Royal Institution of Chartered Surveyors (RICS) Valuation - Professional Standards ('The red Book')
- International Financial Reporting Standards (IFRS)
- Chartered Institute of Public Finance and Accounting Code of Practice on Local Authority Accounting ('The CIPFA Code')

The valuer has arrived at their opinion of Fair Value, Fair Value (Existing Use) and Market Value from referring to recent comparable transactions. For Specialised properties the Fair value (Existing Use) has been derived using Depreciated Replacement Cost methodology.

Where decreases in value are identified, they are accounted for:

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

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account. The current asset values used in the accounts are based upon a certificate issued by the Council's Asset & Estates Manager, Anna Osborne MRICS and Lucy Smith MRICS as at 31 March 2025. Property, plant and equipment are classified in the Balance Sheet in line with current Accounting Codes of Practice.

Impairment

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

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

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

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

Depreciation

All Property, Plant and Equipment, other than freehold land and Community Assets (with two exceptions being recreational facilities with a building element) are depreciated on a straight line basis over the period of the assets useful economic life. The following periods are used:

Freehold Land	No depreciation
Council Buildings	20 to 60 years
Infrastructure	10 to 20 years
Equipment, Furniture and Fittings	5 to 20 years
Community Assets	No depreciation (30 years for exceptions)
Non-operational assets	40 to 60 years
Enhancement to Leased Properties	10 to 25 years
Plant	20 to 35 years

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

Componentisation

In line with accounting requirements the Council considers the identification of individual asset components on a prospective basis following either the enhancement of an asset or its revaluation. The Council has determined that it will adopt a de-minimis value of £1m for individual assets.

Disposals

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

The gain or loss on disposal is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are transferred from the General Fund Balance in the Movement in Reserves Statement to the Capital Adjustment Account (the carrying amount of the asset) and the usable Capital Receipts Reserve (the disposal proceeds).

Property, Plant & Equipment

Cost or Valuation	Other Land & Buildings	Vehicles, Plant, Furniture & Equip.	Infrastructure	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000
2023/24							
As at 01/04/2023	123,046	21,995	8,560	4,991	6,093	18,711.00	183,396
Additions	434	112	73	1,725		22,279	24,623
Disposals		(31)					(31)
Reclassifications	5,020					(9,662)	(4,642)
Revaluations	(1,826)				(1,207)		(3,033)
Total as at 31/03/2024	126,674	22,076	8,633	6,716	4,886	31,328	200,313
2024/25							
As at 01/04/2024	126,674	22,076	8,633	6,716	4,886	31,328	200,313
Additions	42	393	345	896	40	5,067	6,782
Disposals	-	-	-	-	-	-	0
Reclassifications	32,105	-	-	40	(3,191)	(32,802)	(3,927)
Revaluations	(8,505)	-	-	-	5	-	(8,500)
Total as at 31/03/2025	150,316	22,469	8,978	7,572	1,739	3,594	194,667
Depreciation & Impairment							
2023/24							
As at 01/04/2023	34,513	19,715	7,275	91	0	0	61,594
Charge for Year	2,308	476	218				3,002
Acc depreciation w/o on revaluation				-	-	-	0
Disposals				-	-	-	0
Impairment (reversal) recognised in the service				-	-	-	0
Revaluations				-	-	-	0
Total as at 31/03/2024	36,821	20,191	7,493	91	0	0	64,596
2024/25							
As at 01/04/2024	36,821	20,191	7,493	91	-	-	64,596
Charge for Year	2,741	342	215	-	-	-	3,298
Acc depreciation w/o on revaluation	-	-	-	-	-	-	0
Disposals	-	-	-	-	-	-	0
Impairment (reversal) recognised in the service	-	-	-	-	-	-	0
Revaluations	-	-	-	-	-	-	0
Total as at 31/03/2025	39,562	20,533	7,708	91	0	0	67,894
Net Book Value							
Balance Sheet as at 31/03/24	89,853	1,885	1,140	6,625	4,886	31,328	135,717
Balance Sheet as at 31/03/25	110,754	1,936	1,270	7,481	1,739	3,594	126,774

Reconciliation of Additions in the year to Capital Spend

	2024/25	2023/24
	£000	£000
Additions in the year (as above)	6,782	24,623
Intangible assets	198	74
Investment Properties	0	0
	6,980	24,697
plus CERA (not included in note 7)	84	0
Total Capital Spend	7,064	24,697

8. Analysis of Fixed Assets

	31 March '25	31 March '24
	Number	Number
Council Dwellings - Hostels	4	4
- Houses	2	2
Council Offices - Freehold	1	1
- Leasehold	1	1
Service Centre - Leasehold	1	1
Cash Offices	-	0
Off-Street Car Parks (incl. Leasehold)	35	35
Swimming Pools (including 3 joint-use pools)	5	5
Parks and Recreation Grounds/Open spaces	226Ha	226Ha
Public Halls/Community Centres (incl leasehold)	7	7
Commercial Property Rented Out	47	47
Land Awaiting Development	1.24Ha	1.24Ha
Public Convenience	2	2

9. Heritage Assets

In line with the 2012 Code and FRS 30, the Council has identified a number of assets that meet the definition of a heritage asset and are being preserved in trust for future generations because of their cultural, environmental or historical associations.

The Council's policy is to maintain Heritage assets in order to preserve them for future generations because of their cultural and historical associations. The Council does not consider that a commercial value can be placed upon these assets and its policy is, therefore, not to disclose on the balance sheet. They continue to be included within community assets with a nominal value. The assets are insured in order to protect the Council's interest in the event of damage or destruction.

The Heritage assets held within Community assets at a nominal sum are as follows; there is no value held for these assets.

- The Castle Wall (ancient flint), Hertford
- Monument, remains of Church of St Mary's, Old Cross
- Community land Obelisk, Bishop's Stortford
- Flowing River Sculpture, Bishop's Stortford
- Evolution sculpture at Hartham Common
- Hertford Theatre Wall Bronze Resin Sculpture
- Civic Regalia
- Oil Painting of Wallfields, Hertford
- Chainsaw sculpture Pishiobury Park, Sawbridgeworth

10. Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

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

	2024/25	2023/24
	£000	£000
Rental income from investment property	(432)	(501)
Direct operating expenses arising from investment property	320	364
Net gain	(112)	(137)

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct, enhance or develop investment property. In some cases, the Council has repairing obligations which are met through revenue expenditure.

Authorities shall account for investment property in accordance with IAS 40 Investment Property and should be valued to 'Fair Value'.

Investment property is recognised at cost, including transaction costs but excluding operational components (PPE) where these can be measured reliably. Following recognition investment property is revalued on a fair value basis reflecting market state and circumstances on a given date.

The objective of this measurement approach is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under the current market conditions.

The following table summarises the movement through additions and re-classification of investment properties over the year:

	2024/25 £000	2023/24 £000
Balance at start of the year	7,854	8,594
Additions: Not transferred through re-classification	-	-
Additions: Transferred through re-classification	-	0
Disposals : Transferred through re-classification	(3,925)	0
Net gains / (losses) from fair value adjustments	363	(740)
Balance at end of the year	4,292	7,854

In addition to arriving at the fair values for the assets, IFRS 13 seeks to increase consistency and comparability within the valuation process which has been achieved through a 'fair value hierarchy'.

Fair Value Hierarchy

All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes.

Valuation Techniques Used to Determine Level 2 Values for Investment Property

The fair value of investment property has been based on the market approach using current market conditions and recent sales prices, existing lease terms and rentals and other relevant information for similar assets in the local authority area. Market conditions for these asset types are such that the level of observable inputs are significant leading to the properties being categorised at Level 2 in the fair value hierarchy.

There has been no change in the valuation techniques used during the year for investment properties.

Highest and Best Use

In estimating the fair value of the Council's investment properties, the highest and best use is their current use.

Valuation Process for Investment Properties

The Council's investment property has been valued as at 31 December 2024 (with a statement of professional opinion given that there has been no material change up to 31 March 2025) by the Council's Estates and Asset Manager, Anna Osborne (MRICS) and Principal Assets and Estates Surveyor Lucy Smith (MRICS) in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

11. Intangible Assets

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation is not permitted to have an impact on the General Fund Balance. This is therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful life assigned to the major software applications used by the Authority is 5 years. The movement on Intangible Asset balances during the year is as follows:

	Software £000	2024/25 Other Intangible £000	Total £000	Software £000	2023/24 Other Intangible £000	Total £000
Balance at start of year:						
Gross carrying amounts	6,159	-	6,159	6,086	-	6,086
Accumulated amortisation	(5,960)	-	(5,960)	(5,794)	-	(5,794)
Net carrying amount at start of year	199	-	199	292	-	292
Additions:						
Purchases	199	-	199	74	-	74
Amortisation for the period	(138)	-	(138)	(166)	-	(166)
Net carrying amount at end of year	260	-	260	200	-	200
Comprising:						
Gross carrying amounts	6,358	-	6,358	6,160	-	6,160
Accumulated amortisation	(6,098)	-	(6,098)	(5,960)	-	(5,960)
	260	-	260	200	-	200

12. Financial Instruments

Financial Liabilities

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

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at: amortised cost, fair value through profit or loss (FVPL), and fair value through other comprehensive income (FVOCI). The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Soft Loans

The Code requires that a discounted interest rate be recognised as a reduction in the fair value of the asset. Potential Council loans falling within this category relate to an assisted car purchase scheme and a cycle scheme. The Council currently has no loans under its assisted car purchase scheme and the amount advanced under the cycle scheme is considered immaterial.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost [or where relevant FVOCI], either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services. The fair value measurements of the financial assets are based on the following techniques: instruments with quoted market prices – the market price Other instruments with fixed and determinable payments – discounted cash flow analysis.

Financial Assets Measured at Fair Value through Other Comprehensive Income

These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the Comprehensive Income and Expenditure Statement when the asset is disposed of. The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date;
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly;
- Level 3 inputs – unobservable inputs for the asset.

Financial Guarantees

The Code includes a requirement for financial guarantees to be recognised at fair value and charged to the Comprehensive Income and Expenditure Statement (amortised over the life of the guarantee). The levels of liability assessed at March 2025 are regarded as non material and therefore the accounting requirement has not been followed in respect of these guarantees. The Council has determined to set aside a reserve against potential liabilities under these guarantees as set out in Note 6 to the Notes to the Core Statements.

No other financial guarantees were identified in 2024/25.

Financial Instruments Balances

	Non-Current		Current	
	31 March '25 £000	31 March '24 £000	31 March '25 £000	31 March '24 £000
Financial Assets				
Investments				
At amortised cost - principal amount	-	-	-	6,500
- accrued interest	-	-	-	-
Fair Value through other comprehensive income - designated equity instruments	9,662	17,838	903	-
- accrued interest	-	-	-	-
Total Investments	9,662	17,838	903	6,500
Cash & Cash Equivalents				
At amortised cost - principal amount	-	-	21,294	4,156
At amortised cost - accrued interest	-	-	-	-
Total Cash & Cash Equivalents	-	-	21,294	4,156
Debtors				
Financial Assets at amortised cost	3,530	5,188	16,575	12,433
Less Non Financial Instruments Assets	-	-	(6,932)	(2,426)
Total Debtors	3,530	5,188	9,643	10,007
Total Financial Assets	13,192	23,026	31,840	20,663
Financial liabilities				
Borrowing				
At amortised cost	(51,500)	(1,500)	(13,000)	-
At amortised cost - accrued interest	-	-	-	-
Creditors	-	-	(17,592)	(18,200)
Non Financial instruments Liabilities	-	-	4,443	5,052
Total Financial liabilities	(51,500)	(1,500)	(26,149)	(13,148)

The portion of long-term liabilities and investments due to be settled within 12 months of the Balance Sheet date are presented in the Balance Sheet under 'current liabilities' or 'current assets'. This would include accrued interest on long term liabilities and investments that are payable/receivable in 2024/25.

Available for Sale Financial Assets are measured at fair value on a recurring basis. The valuation techniques used to measure them maximise the use of relevant observable inputs and minimise the use of unobservable inputs and are categorised as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.

Recurring fair value measurements

	Input level in fair value hierarchy	Valuation technique used to measure fair value	2024/25 £000	2023/24 £000
Property Funds	Level 1	Unadjusted quoted prices in active markets	10,565	17,408
Balance at end of the year			10,565	17,408

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between input levels 1 and 2 during the year

The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value disclosures are required)

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2), using the following assumptions:

- For loans from the PWLB payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. As the Debt Management Office provides a transparent approach allowing the exit cost to be calculated without undertaking a repayment or transfer it is appropriate to disclose the exit price.
- For non-PWLB loans payable, PWLB premature repayment rates have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;

Financial Liabilities - fair value

	Input level in fair value hierarchy	Valuation technique used to measure fair value	2024/25 £000	2023/24 £000
Long Term Borrowing	Level 2	premature repayment rates	(2,135)	(2,455)
Short Term Borrowing			(63,412)	(49,016)
Balance at end of the year			(65,547)	(51,471)

Financial Instrument Revaluation Reserve

For financial instruments, there is a reserve to help manage the accounting requirements, the Financial Instruments Revaluation Reserve. This records unrealised revaluation gains/losses arising from holding available-for-sale investments and any unrealised losses that have not arisen from impairment of the assets. The table below sets out the transactions for the year:

	2024/25 £000	2023/24 £000
Balance at 1 April	(2,160)	(443)
Upward revaluation of investments	-	(1,717)
Downward revaluation of investments not charged to the Surplus/Deficit on the provision of Services	219	-
Accumulated Gains on assets sold and maturing assets written out to CI&E as part of Other Investment Income	1,809	-
	(132)	(2,160)

13. Financial Instruments Gains / Losses

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

	2024/25		2023/24	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
Net (gains) / losses on				
Financial Assets measured at fair value through profit or loss	-	-	-	-
Financial assets measured at amortised cost	-	-	-	-
Investments in equity instruments designated at fair value through other comprehensive income	-	219	-	(1,717)
Financial liabilities measured at fair value through profit or loss	-	-	-	-
Financial liabilities measured at amortised cost	-	-	-	-
Total net (gains)/losses	-	219	-	(1,717)
Interest Revenue				
Financial Assets measured at amortised cost	(1,289)	-	(967)	-
Other financial assets measured at fair value through other comprehensive income	(440)	-	(807)	-
Total interest revenue	(1,729)	-	(1,774)	-
Interest Expense				
Fee income:				
Financial assets or financial liabilities that are not at fair value through profit or loss	106	-	132	-
Fee expense:				
Financial assets or financial liabilities that are not at fair value through profit or loss	2,369	-	541	-
Total interest expense	2,475	-	673	-

14. Fair Value of Assets and Liabilities carried at Amortised Cost

Financial assets (represented by lending and receivables) and financial liabilities (represented by borrowings) are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instrument, using the following assumptions:

- Arlingclose has provided the Fair Value Calculation for the loans and investments.
- No early repayment or impairment is recognised.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount
- Where the instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.

The fair values are calculated as follows:

	31st March 2025		31st March 2024	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities	(74,649)	(78,696)	(63,148)	(64,709)

	31st March 2025		31st March 2024	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and Receivables	48,933	47,071	43,689	43,259

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

The fair value is greater than the carrying amount due to the Council's investment in Property Funds. The Fund value per unit, less the exit fee, is higher than price paid.

15. Debtors

Short Term Debtors

	31 March '25 £000	31 March '24 £000
Central government bodies	1,343	1,214
Other local authorities	5,184	2,798
Bodies external to general government (ie all other bodies)	13,080	11,700
Bad debt provision	(3,032)	(3,279)
	16,575	12,433

Long Term Debtors

	31 March '25 £000	31 March '24 £000
Bodies external to general government (ie all other bodies)	3,530	5,188
	3,530	5,188

16. Cash and Cash Equivalents

	31 March '25 £000	31 March '24 £000
Short-term deposits with banks	21,294	4,156
Total Cash and Cash Equivalents	21,294	4,156

17. Assets Held for Sale

Assets held for sale as at 31 March 2025 include, 1 link Road & 1-15 Limekiln Close, (Bishops Stortford), land at Waitrose & Causeway (Bishops Stortford) and Rapier House (Ware).

Assets Held for Sale	31 March '25	31 March '24
	£000	£000
Balance at start of the year	4,441	408
Additions	-	-
Disposals	-	(609)
Re-Classifications	7,853	4,642
	12,294	4,441

18. Creditors

Short Term Creditors	31 March '25	31 March '24
	£000	£000
Central government bodies	(4,546)	(3,992)
Other local authorities	(1,035)	(2,929)
Bodies external to general government (ie all other bodies)	(12,011)	(11,279)
	(17,592)	(18,200)

19. Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

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

The provision held for Non Domestic Rate appeals, is charged as an expense to the relevant collection fund in the first instance. This charge either reduces the Council's surplus or increases the deficit due from the collection fund. These amounts are included in the Taxation and Non-specific Grant income section on the Comprehensive Income and Expenditure Statement.

A new provision was created in 2024/25 to recognise a potential loss in value on redemption of the units that the Council holds in a property fund. The expense has been charged to the Financing and Investment section on the Comprehensive Income and Expenditure Statement.

	Current Liabilities		Long Term Liabilities	
	2024/24 £000	2023/24 £000	2024/25 £000	2023/24 £000
Balance at 1 April	249	300	997	1,233
Additions/Reductions	1,915	(43)	230	(116)
Amounts used	(59)	(8)	(237)	(120)
Transferred	1	0	5	-
Balance at 31 March	2,106	249	995	997

20. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement, Note 5 Adjustments between accounting basis and funding basis under regulations and Note 6 Transfers to/from Earmarked Reserves.

21. Unusable Reserves

	31 March '25 £000	31 March '24 £000
Revaluation Reserve	32,128	31,032
Financial Instruments Revaluation Reserve	(132)	(2,160)
Capital Adjustment Account	51,445	57,999
Deferred Capital Receipts Reserve	139	142
Pensions Reserve	(9,111)	5,250
Collection Fund Adjustment Account	(482)	491
Accumulated Absences Account	(207)	(276)
Total Unusable Reserves	73,780	92,478

Revaluation Reserve

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

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

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

	2024/25		2023/24
	£000	£000	£000
Balance at 1 April		31,032	20,815
Downward revaluation of assets	10,150		10,647
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(8,500)		
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		1,650	10,647
Difference between fair value depreciation and historical cost depreciation	(554)		(430)
Amount written off to the capital adjustment account			0
Balance at 31 March		32,128	31,032

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains/losses made by the Council arising from increases/decreases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are revalued downwards or impaired and the gains are lost or disposed of and the gains are realised.

	2024/25		2023/24
	£000	£000	£000
Balance at 1 April		(2,160)	(443)
Upward revaluation of investments			
Downward revaluation of investments not charged to the Surplus/Deficit on the provision of Services	219		(1,717)
		219	(1,717)
Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income		1,809	-
Balance at 31 March		(132)	(2,160)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 5 provides details of the source of all transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2024/25		2023/24
	£000	£000	£000
Balance at 1 April		57,999	75,629
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
· Charges for depreciation of non current assets	(3,298)		(3,002)
· Charges for depreciation on revalued assets	554		319
· Movements in the market value of investment properties	364		(740)
· Revaluation/Impairment on Property, Plant and Equipment	(10,136)		(13,680)
· Amortisation of intangible assets	(138)		(166)
· Revenue expenditure funded from capital under statute	0		(1,883)
· Revenue grants written down to the Capital Adjustment Account	1,977		3,458
· Disposal of non-current assets	0		(530)
· Minimum Revenue Position	751		600
· Adjusting amounts written out of Revaluation Reserve			(3,620)
		(9,926)	(19,244)
Capital financing applied in the year:			
· Use of the Capital Receipts Reserve to finance new capital expenditure	372		1,614
· Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	3,000		0
· Application of grants to capital financing from the Capital Grants Unapplied Account			-
· Statutory adjustment for the capital element of finance lease repayments - Refuse trucks			-
· Capital expenditure charged against the General Fund	-		0
		3,372	1,614
Balance at 31 March		51,445	57,999

Pensions Reserve

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

	2024/25 £000	2023/24 £000
Balance at 1 April	5,250	(2,862)
Actuarial gains or (losses) on pensions assets and liabilities	(15,484)	8,388
	4,265	
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement		(3,030)
	(3,142)	
Employer's pensions contributions and direct payments to pensioners payable in the year		2,754
Balance at 31 March	(9,111)	5,250

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2024/25 £000	2023/24 £000
Balance at 1 April	142	143
Transfer to the General Fund for the capital element of finance lease payments	(3)	(1)
Balance at 31 March	139	142

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Non Domestic Rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax and Non Domestic tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2024/25 £000	2023/24 £000
Balance at 1 April	491	1,857
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Non Domestic Rate income calculated for the year in accordance with statutory requirements	(973)	(1,366)
Balance at 31 March	(482)	491

Accumulated Absences Account

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

	2024/25 £000	2023/24 £000
Balance at 1 April	(276)	(205)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	69	(71)
Balance at 31 March	(207)	(276)

22. Nature of Expenses Disclosure

	2024/25 £'000	2023/24 £'000
Employee Benefits Expenses	18,256	17,415
Other Service Expenses	27,366	28,164
Housing Benefits Transfer Payments	21,333	22,705
Depreciation, amortisation and impairment	13,729	19,718
Precepts and levies	6,045	5,351
Interest payments	2,368	541
Changes in fair value of Investment Properties	-	740
Minimum revenue Provision	751	600
Loss on disposal on non current assets	-	-
Net interest on the net defined benefit liability & remeasurement of the defined benefit liability for long term employee benefits	-	188
Other Expenditure	1,857	-
Total Expenditure	91,705	95,422
Net interest on the net defined benefit liability & remeasurement of the defined benefit liability for long term employee benefits	(491)	0
Fees charges and other service income	(23,939)	(23,894)
Government grants	(32,529)	(32,958)
Interest and investment income	(1,730)	(1,774)
Income from council tax and non-domestic rates	(17,933)	(17,399)
Gain on disposal of non current assets	(372)	(974)
Changes in fair value of Investment Properties	(364)	0
Recognised capital grants and contributions	(1,977)	(3,423)
Total Income	(79,335)	(80,422)
(Surplus)/Deficit on Provision of Services	12,371	15,000

23. Jointly Controlled Operations

The Council operates four services under a 'Jointly Controlled Operation' arrangement:

- Revenues and Benefits Service, with Stevenage Borough Council which commenced on 1st August 2011
- IT Services, with Stevenage Borough Council, which commenced on 1 August 2013
- Waste and Street Cleansing Service, with North Herts District Council, which commenced on 8 May 2018 and
- Hertfordshire CCTV partnership, with Stevenage Borough Council, North Hertfordshire Council, East Hertfordshire Council and Hertsmeire Borough Council. Each member of the arrangement accounts for their share of the asset, liabilities and cash flows of the CCTV in their own accounts. This is considered de minimis and not included in the table below.

The Council is lead authority for the Revenues and Benefits shared service and Stevenage is lead for the Business and Technology service and North Herts is lead for the Waste and Street Cleansing service. All three arrangements are governed by separate Joint Partnership Boards comprising of Council officers. Each authority has equal representation on both Boards. These Boards report to each Authority's Executive Committee. The Revenues and Benefits Shared Service also operates a joint Committee with equal numbers of Councillors from both Authorities to scrutinise the operational management of the service.

In line with the Accounting Code of Practice this arrangement is accounted for as a jointly controlled operation. A jointly controlled operation uses the assets and resources of the two partner councils without the establishment of a separate legal entity. Under these arrangements each council accounts separately for its own transactions including use of assets, liabilities, income, expenditure and cash flows.

This note sets out details of the income & expenditure of the joint arrangements and the apportionments between the councils in accordance with the agreement entered into. For information purposes only and where relevant, other notes to the accounts show amounts relating to these arrangements.

	2024/25			2023/24		
	Waste and Street Cleansing Service £000	IT Services £000	Revenues & Benefits Service £000	Waste and Street Cleansing Service £000	IT Services £000	Revenues & Benefits Service £000
Expenditure						
Employees	592	1,763	3,531	528	1,695	3,726
Transport Related Expenses	7	33	9	20	30	12
Supplies and Services	30	1,952	315	24	1,740	286
Support Services	-	469	1,354	-	468	1,034
Total Expenditure	630	4,217	5,209	572	3,933	5,058
Income						
Stevenage Borough Council	-	2,536	2,086	-	1,834	2,117
East Herts District Council	313	1,681	3,123	276	2,099	2,941
North Herts District Council	317	-	-	296	-	-
Total Income	630	4,217	5,209	572	3,933	5,058
Net Expenditure	-	-	0	-	-	-

The contribution made by the Council has been incorporated into the Comprehensive Income and Expenditure Statement in the Net Costs of Service.

Additionally the Council partnered with 7 other local authorities across Hertfordshire to create a new fully integrated building control service, which was launched in August 2016. An additional local authority joined in 2019, so eight local authorities have equal control. The Council holds 13% of the share capital (£58) and is represented on the board. The company aims to provide a more flexible and efficient response to building control issues across the county. In 2016/17 the Council made a loan to the company of £107k, which is held under Long Term Debtors on the balance sheet.

24. External Audit Costs

This note discloses the amounts that East Herts Council has paid to its external auditors for work carried out in performing statutory functions and in providing any additional services.

In 2024/25 East Herts Council incurred the following fees relating to external audit and inspection:

	2024/25 £000	2023/24 £000
Fees payable to Azets with regard to external audit services carried out by the appointed auditor	165	165
Fees payable to Azets for the certification of grant claims and returns	28	28
Prior Year additional fees	-	0
	193	193

25. Members Allowances

The total payments made to elected Members of East Herts Council, under its Members' Allowance Scheme for the year ending 31 March, was as follows:

	2024/25 £000	2023/24 £000
Basic Allowances	284	284
Special Responsibility Allowances	146	144
Travel and Subsistence expenses	1	2
	431	430

A full disclosure of payments is available on the Council's website.

26. Officer Emoluments

The number of employees, excluding senior officers disclosed in note 28, whose remuneration, was £50,000 or more in bands of £5,000 are shown below. The previous year has been restated to exclude officers disclosed in note 28.

Remuneration Band	Number of Employees	
	2024/25 Total	2023/24 Total
£50,000 to £54,999	18	12
£55,000 to £59,999	11	6
£60,000 to £64,999	6	2
£65,000 to £69,999	5	8
£70,000 to £74,999	2	-
£75,000 to £79,999	-	-
£80,000 to £84,999	-	1

27. Exit Packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other departures are set out in the table below.

Exit package cost band (including special payments)	Number of Redundancies		Number of other departures		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24
£							£	£
0-20,000	2	4	6	4	8	8	66,017	104,450
20,001-40,000	2	-	-	1	2	1	62,249	33,807
40,001-60,000	1	2	-	-	1	2	48,585	90,838
60,001-80,000	-	-	-	-	-	-	-	-
80,001-100,000	-	-	1	-	1	-	91,873	-
100,001-150,000	-	-	-	-	-	-	-	-
Total	5	6	7	5	12	11	268,724	229,095

28. Senior Officer Remuneration

An additional disclosure is required for Senior Officer's Remuneration (the Chief Executive and those reporting directly to the Chief Executive), whose salary is more than £50,000 per year:

	Salary (inc expense allowance) £	Expenses Allowances £	Total Remuneration excluding pension contributions £	Pension Contributions £	Total Remuneration including pension contributions £
2024/25					
Chief Executive - Left part way through the year	60,978	-	60,977.67	11,864	72,841.23
Deputy Chief Executive	123,789	-	123,789.05	24,510	148,299.30
Interim Head of Revenues & Benefits Shared Service	66,290	-	66,289.74	13,126	79,415.63
Head of HR & Organisational Development - Started from June 2024	58,239	-	58,239.33	11,531	69,770.73
Head of Strategic Finance & Property - Left part way through the year	61,876	-	61,876.26	12,252	74,127.76
Interim Head of Strategic Finance & Property (Agency) - Nov 24 - April 25	78,216	-	78,216.00	-	78,216.00
Head of Communications, Strategy & Policy	85,355	-	85,355.01	16,703	102,057.93
Head of Legal & Democratic Services	92,243	-	92,242.97	18,264	110,507.07
Head of Housing & Health	86,758	-	86,758.01	17,178	103,936.13
Head of Operations - Left towards the end of the year	75,264	-	75,263.98	-	75,263.98
Head of Planning & Building Control	82,243	-	82,243.01	16,284	98,527.01
2023/24					
Chief Executive	130,728	-	130,728	25,884	156,612
Deputy Chief Executive	109,672	-	109,672	21,715	131,387
Head of Revenues & Benefits Shared Service	65,172	-	65,172	12,904	78,076
Head of HR & Organisational Development - left part way through the year	28,692	-	28,692	5,388	34,080
Head of Strategic Finance & Property	85,237	-	85,237	16,877	102,114
Head of Communications, Strategy & Policy	82,301	-	82,301	16,296	98,597
Head of Legal & Democratic Services	88,271	379	88,650	17,478	106,128
Head of Housing & Health	82,301	-	82,301	16,296	98,597
Head of Operations - on maternity leave for part of the year	32,183	-	32,183	-	32,183
Head of Planning & Building Control	82,925	-	82,925	15,498	98,422

29. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2024/25:

	2024/25 £000	2023/24 £000
Credited to Taxation and Non Specific Grant Income		
Council Tax	18,845	17,722
Non-Domestic Rates & Section 31 Business Rate Support	4,844	4,780
New Homes Bonus	1,697	931
Other Capital Grants	1,977	3,423
Other Revenue Grants	625	1,265
Renewable Energy	91	70
	28,079	28,191
Credited to Services		
<u>Grants</u>		
DWP	22,010	23,386
DCLG	2,286	1,846
DEFRA	27	154
Home Office	65	194
Office of National Statistics	-	-
Department of Education	15	9
	24,403	25,589
<u>Other Contributions</u>		
Contributions from Other Authorities*	3,570	3,555
Income from Other Bodies	2,097	1,466
	5,667	5,021

* includes the contribution from Stevenage Borough Council for the Shared Revenues and Benefits Service

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the funding body if not used for the purpose provided. The balances at year end are as follows:

	2024/25 £000	2023/24 £000
Grants Receipts in Advance		
Capital		
Other Capital Grants	1,869	411
Developer Contributions	1,999	1,655
	3,868	2,066
Revenue		
Developer Contributions	5,915	5,609
Other Revenue Grants	278	314
	6,193	5,923

30. Related Party Transactions

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

Related parties to this authority would include:

Central government; local authorities and other bodies precepting or levying demands on the Council Tax; its members; its chief officers; and its pension fund. Members of close family, or the same household of an individual identified as a related party are also assumed to be related parties.

All significant material transactions with related parties, such as parish precepts, precepts, pension fund contributions etc, have been disclosed in the Comprehensive Income and Expenditure Statement.

The UK government exerts significant influence through legislation and grant funding, which has been disclosed in the Comprehensive Income and Expenditure Statement.

Four senior officers of the Council held a position of director at Millstream Property Investments Ltd in 2024/25, a company wholly-owned by East Herts. The Council has advanced loans to this company and receives annual income of £140k in interest.

A senior officer of the Council held a position of Director at Hertfordshire CCTV Partnership Ltd. The Council paid this company £9k during 2024/25

A number of District Council members are also members of Town and Parish Councils that receive funding from this Council. Precept payments are disclosed in the Comprehensive Income and Expenditure Statement. Any grants made to these bodies were made with proper consideration of declarations of interest.

Hertfordshire County Council is a related party in respect of various transactions including pension's contributions and precepts. Additionally they act as the "accountable body" for the Hertfordshire Local Area agreement.

Shown in the Balance Sheet are totals for debtors and creditors which represent amounts due to or from related parties. The principal year end balances with related parties included in these totals are shown within Notes 15 & 18.

31. Capital Expenditure and Capital Financing

	2024/25 £000	2023/24 £000
Opening Capital Financing Requirement	60,939	40,065
Capital investment		
Property, Plant & Equipment	435	507
Infrastructure	345	73
Community Assets	895	1,723
Intangible Assets	199	74
Assets Under Construction	4,727	21,303
Revenue Expenditure Funded from capital under Statute	84	1,883
Surplus	40	-
Capitalisation of interest	340	1,017
Sources of finance		
Capital receipts	(372)	(1,615)
Government grants and other contributions	(1,977)	(3,458)
Sums set aside from Revenue:		
Direct revenue contributions	(3,098)	(33)
Minimum Revenue Provision	(751)	(600)
Loan/ finance lease principal repayments		
Closing Capital Financing Requirement	61,806	60,939
Explanation of movements in year		
Increase in underlying need to borrowing (unsupported by government financial assistance)	(867)	(20,874)
Decrease in Surplus in Capital Resource	(867)	(20,874)

32. Leases

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

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment (embedded leases) are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as a Lessor

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

Depreciation is applied in the year of acquisition.

The Council is not required to raise council tax to cover depreciation, impairment and gains and losses on revaluation arising on leased assets. Any such costs that have been charged to the Surplus or Deficit on the Provision of Services are not proper charges to the General Fund. Such amounts are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Operating Leases

Rents paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease.

The Council as a Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

Operating Leases

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

Finance leases

As at 31 March 2025, the Council did not hold any leases that fell into the category of a finance lease.

Council as a lessee

Operating leases

The Council leases the Buntingford Service Centre.

The future minimum lease payments due under non-cancellable leases in future years are:

	31 March '25 £000	31 March '24 £000
Not later than one year	300	300
Later than one year and not later than five years	1,200	1,200
Later than five years	3,900	1,200
	5,400	2,700

The expenditure charged to Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2024/25 £000	2023/24 £000
Minimum lease payments	300	300
Lease payments receivable	-	-
	300	300

Council as a lessor

Finance leases

The Council leases out Pindars Lodge.

Following the introduction of IFRS 1 and this asset's transfer from an operating lease to finance lease, a lease term of 50 years from March 1997 was set.

The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	2024/25 £000	2023/24 £000
Finance lease debtor as at 31 March	139	142
Unearned finance income	167	179
Gross investment in lease as at 31 March	306	321

The gross investment in the lease which are the minimum lease payments, will be received over the following periods:

	Gross investment in lease 31 March '25 £000	Gross investment in lease 31 March '24 £000
Not later than 1 year	14	14
Later than 1 year and not later than 5 years	56	56
Later than 5 years	236	251
	306	321

Operating Leases

The council receives income from a variety of properties ranging from Industrial and Commercial ground leases, to a small number of commercial premises including shops and other miscellaneous properties. Each is subject to individual agreements and reviews. The terms are dependent upon a number of criteria; the corporate priorities of the Council, options that are available, historic and legal agreements. The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March '25 £000	31 March '24 £000
Not later than one year	1,542	1,346
Later than 1 year and not later than 5 years	4,826	5,136
Later than 5 years	64,455	58,156

33. Pension Scheme

As part of the terms and conditions of employment the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until the employee retires, the Council has a commitment to disclose them at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme which is administered by Hertfordshire County Council. This is a funded defined benefit scheme which means that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets in the long term. Under the Scheme members' retirement benefits are not affected by the Fund's performance.

Pension contributions are based on rates determined by the Fund's professionally qualified actuary based on triennial reviews. The most recent review was undertaken in January 2022. A review is being undertaken in 2025/26.

Transactions Relating to Post Employment benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge the Council is required to make against council tax is based on the cash payable in the year, the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves during the year.

	2024/25 £000	2023/24 £000
Comprehensive Income & Expenditure Statement:		
<i>Service Cost comprising:</i>		
Current service cost	2,276	2,457
Past Service Cost	85	108
<i>Financing and Investment Income and Expenditure</i>		
Net Interest Expense	(491)	131
Total post employment benefit charged to surplus or deficit on the provision of services	1,870	2,696
<i>Other post employment benefit credited to the Comprehensive Income and Expenditure Statement</i>		
<i>Remeasurement of the net defined benefit liability comprising:</i>		
Return on plan assets (excluding the amount included in net interest expense)	5,891	(5,393)
Actuarial gains/(losses) arising on changes in demographic assumptions	(16,245)	(5,790)
Actuarial gains/(losses) arising on changes in financial assumptions	(2,172)	(812)
Other actuarial gains or losses	(843)	3,972
Impact of asset ceiling	28,853	0
Total post employment benefits charged to the Comprehensive Income and Expenditure Statement	15,484	(8,023)
Movement in Reserve Statement		
Reversal of net charges made to the surplus or deficit on the provision of services for post employment benefits in accordance with the code		
<i>Actual amount charges against the general fund balance for pensions in the year:</i>		
Employers contributions payable to scheme	2,982	2,680

Pensions Assets and Liabilities recognised in the Balance Sheet

	2024/25 £000	2023/24 £000
Opening Fair Value of scheme assets	133,020	123,799
Interest income	6,626	5,833
Remeasurement gain/(loss):		
Other Experience		
Return on plan assets, excluding the amount included in the net interest expense	(5,891)	5,393
Contributions from employer	2,992	2,786
contributions from employees into the scheme	784	739
Benefits paid	(5,427)	(5,530)
31 March	132,104	133,020

Reconciliation of present value of scheme liabilities

Balance at 1 April	127,769	126,661
Current service cost	2,276	2,457
Past service cost	85	108
Interest cost	6,135	5,964
Contributions by scheme participants	784	739
<i>Remeasurment (gain) and losses:</i>		
Actuarial gains/(losses) arising on changes in demographic assumptions	(16,245)	(5,790)
Actuarial gains/(losses) arising on changes in financial assumptions	(2,172)	(812)
Other actuarial gains or losses	(843)	3,972
Benefits paid	(5,427)	(5,530)
31 March	112,362	127,769

	2024/25 £000	2023/24 £000
Scheme history		
Present value of the defined benefit obligation	(112,362)	(127,769)
Fair value of assets	132,104	133,020
Impact of asset ceiling	(28,853)	0
Surplus/(Deficit) in the scheme	(9,111)	5,251

Impact on the net worth of the Council

Statutory arrangements for funding the deficit means that the financial position of the Council remains healthy as:

the deficit on the Local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the pension scheme by the Council in the year to 31 March 2026 is £2.927m (£2.743m to 31 March 2025).

A breakdown of the Fund's assets including the prior financial year comparator is detailed below:

Asset breakdown	As at 31 March 2025		As at 31 March 2024	
	Total	% of Total Assets	Total	% of Total Assets
	£000	%	£000	%
Equities	78,905	60	79,025	59
Bonds	29,901	22	29,222	22
Property	19,990	15	16,029	12
Cash	3,308	3	8,744	7
Total	132,104	100	133,020	100

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Hertfordshire County Council Fund liabilities have been assessed by Hymans Robertson LLP (to 31 March 2024) and Barnett Waddingham (from 1 April

The principal assumptions used by the actuary have been:

	31 March '25	31 March '24
Long-term expected rate of return on assets in the scheme:		
Equity investments	2.5%	2.5%
Bonds	2.5%	2.5%
Property	2.5%	2.5%
Cash	2.5%	2.5%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.2 years	22.0 years
Women	24.1 years	24.5 years
Longevity at 65 for future pensioners:		
Men	21.9 years	22.8 years
Women	25.5 years	26.0 years
Rate of inflation/ Pension increase	2.9%	2.8%
Rate of increase in salaries	3.9%	3.3%
Discount Rate	5.8%	4.80%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes at each change that the assumption analysed changes while all the others remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme ie. on an actuarial basis using the projected cost method. The methods and types of assumptions used in preparing the sensitivity analysis did not change from those used in the previous period

Change in assumptions as at 31 March 2025:	Approximate %
Longevity (increase or decrease in 1 year)	4%
0.1% decrease in real discount rate	2%
0.1% increase in the salary increase rate	0%
0.1% increase in the Pension increase rate	2%

Impact on the Council's Cashflow

The objectives of the scheme is to keep employer contributions at as constant a rate as possible. The Council has agreed a strategy with the schemes actuary, to achieve a funding level of 100% over the next 25 years. Funding levels are monitored on an annual basis.

34. Nature and Extent of Risks arising from Financial Instruments

Key Risks

The Council's activities expose it to a variety of financial risks. The key risks are:

- ▣ **Credit risk** the possibility that other parties might fail to pay amounts due to the Council;
- ▣ **Liquidity risk** the possibility that the Council might not have funds available to meet its commitments to make payments;
- ▣ **Re-financing risk** the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- ▣ **Market risk** the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates or stock market movements.

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect and maximise (given the identified level of risk) the financial resources available to fund services. The Council in the annual Treasury Management Strategy Statement provides written principles for overall risk management, as well as written policies (covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash).

1 Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

This Council uses the creditworthiness service provided by Arlingclose. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- Credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings;
- Sovereign ratings to select counterparties from only the most creditworthy countries.

The full Investment Strategy for 2024/25 was approved by Full Council on 28 February 2024 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Authority's maximum exposure to credit risk in relation to its investments in financial institutions cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2025 that this was likely to crystallise.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

Accounts Receivable

The Council does not generally allow credit facilities to customers in relationship to debts. The past due amount can be analysed by age as follows: (see policy xii)

	31 March '25 £000	31 March '24 £000
Less than three months	1,272	626
Three months to one year	318	516
More than one year	1,624	1,462
	3,214	2,604

The Council pursues all debts in line with its established debt recovery policy.

2 Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (setting and approval of prudential indicators and the approval of the treasury and investment strategy reports, as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to variety of short term borrowings from either the money markets to cover any day to day cashflow need. The PWLB and money markets provides the council access to long term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments

See Financial instruments Note 12

3 Refinancing and Maturity Risk

The Council maintains a debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

4 Market Risk

Interest rate risk

The Council is exposed to fluctuations in interest rate movements on its borrowings and investments. Fluctuations in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains or losses on fixed rate may have an impact on the Income and Expenditure account. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance. Movements in the fair value of fixed rate investments will be reflected in the Comprehensive Income & Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rates exposure. The treasury team regularly monitors money market and often forecast interest rates within the year to adjust exposures accordingly. For instance during periods of falling interest rates, where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

With low interest rates generally prevailing, the Council has an interest equalisation reserve that assists in managing interest rate fluctuations in the medium term. The balance as at 31 March 2025 is £1.58m.

Based on the current Treasury Management position at 31 March 2025, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	no variable borrowings
Increase in interest receivable on variable rate investments	130
Increase in government grant receivable for financing costs	de minimus
Surplus on the Provision of Services	de minimus

Impact on Comprehensive I & E Statement

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

5 Price Risk

The Council, does not generally invest in equity shares or marketable bonds.

However, it does hold units in property funds to the value of £12.8m. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in the price of the units.

To limit its exposure to price movements the council has set a property fund investment limit of £20m, at the time of investment.

These units are all classified as Available-for-Sale, meaning that all movements in price will impact on gains and losses recognised in the Financial Instruments Revaluation Reserve. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £0.64m gain or loss being recognised in the Financial Instruments Revaluation Reserve.

6 Foreign Exchange Risk

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

The Council also has no shareholdings or insurance investment fund, therefore has no exposure to any further risks.

35. Capital Commitments

At 31 March 2025, the authority has entered into one contract for the construction or enhancement of property, plant and equipment, the major commitments are:

- New Waste Contract - The Council has entered into a new waste contract, which includes the purchase on new Waste Vehicles and Bins at an estimated cost of £7.8m.

36. Contingent Liability

The Council has identified one contingent liability which may give rise to future costs.

Following the Municipal Mutual Insurance Scheme Arrangement being "triggered" the Council has paid a total levy of £34k as at 31 March 2025. A contingent liability of around £137,913 remains in respect of potential further exposure against existing claims. Further claims could be notified.

Given the level of General Reserves held by the Council and the uncertainty of the value of the potential liabilities identified it has not been considered appropriate to make specific financial provision within the accounts at this stage.

37. Post Balance Sheet Event

There are no post balance sheet events as at 27 June 2025.

THE COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT

		2024/25			2023/24		
		£000	£000	£000	£000	£000	£000
		Council Tax	NDR	Total	Council Tax	NDR	Total
Income collectable from Council Taxpayers	Note 2	146,438	-	146,438	136,973	-	136,973
S31 S13A(1)/ (c) transfer from General Fund		4	-	4	117	-	117
Income collectable from Business Ratepayers	Note 3	-	47,028	47,028	-	41,737	41,737
Total Income		146,442	47,028	193,470	137,090	41,737	178,827
Council Tax Precepts and Demands							
Hertfordshire County Council		109,253	-	109,253	102,588	-	102,588
East Herts Council		18,697	-	18,697	17,464	-	17,464
Hertfordshire Police		16,267	-	16,267	15,206	-	15,206
Business Rates Shares:							
Payments to Government		-	25,277	25,277	-	24,780	24,780
Payments to Hertfordshire County Council		-	5,055	5,055	-	4,956	4,956
Payment to East Herts Council		-	20,221	20,221	-	19,824	19,824
Charges to Collection Fund							
Costs of Collection		-	203	203	-	202	202
Bad Debt Provision - Increase:							
Council Tax		1,095		1,095	(164)	-	(164)
Non Domestic Rates		-	231	231	-	(178)	(178)
Non Domestic Rates Appeals Provision	Note 4	-	(8)	(8)	-	(716)	(716)
Transitional Protection Payment		-	(2,849)	(2,849)	-	(7,495)	(7,495)
Disregarded Amounts		-	156	156	-	113	113
Distribution of prior years' Fund balance		2,786	643	3,429	1,351	3,869	5,220
Total Expenditure		148,098	48,929	197,027	136,445	45,355	181,800
In year Movement in Fund		1,656	1,901	3,557	(645)	3,618	2,973
Balance as at 1 April		(2,860)	(303)	(3,163)	(2,215)	(3,921)	(6,136)
Balance as at 31 March		(1,204)	1,598	394	(2,860)	(303)	(3,163)
Allocated to :							
East Herts Council		(157)	639	482	(369)	(121)	(490)
Hertfordshire Police		(136)	160	24	(322)	(30)	(352)
Hertfordshire County Council		(911)		(911)	(2,169)	-	(2,169)
Government			799	799	-	(152)	(152)
Total		(1,204)	1,598	394	(2,860)	(303)	(3,163)

NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

1. General

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund.

The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and Government of Council Tax and Non-Domestic Rates.

There is no requirement for a separate Collection Fund Balance sheet, as the assets and liabilities of the fund belong to the various bodies and Government.

In 2013/14 the local government finance regime was revised with the introduction of the Retained Business Rates scheme. The main aim of the scheme is to give Council's a greater incentive to grow businesses in the district. It does, however, also increase the financial risk to the Council due to non collection and the volatility of the NDR tax base.

The retained income scheme allows the Council to retain a proportion of the total NDR income received. The Council's share is 40% with the remainder being split between Hertfordshire County Council (10%) and Government (50%).

2. Council Tax

The Council's tax base i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of Band D dwellings, is calculated as follows:-

The tax base for 2024/25 was approved at Full Council on 13 December 2024 and was calculated as follows:

Band	Estimated no. of taxable properties after effect of discounts	Ratio	Band D Equivalent dwellings
Disa A	0.00	5/9	0.00
A	703.30	6/9	468.87
B	4,394.89	7/9	3,418.25
C	12,882.07	8/9	11,450.73
D	14,547.52	9/9	14,547.52
E	11,058.35	11/9	13,515.76
F	7,692.88	13/9	11,111.94
G	5,647.61	15/9	9,412.68
H	802.44	18/9	1,604.88
	57,729.06		65,530.63
Estimated collection rate			98.9%
2024/25 Estimated Council Tax base			64,809.7
Council Tax Collection			£000
2024/25 estimated Council Tax due			144,217
64,809.7 x £2,225.24 (average band D charge)			
2024/25 Council Tax income			146,442
Surplus			(2,225)

3. Income from Business Ratepayers

The Council collects non-domestic rates for its area which are based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by the standard multiplier, which for 2024/25 was 54.6p (2023/24 51.2p) or the small business multiplier, which for 2024/25 was 49.9p (2023/24 49.9p)

The total amount less certain reliefs and allowances is distributed to East Herts Council (40%), Hertfordshire County Council (10%) and Central Government (50%).

When the Retained Business Rates scheme was introduced, the Government set a baseline for each authority identifying the funding required. In order to ensure that each authority receives their base line amount, a top up or tariff amount is applied to each local authority.

East Herts is a tariff authority, which means that it doesn't keep its entire share but is subject to pay a tariff (£19.675m in 2024/25) to Central Government which is when used to fund 'top up' authorities.

The business rates retention scheme provides the opportunity for local authorities to share in the benefits of growth in the rates tax base i.e. provides an incentive for economic development and regeneration. Any income retained from growth is subject to a levy of 50%. Conversely if any Council suffers a significant drop in NNDR due to the loss of one or more major businesses, or a large number of smaller businesses, or a greater than expected loss from revaluations, then a safety net of 92.5% of the baseline applies.

4. Provisions

The Collection Fund account includes provisions for bad debts on arrears based on past years experience and the current years collection rate.

	2024/25			2023/24		
	£000 Council Tax	£000 NDR	£000 Total	£000 Council Tax	£000 NDR	£000 Total
Balance at 1 April	(3,613)	(1,594)	(5,207)	(4,012)	(2,099)	(6,111)
Additional provisions made in year	(1,152)	(231)	(1,383)	114	178	292
Provision applied	402	363	765	285	327	612
Balance at 31 March	(4,363)	(1,462)	(5,825)	(3,613)	(1,594)	(5,207)

In addition, a provision has been made for NDR appeals against the rateable valuations assessed and determined by the Valuation Office Agency (VOA) which have not been settled by 31 March 2025.

	2024/25 £000	2023/24 £000
Balance at 1 April	(3,116)	(3,832)
Change in provisions made	(288)	396
Provision applied in year	296	320
Balance at 31 March	(3,108)	(3,116)

Group Accounts

Introduction

In order to provide a full picture of the economic and financial activities of the Council, and its exposure to risk, the accounting statements of its subsidiary are consolidated with those of the Council. The resulting Group Accounts are presented in addition to the Council's single entity accounts. They include the core accounting statements, similar in presentation and purpose to the Council's accounts, and any explanatory notes considered necessary to explain material movements from the single entity accounts. Where no notes are given, users of the accounts should refer to the notes in the single entity accounts.

Group accounts have been prepared under the requirements of the Code of Practice on Local Authority Accounting, consolidating any subsidiary over which the Council exercises control or influence.

Millstream Property Investments Ltd, is a wholly owned company formed in February 2018 by the Council. There are no minority shareholders and no restrictions on the Council's ability to access or use the assets or settle the liabilities of the group.

Millstream Property Investments Ltd was created to acquire, develop and refurbish homes to provide rental properties to tenants wishing to live in the private sector, but with the assurance that the accommodation is managed by a responsible landlord.

Acting as Millstream's sole shareholder, the Council agreed on 26th February 2025, to use its reserved power under the Shareholder Agreement with the company to resolve that the company disposes of its properties. Disposal will commence in 2025/26.

Accounting Policies

Millstream Property Investments Ltd has prepared its 2024/25 accounts using accounting policies consistent with those applied by the Council and no adjustments have been required to align accounting policies. Both entities have a financial year end of 31 March.

GROUP MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (ie those that can be applied to fund expenditure or reduce taxation) and other reserves.

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves	Share of Reserves of Subsidiaries	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2024	3,854	22,016	0	189	26,058	92,478	118,536	2,209	120,745
Movement in reserves during 2024/25									
Total Comprehensive Income and Expenditure	(12,214)	-	-	-	(12,214)	(11,045)	(23,259)	(183)	(23,442)
Tax expenses for Millstream Property Investment		0	0	0	0	0	0	0	0
Adjustments between group accounts and authority accounts		-157	0	0	-157	0	-157	157	0
Adjustments between group accounts and authority accounts		7653	0	0	7,653	-7653	0	0	0
Net Increase/Decrease before Transfers	(12,214)	7,496	0	0	(4,718)	(18,698)	(23,416)	(26)	(23,442)
Transfers to/(from) Earmarked Reserves	4,718	(4,718)	-	-	-	-	-	-	-
Increase/Decrease in Year	- 7,496.00	2,778.00	-	-	- 4,718	- 18,698	- 23,416	- 26.00	- 23,442
Balance as at 31 March 2025 carried forward	(3,642)	24,794	-	189	21,340	73,780	95,120	2,183	97,303

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

	2024/25		2023/24	
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Net Expenditure £000
Chief Executive, PA's & Directors	543	0	543	563
Communications, Strategy & Policy	3,952	(1,957)	1,995	1,512
Human Resources & Organisation Development	592	(15)	577	611
Strategic Finance & Property	6,145	(1,659)	4,486	5,077
Democratic & Legal Services	2,019	(454)	1,565	1,692
Housing & Health	4,407	(2,143)	2,264	3,305
Planning & Building Control	4,475	(2,111)	2,364	2,676
Operations	30,097	(14,566)	15,531	20,055
Shared Revenues & Benefits Service	25,349	(24,474)	875	973
Shared Business & Technology Services	2,778	(446)	2,332	2,239
NET COST OF SERVICES	80,357	(47,825)	32,532	38,703
Payments of precepts to parishes			6,045	5,351
Gain on disposal of non current (fixed) assets			(372)	(974)
Minimum Revenue Provision			751	600
OTHER OPERATING EXPENDITURE			6,424	4,977
Interest payable and similar charges			2,369	541
Net Interest on the net defined benefit liability & remeasurements of the defined benefit liability for long term employee benefits			(491)	189
Interest receivable and similar income			(1,588)	(1,633)
Income from investment properties		<i>Note 1</i>	(703)	(763)
Direct expenditure incurred on investment properties		<i>Note 1</i>	434	447
Changes in Fair Value of Investment Properties			(364)	899
Other Investment			1,857	-
FINANCING AND INVESTMENT EXPENDITURE			1,514	(320)
Recognised capital grants and contributions			(1,977)	(3,423)
Council tax income			(18,844)	(17,722)
Non domestic rates			911	322
Non service related government grants			(8,078)	(7,298)
Renewable Energy			(91)	(70)
TAXATION AND NON-SPECIFIC GRANT INCOME			(28,079)	(28,191)
(SURPLUS) / DEFICIT ON PROVISION OF SERVICES			12,391	15,169
Millstream Capital contribution			0	0
Tax expenses of subsidiaries			0	(43)
GROUP (SURPLUS)/DEFICIT			12,391	15,126
(Surplus) or Deficit on revaluation of PPE assets			(1,762)	(12,637)
Remeasurements of the net defined benefit liability			14,835	(7,656)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE (SURPLUS) OR DEFICIT ON PROVISION OF SERVICES			13,073	(20,293)
(Surplus) / Deficit on revaluation of financial instruments			(2,028)	1,717
ITEMS THAT MAY BE RECLASSIFIED TO THE (SURPLUS) OR DEFICIT ON PROVISION OF SERVICES			(2,028)	1,717
Millstream Other Operating Income			0	0
OTHER COMPREHENSIVE INCOME AND EXPENDITURE			11,045	(18,576)
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE			23,436	(3,450)

All operations arise from continuing activities.

GROUP BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council.

		31 March '25	31 March '24
		£000	£000
Property, Plant & Equipment			
- Other land and buildings		110,754	89,854
- Vehicles, plant, furniture and equipment		1,936	1,884
- Infrastructure assets		1,270	1,140
- Community assets		7,481	6,625
- Surplus assets		1,739	4,886
- Assets under Construction		3,595	31,328
		126,775	
Investment Properties		9,799	13,360
Intangible Assets		259	199
		136,833	149,276
Long Term Investments		11,524	17,838
Long Term Debtors	Note 2	246	1,905
TOTAL LONG TERM ASSETS		148,603	169,019
Assets Held For Sale		12,294	4,441
Short Term Investments		2,942	6,500
Short Term Debtors	Note 2	16,415	12,244
Cash and Cash Equivalents		21,361	4,249
CURRENT ASSETS		53,012	27,434
Provisions		(2,106)	(249)
Short Term Creditors	Note 2	(17,655)	(18,234)
Short Term Borrowing		(63,000)	(52,120)
CURRENT LIABILITIES		(82,761)	(70,603)
Provisions		(1,066)	(1,068)
Long Term Borrowing		(1,500)	(1,500)
Long Term Creditors	Note 2	187	-
Net Pension Liability		(9,111)	5,266
Grant Receipts in Advance	- Capital	(3,868)	(2,066)
	- Revenue	(6,193)	(5,923)
LONG TERM LIABILITIES		(21,551)	(5,291)
NET ASSETS		97,303	120,559
USABLE RESERVES			
- General Fund		3,854.00	3,854
- Earmarked Reserves		17,297.00	22,015
- Capital Receipts Reserve		-	0
- Capital grants Unapplied		189.00	189
- Profit and Loss Reserve	Note 3	528.00	367
		21,868	26,425
UNUSABLE RESERVES			
- Revaluation Reserve		32,128	31,032
- Financial Instrument Revaluation Reserve		(132)	(2,160)
- Pensions Reserve		(9,111)	5,250
- Capital Adjustment Account		51,445	58,000
- Deferred Capital Receipts		139	142
- Collection Fund Adjustment Account		(482)	491
- Short-term Accumulating Compensated Absences Account		(207)	(276)
- Share capital		1,655	1,655
		75,435	94,134
TOTAL RESERVES		97,303	120,559

GROUP CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period.

	2024/25		2023/24
	£000	£000	£000
OPERATING ACTIVITIES			
Cash Inflows			
Council Tax receipts	(13,856)		(12,985)
NNDR Receipts	(19,172)		(16,025)
DWP grants for benefits	(21,137)		(24,370)
Other Government grants	(10,840)		(9,330)
Cash received for goods and services	(29,410)		(18,628)
Interest received	(1,685)		(1,633)
Cash inflows generated from operating activities	(96,100)		(82,971)
Cash Out Flows			
Cash paid to and on behalf of employees	16,981		15,754
Housing Benefit paid out	21,333		22,705
Other operating cash payments	30,418		40,282
Precepts paid to other authorities	6,045		5,351
Interest paid	2,845		1,165
Cash outflows generated from operating activities	77,622		85,257
Net Cash Inflow from operating activities		(18,478)	2,286
INVESTING ACTIVITIES			
- Purchase of property plant and equipment, investment property and intangible assets	3,926		24,149
- Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(206)		(1,722)
- Capital grants	(2,262)		(3,917)
- Proceeds from short-term and long-term investments	(7,056)		(4,000)
Net cash inflow from investing activities		(5,598)	14,510
FINANCING ACTIVITIES			
- Cash Payments for the reduction of the outstanding liabilities relating to finance leases (Principal)	(10,880)		(18,500)
- Other payments for financing activities	17,813		6,405
Net cash outflow from financing activities		6,933	(12,095)
Net decrease in cash and cash equivalents		(17,143)	4,701
Cash and cash equivalents at the beginning of the reporting period		(4,224)	(8,925)
Cash and cash equivalents at the end of the reporting period		(21,367)	(4,224)

Note 1 - Investment Property

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

	31 March '25			31 March '24		
	£000	£000	£000	£000	£000	£000
	East Herts District Council	Millstream Property Investments Ltd	Group total	East Herts District Council	Millstream Property Investments Ltd	Group total
Income from investment property	501	271	772	(501)	(263)	(764)
Direct expenditure arising from investment property	- 364 -	30	(394)	364	30	394

Note 2 - Debtors and Creditors

The effect of transactions between the Council and its subsidiary Millstream Property Investments Ltd are eliminated in Group Accounts, therefore debtors and creditors between these parties have been excluded.

Note 3 - Financial Instruments

IFRS 9 requirement is to consider whether loans are made under market terms, especially those made between related parties.

During the year Millstream Property Investments Ltd did not receive any loans from its parent company East Herts Council. However loans were advanced to Millstream by the parent company in 2019/20 and 2020/21 but were deemed at below market rate as there was no interest charged.

Note 4 - Summary of Financial Position of Subsidiary

Millstream Property Investments Ltd has been consolidated in the group accounts as a 100% owned subsidiary. The summary of financial position of the company is shown below:

Statement of comprehensive income and expenditure	31 March 2025 £000	31 March 2024 £000
Revenue	271	263
Cost of sales	(41)	(60)
Gross profit	230	203
Administrative expenses	(68)	(66)
Other operating income	-	0
Operating profit	162	137
Interest payable	(188)	(148)
Other gains losses	-	(159)
Profit/(Loss) on ordinary activities before taxation	(26)	(170)
Tax on profit/(loss)	-	43
Profit/(Loss) and total comprehensive income for the financial year	(26)	(127)

Statement of financial position	31 March 2025 £000	31 March 2024 £000
Non current assets		
Investment properties	5,507	5,507
Current assets		
Trade debtor	3	3
Cash and Cash equivalents	67	93
Total Assets	5,577	5,603
Current liabilities		
Trade creditor	225	225
Non current liabilities		
Loans	3,097	3,097
Provision for liabilities	71	71
Total liabilities	3,393	3,393
Net Assets/Liabilities	2,184	2,210
Equity		
Share capital	1,656	1,656
Retained earnings	528	554
Total equity	2,184	2,210

GLOSSARY OF FINANCIAL TERMS

Accounting Policies

Those principles, bases, conventions, rules and practices applied by the Council that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- Recognising;
- Measuring bases;
- Presenting.

Accruals

Accruals The concept that Income & Expenditure are recognised as they are earned or incurred, not as money is received or paid.

Accumulated Absences

Accumulated Absences Holiday entitlements (or any form of leave such as time off in lieu) earned by employees but not taken before the year end which can be carried forward into the following year.

Actuarial Gains and Losses

Changes in the net pensions liability that arise because

- events have not coincided with assumptions made at the last actuarial valuation, or
- the actuarial assumptions have changed

Amortisation

The term used to refer to the charging of the value of a transaction or asset (usually related to intangible fixed assets) to the Income and Expenditure Account over a period of time, reflecting the value to the authority; similar to the depreciation charge for tangible fixed assets.

Asset

An item having value measurable in monetary terms. Assets can either be defined as fixed or current. A fixed asset has use and value for more than one year whereas a current asset (eg stocks or short term debtors) can readily be converted into cash.

Capital Expenditure

Capital Expenditure Expenditure on the acquisition of a fixed asset or works which have a long term value to the Council, either directly to the Council or indirectly in the form of grants to other bodies.

Capital Financing Requirement

It measures an authority's underlying need to borrow or finance by other long term liabilities for a capital purpose.

Capital Receipts

The proceeds from the disposal of land and other assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by government, but they cannot be used for revenue purposes.

CIPFA

CIPFA Chartered Institute of Public Finance and Accountancy. The principal accountancy body dealing with local government finance.

Code of Practice on Local Authority Accounting (The Code)

Code of Practice on Local Authority Accounting sets out the arrangements required to be followed in the Statement of Accounts. It constitutes 'proper accounting practice' and is recognised as such by statute.

Community Assets

Assets that a local authority intends to hold indefinitely, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Consistency

The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

Contingent Asset

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the Council's control.

Contingent Liability

A contingent liability is a possible liability arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the local authority's control.

Creditor

An amount owed by the Council for work done, goods received, or services provided within the accounting period and for which payments has not been made at the Balance Sheet date.

Current Service Cost (Pensions)

The increase in liabilities as a result of years of service earned this year.

Curtailment

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

Curtailments include:

- Termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business;
- Termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Debtor

Sums of money due to the Council but not yet received at the Balance Sheet date.

Deficit

An excess of expenditure over income (or liabilities over assets).

Defined Benefit Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Depreciation

Charges reflecting the decline in the value (not cost) of assets as a result of their usage or ageing.

DEFRA

Department for Environment, Food and Rural Affairs.

DWP

Department for Work & Pensions.

Expected Rate of Return on Pensions Assets

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Earmarked reserve

These are funds that are set aside for a specific purpose, or a particular service, or type of service.

Financial Instruments

Any document with monetary value. For example, securities such as bonds and stocks which have value and may be traded in exchange for money.

Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

Government Grants

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, towards either revenue or capital expenditure incurred in providing local services.

International Financial Reporting Standards

International Financial Reporting Standards cover specific aspects of accounting practice and set out the correct accounting treatment. Compliance with them is mandatory.

Impairment

This is a reduction in value of a fixed asset as shown in the balance sheet to reflect its true value

Infrastructure Assets

Expenditure on works of construction or improvement but which have no tangible value, such as construction or improvement to highways and footpaths.

Intangible Asset

Non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the authority through custom or legal rights e.g. computer software.

Interest Cost (pensions)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Investments (non-pensions fund)

A long term investment is one that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments, other than those in relation to the pension fund, that do not meet the above criteria should be classified as current assets.

Investment properties

Property that is used solely to earn rentals and/or for capital appreciation.

LAA

Local Area Agreement.

Liquid resources

Current asset investments that are readily disposal by the authority without disrupting its business.

MHCLG

Ministry of Housing, Communities and Local Government (formerly DCLG - Department for Communities and Local Government).

MTFP

Medium Term Financial Plan.

NDR

Non Domestic Rates.

Operating Lease

A lease whereby the ownership of the fixed asset remains with the lessor.

Past Service Cost

The increase / decrease in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years.

Revenue Expenditure

The day to day running costs incurred by the Council in providing its services.

REFCUS (Revenue Expenditure Funded from Capital Under Statute)

Capital expenditure which is allowable under statute to be funded from capital resources but which does not fall within the definition of a fixed asset. An example is a grant made to another party to finance capital investment.

Surplus

An excess of income over expenditure (or assets over liabilities)

Statement of Responsibilities for the Statement of Account

The Authority's Responsibilities

The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Financial Officer;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- To approve the Statement of Accounts.

The Chief Financial Officers' Responsibilities

The Chief Financial Officer is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code). In preparing this Statement of Accounts, the Chief Financial Officer has:

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

The Chief Financial Officer has also:

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

EAST HERTFORDSHIRE DISTRICT COUNCIL

Certificate of Responsible Finance Officer

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



Signed

Date 26/06/2025

Brian Moldon

Director of Finance, Risk and Performance
East Hertfordshire District Council

Signed

Date

Councillor Martin Adams

Chairman of Audit and Governance Committee

Agenda Item 13

East Herts Council Report

Leadership Team Meeting

Date of meeting: Tuesday 9 September 2025

Report by: Councillor Carl Brittain – Executive Member for Financial Sustainability

Report title: Final Annual Governance Statement 2024/25

Ward(s) affected: (All Wards);

Summary – The Accounts and Audit Regulations 2015 require that all authorities conduct a review of the effectiveness of the system of internal controls and prepare an Annual Governance Statement (AGS) each year. The AGS must be considered separately from the Statement of Accounts.

The Final Annual Governance Statement report for 2024/25 is being presented for consideration – it is anticipated that the Statutory Recommendations from the 2022/23 completion report from EY (previous Auditors), will also be included in the 2024/25 completion report from Azets as this was only reported to Council in May 2025.

RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE:

- a) That Members review and comment on the Final Annual Governance Statement for 2024/25.

1.0 Proposal(s)

- 1.1 That Members review and comment on the final AGS for 2024/25.

2.0 Background

- 2.1 The Council is responsible for preparing and publishing its AGS in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA).

2.2 This fulfils the statutory requirement that local authorities review their governance arrangements at least once a year.

2.3 The Delivering of Good Governance in Local Government Framework requires local authorities to be responsible for ensuring that:

- (a) their business is conducted in accordance with all relevant laws and regulations.
- (b) Public money is safeguarded, properly accounted for and used economically, efficiently and effectively.
- (c) There is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

2.4 The AGS acts as a vehicle for the review of the Council's governance arrangements. The review should be reported both internally within the Council, to the Audit and Governance Committee and externally within published accounts to provide assurances that:

- (a) Governance arrangements are adequate and operating effectively in practice.

Or

- (b) Where reviews of the governance arrangements have revealed gaps, action is planned that will ensure effective governance in the future.

2.5 The process of preparing the governance statement should itself add value to the corporate governance and internal controls framework of the Council.

2.6 It is important to recognise that governance statement covers all significant corporate systems, processes, and controls for all the Council's activities.

2.7 The Final Annual Governance Statement is attached as Appendix A, for Members to review and comment on.

3.0 Reason(s)

3.1 As part of the framework of good governance, it is important that management and Members can demonstrate that governance issues are acted upon and the implementation of recommendation us monitored.

4.0 Options

4.1 Members can suggest amendments or additions to the 2024/25 Annual Governance Statement.

5.0 Risks

5.1 The timely implementation of governance recommendations will reduce the risks to the Council.

6.0 Implications/Consultations

6.1 Leadership Team have been consulted on the final AGS and have provided confirmation that appropriate controls have been in place in their service areas throughout the year.

Community Safety

No

Data Protection

Part of the AGS is to consider how effectively the council is meeting its duties in relation to data protection.

Equalities

Part of the AGS is to consider how effectively the council is meeting its duties in relation to equalities.

Environmental Sustainability

No

Financial

Part of the AGS is to consider how effectively the council is meeting its duties in relation to financial control, budgeting, and medium-term resource planning.

Health and Safety

Part of the AGS is to consider how effectively the council is meeting its duties in relation to health and safety.

Human Resources

Part of the AGS is to consider how the Council's Officers and Members behave ethically and how the council plans its workforce over the medium term.

Human Rights

No

Legal

The Accounts and Audit Regulations 2015 stipulates that all authorities must conduct a review of the effectiveness of the system of internal control and prepare an Annual Governance Statement each financial year. Part of the AGS specifically considers how the council complies with the law.

Specific Wards

No

7.0 Background papers, appendices and other relevant material

7.1 Appendix A – Annual Governance Statement 2024/25

Contact Member Carl Brittain, Executive Member for Financial Sustainability

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Contact Officer Brian Moldon, Director for Finance, Risk and Performance,

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Report Author Brian Moldon, Director of Finance, Risk and Performance

Alison Street, Financial Planning Manager

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alison.street@eastherts.gov.uk

Final - Annual Governance Statement 2024/25



1. Scope of Responsibility

East Herts Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. East Herts Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, East Herts Council is responsible for ensuring arrangements are in place for the good governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

East Herts Council has approved and adopted a Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government 2016.

This statement explains how East Herts Council has complied with the Code and also meets the requirements of Regulation 6 of the Accounts and Audit (England) Regulations 2015 in relation to the publication of a statement on internal control.

2. The Purpose of the Governance Framework

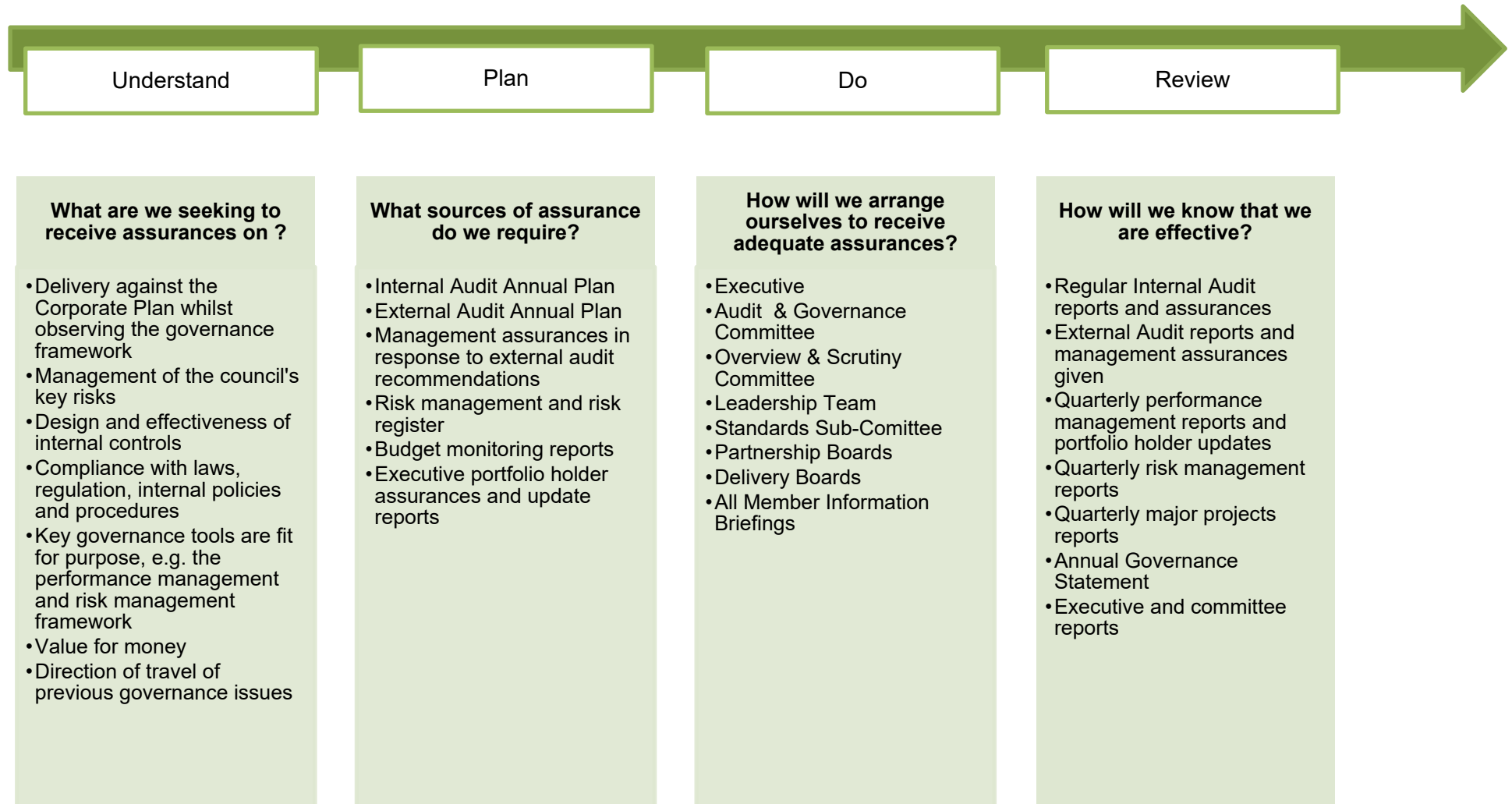
The governance framework comprises the cultures, values and systems and processes by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost-effective services and value for money. The overall aim is to ensure that:

- resources are directed in accordance with agreed policy and according to priorities.
- there is sound and inclusive decision making; and
- there is clear accountability for the use of those resources to achieve desired outcomes for service users and communities.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable assessment/assurances of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of East Herts Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at East Herts Council for the year ended 31 March 2025 and up to the date of approval of the statement of accounts.

3. Assurance Cycle



4. The Governance Framework



Source: CIPFA/SOLACE Core Principles of Governance 2016

Good Governance Principle

East Herts Council's Compliance & Supporting Evidence

Principle A.
Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

Behaving with integrity

- Members sign a commitment to comply with the Code and undergo induction on expected behaviour standards. Performance appraisals and related party transaction declarations are conducted, and action is taken on Local Government Ombudsman (LGO) complaints.
- The Corporate Plan, approved by the Council, sets the operating direction and organisational values and are cascaded into Service Plans and reflected in individual appraisal goals.
- Members are trained on the code of conduct requirements, and declarations are made and recorded at meetings, which are conducted according to values.
- The Standards Sub-Committee delivers training sessions and promotes good conduct. Elected Members must be trained before serving on Planning and/or Licensing Committees. Effective anti-fraud and anti-corruption policies are in place, and up-to-date registers of interests, gifts, and hospitality for Members and staff are maintained, with annual completion of Related Party Transactions.

Demonstrating Strong Commitment to Ethical Values

- Whistleblowing policies protect individuals, and a complaints policy is reported annually to the Executive. Policies are managed through a corporate performance management system for timely review, communication, training, and are published online for transparency.
- The code of conduct requires interest declarations, with meeting minutes showing declarations and legal implications identified in reports. Good ethical governance is championed by Members, particularly through the Executive, the Standards Sub-Committee, the Monitoring Officer, and the Leadership Team. The Audit & Governance Committee oversees and promotes good governance, with clear mechanisms for reporting or referral to the Monitoring Officer. Ethical awareness training, including thorough Code of Conduct training, is provided. The procurement policy includes good governance and ethical conduct, with a requirement to declare conflicts of interest and robust processes ensuring transparency, fairness, and equal treatment.

Respecting the Rule of Law

Good Governance Principle	East Herts Council's Compliance & Supporting Evidence
	<ul style="list-style-type: none"> Partnership Guidelines and reviews are in place, and the Procurement Strategy shows a commitment to local businesses and SMEs. The Council adheres to Bribery and Anti-Corruption policies, ensuring confidentiality of information, with data protection requirements built into contract specifications. The Constitution and statutory guidance are followed, assessed through internal and external audit, overseen by the Audit & Governance Committee. Legal implications are identified in all Executive and committee reports, and job descriptions comply with CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (CIPFA, 2016). The CFO reports directly to the Chief Executive, attends Leadership Team meetings, and influences material decisions through advice on corporate reports, budget monitoring, and financial strategy. The CFO is supported by a team ensuring sound financial governance. Executive reports document legal advice and implications, and the general power of competence is used where appropriate. The Monitoring Officer leads on ethical governance and compliance with the law, with the decision-making process incorporating this. The legal team provides in-house advice, and statutory teams operate effectively. Anti-fraud and anti-corruption policies are regularly updated and incorporated into contracts. An assurance mapping exercise by Internal Audit improves detection likelihood. The grievance and disciplinary code for officers is in place, with the Monitoring Officer at a senior level. The Standards Sub-Committee is experienced, and a 360 appraisal of managers adds an additional layer of challenge, with an annual appraisal review assessing competencies and behaviours.
<p>Principle B Ensuring openness and comprehensive stakeholder engagement Local government is run for the public good; organisations therefore should ensure openness in their</p>	<p><u>Transparency and Accessibility</u></p> <ul style="list-style-type: none"> Quarterly performance reports against the Corporate Plan. The Freedom of Information publication scheme and the Information Governance Team's input on FOI requests ensure that exemptions are not unreasonably applied, promoting transparency.

Good Governance Principle	East Herts Council's Compliance & Supporting Evidence
<p>activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders</p>	<ul style="list-style-type: none"> • Data Protection Information Charter and compliance with the General Data Protection Regulation 2016 and Data Protection Act 2018 ensure transparent and secure data handling. • Transparency web pages and the website publishing clear and accessible information make it easy for the public to access important information. • The Annual Public inspection and publication of the Statement of Accounts online. • Webcasting of all Committee meetings , along with meetings are open to the public to attend, and record of decision making and supporting materials ensures that all decisions are documented and accessible. • Forward Plan promotes community interest in democracy by publishing the report schedule, as well as calendar of dates for submitting, publishing, and distributing timely reports ensures that information is shared openly and promptly. • Monitoring reports on the effectiveness of communications output, including social media usage, ensure transparency in how the council communicates with the public. <p><u>Comprehensive Stakeholder Engagement</u></p> <ul style="list-style-type: none"> • Stakeholder engagement is achieved through public consultations on new policies, development applications, and annual budgets. • The Listening Council Strategy ensures residents' and stakeholders' views are considered during decision-making. Specific consultations with underrepresented groups and Community Engagement Strategies for projects like Harlow and Gilston Garden Town ensure inclusive participation. • Regular meetings with government advisors on issues like homelessness and online databases of residents who register to be kept informed about planning policy ensure ongoing engagement.
<p>Principle C Defining outcomes in terms of sustainable economic, social, and environmental benefits.</p>	<ul style="list-style-type: none"> • The Council District Plan was adopted in 2018 and sets out the framework to deliver a sustainable development. The plan will aim to provide new homes, new jobs, new facilities and infrastructure across the district.

Good Governance Principle	East Herts Council's Compliance & Supporting Evidence
<p>The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.</p>	<ul style="list-style-type: none"> • The Council Corporate Plan "LEAF" was approved February 2024 and is available online setting out the Council's four key themes: <ul style="list-style-type: none"> ○ Listening, open and transparent ○ Environmentally focussed ○ Acting with the community ○ Fair and inclusive • This is supported by published performance indicators (using Viva Goals performance management system to track performance) and annual report summarises the Council's achievements over the past year. • A Medium-Term Financial Plan (MTFP) is the Council's key General Fund financial planning document and sets out the Council's strategic approach to the management of the General Fund including Council Tax levels, capital funding and treasury management. This strategy underpins the Council's key priorities for East Herts. The main aim is to facilitate the Council in achieving the outcomes by setting out MTFS principles, which generates the need for financial security targets, identifies financial pressures and any additional resources for priorities to ensure it has a financial sustainability plan. • The Council has a five-year Capital Programme to show how the Council determines its priorities for capital investment. All capital schemes are regularly reviewed. • Service plans, quarterly budget and performance monitoring reports, and risk management practices, including training and assessments, ensure effective operations.

Good Governance Principle	East Herts Council's Compliance & Supporting Evidence
	<ul style="list-style-type: none"> • External Audit reports provide assurance on resource use, while Executive reports address competing community demands. Information on how Council Tax is spent is issued annually with tax bills. • The Council has a Treasury management strategy, and an Asset Management Plan to support its financial and asset management. Reports on decision-making, mandatory training for committees, and a consultation and community engagement diary ensure informed and inclusive governance. • The Communications Strategy and customer service strategy, along with a 24/7 website offering online services and specific reception times in Hertford and Bishop's Stortford, enhance accessibility and transparency. Clear policies explain the Council's processes and what customers can expect, further promoting openness and accountability.
<p>Principle D Determining the interventions necessary to optimise the achievement of the intended outcomes. Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision making</p>	<p><u>Determining interventions</u></p> <ul style="list-style-type: none"> • Decision makers receive objective and rigorous analysis of a variety of options, including risks, to ensure best value in service provision. This includes options appraisals within key decision reports, consideration of legal, financial, and HR implications, and individual risk assessments on larger projects. • All Executive reports are available for consideration at Overview & Scrutiny and Audit & Governance Committee. • Feedback from citizens and service users is considered when making decisions about service improvements or discontinuations, prioritizing competing demands within limited resources, including people, skills, land, and assets, while bearing in mind future impacts. • Consultation outcomes are incorporated within key Executive and Council reports, with specific consultations being part of the annual budgeting process. • A complaints process is in place to gather and address feedback. <p><u>Planning interventions</u></p>

Good Governance Principle	East Herts Council's Compliance & Supporting Evidence
<p>mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations.</p>	<ul style="list-style-type: none"> • The Council establishes and implements robust planning and control cycles, including a calendar of meetings, annual work programmes for Audit & Governance and Overview & Scrutiny Committees, and an Executive Forward Plan. • An internal audit programme is delivered by the Shared Internal Audit Service, with findings reported to the Audit & Governance Committee and Leadership Team. • The Council engages with internal and external stakeholders through a communication strategy and initiatives like East Herts Together. • Risks are considered and monitored collaboratively, with risk management reports, Executive report risk identification, and specific project risk registers. • Arrangements are flexible and agile, with report cycles allowing adaptation to changing priorities. • Key performance indicators (KPIs) are established for the Corporate Plan and service plans, with regular financial performance measurement through quarterly budget meetings and reports. • The Council ensures capacity for regular service quality reviews, supported by an online performance management system, quarterly performance reports, and online access to performance data for members. • Budgets are prepared in alignment with organisational objectives, strategies, and the Medium Term Financial Plan, with regular budget monitoring and reporting. • Medium and long-term resource planning is informed by realistic revenue and capital expenditure estimates, supported by the Medium Term Financial Plan and Capital Strategy reports to the Executive and Audit & Governance Committee.. <p><u>Optimising achievement of intended outcomes</u></p> <ul style="list-style-type: none"> • Ensuring the Medium Term Financial Plan integrates and balances service priorities, affordability, and other resource constraints, with annual budget consultation and Audit and Governance Committee Reports. • Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term, through a full and detailed budgeting

Good Governance Principle	East Herts Council's Compliance & Supporting Evidence
	<p>exercise, both capital and revenue, over the medium term, and Internal and External Audit review.</p> <ul style="list-style-type: none"> • Ensuring the Medium Term Financial Plan sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment during the budgetary period to achieve outcomes while optimizing resource usage. This includes identifying a plan for savings, predicting a minimum of £1 million in savings from changes to the customer service model and moving the financial system to the cloud, further budget reductions from additional income following the Fees and Charges Policy and the Commercial Strategy, assurance from external auditor reports, monthly tracking of savings and budgets, and quarterly budget reporting to elected members. • Ensuring the achievement of 'social value' through service planning and commissioning, as stated in the Public Services (Social Value) Act 2012. This involves identifying social value in the procurement strategy (revised in 2025), assessing social value as part of the award process under procurement, and setting Social Value Policy and Priority Themes, Outputs, and Measures.
<p>Principle E Developing the entity's capacity, including the capability of its leadership and the individuals within it Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind-set, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must</p>	<p><u>Developing the entity's capacity</u></p> <ul style="list-style-type: none"> • Reviewing operations and performance use of assets regularly to ensure their continuing effectiveness, including the Assets Strategy, Asset Management Group monthly reviews, and the Commercial Strategy. • Improving resource use through techniques such as benchmarking, LGA Peer Review on services, External Audit Use of Resources Statement, and local benchmarking exercises at the service level. • Recognising the benefits of partnerships and collaborative working, with a significant commitment to partnership working and joint working/shared services. • Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources, including the review of the workforce development plan and strategy, and a commitment to apprenticeships. <p><u>Developing the capability of the entity's leadership and other individuals</u></p>

Good Governance Principle	East Herts Council's Compliance & Supporting Evidence
<p>ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.</p>	<ul style="list-style-type: none"> • The Council ensures that elected and appointed leaders negotiate their roles early and maintain a shared understanding of roles and objectives. This is supported by job descriptions for lead Members and Officers in the Constitution, a shared understanding between the Leader and Chief Executive (CE), and an Officer Member protocol. • The Council specifies the types of decisions that are delegated and those reserved for collective decision-making. This includes the Constitution, Scheme of Delegation, Financial Procedure Rules, and individual reports for major projects to ensure transparency, especially for new projects. • The Council clearly defines and distinguishes the leadership roles of the Leader and CE. The CE leads strategy implementation and service delivery, supported by a job description for the CE and a role profile for the Leader in the Constitution. • The Council ensures access to appropriate induction tailored to roles for Members and staff, provides ongoing training and development matching individual and organisational requirements, facilitates regular meetings between the Executive and Leadership Team, offers Senior Leadership Training & Development, conducts annual staff appraisals and an annual training programme for Members, commits to apprenticeships and supports professional qualifications, provides bespoke training at committees and community leadership discussions led by the Portfolio Holder, supports Members through Democratic Services and offers a Member training programme, offers officer training including professional training, continuing professional development, and management and leadership training, and reviews internal audit reports on governance and workforce monitoring reports to the Executive. • The Council implements the Listening Council Strategy, conducts residents' satisfaction surveys and regular user satisfaction surveys, and maintains a Statement of Community Involvement (SCI) for consultation during planning policy development and review.

Good Governance Principle	East Herts Council's Compliance & Supporting Evidence
	<ul style="list-style-type: none"> • The Council is open to constructive feedback from peer reviews and inspections, publishes member attendance records and an annual training plan, and participates in appropriate Peer Reviews. • The Council conducts regular performance reviews, annual performance appraisals, and probationary appraisals, develops a staff development plan within the appraisal process, implements a capability procedure and a sickness procedure, and holds routine Service Team Meetings and 1:1 Meetings. • The Council enforces Conditions of Service and Health and Safety policies, provides an Employee Assistance Programme with a Confidential Helpline, offers support through Mental Health First Aiders and a Workplace Health Scheme Monthly Programme, and implements council policies supporting employees, such as bereavement.
<p>Principle F Managing risks and performance through robust internal control and strong public financial management</p> <p>Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be</p>	<p><u>Managing risk</u></p> <ul style="list-style-type: none"> • The Council recognises that risk management is an integral part of all activities and must be considered in all aspects of decision making. Risk management is specifically reported to the Executive and Audit and Governance Committee on a quarterly basis. • The Council conducts risk assessments on larger projects to identify and mitigate potential risks. • The Council implements robust and integrated risk management arrangements and ensures they are working effectively. This includes having a risk management strategy and policy, an annual internal audit plan, and incorporating risk management within individual project plans, such as those for elections. • The Council has an Emergency Plan and Business Continuity Plan in place, with regular reviews of risks specific to emergencies, such as the Covid-19 pandemic. Regular exercises are conducted to test the Emergency Plan, Business Continuity Plan, Disaster Recovery, and Cyber Security. • The Council ensures that responsibilities for managing individual risks are clearly allocated. Risks are assigned to responsible owners, and there are named officers for

Good Governance Principle	East Herts Council's Compliance & Supporting Evidence
<p>considered and addressed as part of all decision-making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability. It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision-making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.</p>	<p>key areas such as Health and Safety, Data Protection, Emergency Planning, and Business Continuity.</p> <p><u>Managing performance</u></p> <ul style="list-style-type: none"> • The Council monitors service delivery effectively, including planning, specification, execution, and independent post-implementation review. This is supported by departmental service plans which are reviewed regularly, senior leadership ownership of specific Corporate Plan outcomes, performance monitoring, benchmarking, and transparency pages on the website. • The Council makes decisions based on relevant, clear objective analysis and advice, pointing out the implications and risks inherent in the organisation's financial, social, and environmental position and outlook. This is facilitated by a report template to the Executive and Committees that includes specific sections for analysis, options, risk, finance, and other relevant considerations. Agendas are published at least 5 days in advance, and decision notices and minutes are published after meetings. • The Council ensures an effective scrutiny or oversight function is in place, which encourages constructive challenge and debate on policies and objectives before, during, and after decisions are made. This enhances the organisation's performance and that of any organisation for which it is responsible. The Constitution defines the roles and responsibilities of the Overview & Scrutiny Committee and Audit and Governance Committee, with annual work programmes for those committees and regular training sessions for committee members pertinent to that committee and the wider business and functions of the council. • The Council provides members and senior management with regular reports on service delivery plans and progress towards outcome achievement. This includes an annual timetable/calendar of meetings, work programmes/forward plans for the Executive and Committees, senior leadership ownership of specific Corporate Plan outcomes, and an annual Budget and Tax Setting report to the Executive. • The Council ensures consistency between specification stages (such as budgets) and post-implementation reporting (e.g., financial statements). This is supported by

Good Governance Principle	East Herts Council's Compliance & Supporting Evidence
	<p>Financial Procedure Rules, annual accounts and Statement of Accounts, and external auditor reports.</p> <p><u>Robust internal control</u></p> <ul style="list-style-type: none"> Aligning the risk management strategy and policies on internal control with achieving the objectives, supported by an Internal Audit Plan and regular reports from Internal Audit to the Audit and Governance Committee. Evaluating and monitoring the authority's risk management and internal control on a regular basis through quarterly risk management reports, risk management training for Members and officers, Internal Audit Review of Effectiveness, Annual Governance Statement, and External Audit Annual Report. Ensuring effective counter fraud and anti-corruption arrangements are in place, including an anti-fraud and anti-corruption policy, whistleblowing policy, Shared Anti-Fraud Service, acquisition and use of specialist data analysis software to detect fraud and corruption, regular reports to the Audit and Governance Committee on counter fraud activity, and Shared Anti-Fraud Service fraud risk evaluation of all business grants applied for as a consequence of Covid-19. <p><u>Strong public financial management</u></p> <ul style="list-style-type: none"> Ensuring financial management supports both long-term achievement of outcomes and short-term financial and operational performance, with clear links between the Corporate Plan, Medium Term Financial Plan, and subsequent reporting on outcomes. Implementing an Asset Management Strategy. Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls, with an embedded financial management process covering the process from beginning to end. Reviewing the financial management process through External Audit.
Principle G	<u>Implementing good practice in transparency</u>

Good Governance Principle	East Herts Council's Compliance & Supporting Evidence
<p>Implementing good practices in transparency, reporting, and audit to deliver effective accountability. Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.</p>	<ul style="list-style-type: none"> • The Council uses a consistent, accessible reporting style with supporting evidence providing more detail for those who require it. Web pages give key information and the ability to drill down to specific documents and background papers for those requiring detail. • The Council produces an annual performance report. • The Council provides regular internal audit reports to the Audit and Governance Committee. <p><u>Implementing good practices in reporting</u></p> <ul style="list-style-type: none"> • The Council produces an annual performance report that supplements quarterly performance and budget reports, receives annual reports from the External Auditor, obtains a value for money opinion, and prepares a Statement of Accounts. Internal audit reports also comment on value for money implications where applicable. • The Council ensures that Members and senior management own the results by having clearly defined roles for the Executive portfolio holder, Audit and Governance Committee, and Overview and Scrutiny Committee. Portfolio holders present reports at Executive meetings and have regular briefings with officers. • The Council prepares an Annual Governance Statement and has an assurance mapping exercise planned for 2021/22. The Council also ensures that the Framework is applied to jointly managed or shared service organisations as appropriate, supported by shared service legal agreements. • The Council ensures that performance information accompanying the financial statements is prepared on a consistent and timely basis, allowing for comparison with other similar organisations. This is supported by benchmarking and quarterly performance reports to the Executive and Overview & Scrutiny Committee, including end-of-year performance. <p><u>Assurance and effective accountability</u></p> <ul style="list-style-type: none"> • The Council incorporates management comments and responses as part of the reports from both Internal and External Audit. This includes the Annual Opinion on the Control Environment report from Internal Audit, compliance with CIPFA's Statement on

Good Governance Principle	East Herts Council's Compliance & Supporting Evidence
	<p>the Role of the Head of Internal Audit (2019), and compliance with Public Sector Internal Audit Standards.</p> <ul style="list-style-type: none"> • The Council conducts an annual review of the effectiveness of internal audit, which is reported to the Audit and Governance Committee. This is complemented by the Annual Governance Statement Action Plan and follow-up, as well as an Executive report on outcomes and recommendations/action plans arising from reviews. • The Council engages in self-challenging activities through entry for various awards and nominations as a finalist. This is part of the broader effort to maintain transparency and accountability, which also includes the preparation of an Annual Governance Statement, risk management reports, and performance reports. • The Council specifies the requirement for performance information to management in contract specifications. This ensures that performance is monitored and reported effectively, with proportionate governance arrangements in place for partnership working and Service Level Agreements for some community grants to ensure that outcomes are measurable and delivered.

5. Review of Effectiveness

East Herts Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Leadership Team, the Monitoring officer, the Chief Finance Officer (Head of Financial Services), and the Head of Business Services who have responsibility for the development and maintenance of the governance environment, and also by comments made by the external auditors and other review agencies and inspectorates. The following processes have been applied in maintaining and reviewing the effectiveness of the governance framework:

Council

Council is responsible for approving the budget and policy framework, which includes the Corporate Plan and the Constitution.

Executive

Executive has approved the Council's performance management framework. Executive also approves the risk management policy and receives quarterly reports on risk management, performance monitoring and budget monitoring.

Audit and Governance Committee

This Committee undertakes the core functions of an Audit Committee and approves the annual Internal Audit Plan, receives quarterly monitoring reports updating them on progress against that plan. It also receives the external auditor's annual audit letter, annual governance report, annual plan and grant claim certification report. It approves the risk management policy and receives quarterly reports on risk management. The Committee has lead oversight responsibility for corporate governance, risk management and other internal control issues. It also leads the cross Member scrutiny and consideration of the budget. The Audit & Governance Committee also reviews the Constitution.

Standards Sub-Committee

This Sub-Committee undertakes a proactive role in relation to the promotion of the ethical conduct framework. It has also published documents to inform the public about its role, the importance of good ethical conduct in the area, and the high standards of conduct evident in the District. A new framework for dealing with ethical governance has been adopted by the county and the district and borough councils in Hertfordshire in order to maintain a level of consistency across the geographical area, particularly in relation to twin-hatted Members. The Standards Sub-Committee has put in place arrangements for dealing with complaints, conduct investigations and hearing allegations.

The Overview & Scrutiny Committee reviews performance across all services delivered by the Council and partner organisations, and the impact they have on the District and its communities.

Chief Finance Officer (Director of Finance, Risk and Performance)

The Chief Finance Officer (CFO) has been designated as the s151 Officer. That officer maintains the statutory powers to report to Executive or Council on any proposals, decision or omission that gives rise to any unlawful expenditure. The CFO also has clearly defined responsibilities for Risk Management, Internal Control, and systems and processes for financial administration and control, which are set out in the Financial Procedure Rules.

Monitoring Officer

The Director for Legal Policy and Governance has been designated as the Monitoring Officer. The Monitoring Officer has the specific duty, contained within Section 5 of the Local Government and Housing Act 1989, to ensure that the Council, its officers, and its Elected Councillors, maintain the highest standards of conduct in all they do. The role of the Monitoring Officer is:

- To report on matters he/she believes are, or are likely to be, illegal or amount to maladministration;
- To be responsible for matters relating to the conduct of Councillors and officers; and
- To be responsible for monitoring and reviewing the operation of the Constitution, to ensure that the aims and principles of our Constitution are given full effect.

Internal Audit

The internal control system comprises the whole network of systems established within the Council to provide reasonable assurance that corporate objectives will be achieved, with particular reference to:

- The effectiveness of operations
- The economic and efficient use of resources
- Compliance with applicable policies, procedures, laws and regulations
- The safeguarding of assets and interests from losses of all kinds, including those arising from fraud, irregularity and corruption
- The integrity and reliability of information, accounts and data
- Effective monitoring systems and optimum use of performance management information

6. Internal Audit Annual Assurance Statement 2024/25

Extracted from Section 2 of the SIAS 2024/25 Annual Assurance Statement and Internal Audit Annual Report.

Scope of responsibility

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

Control environment

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

Review of effectiveness

6.4 The CAE must confirm annually that the internal audit function is suitably qualified to carry out the work that informs the assurance opinion. This includes that the CAE maintains and enhance their own qualifications and competences. SIAS can confirm that the service is suitably resourced and qualified to undertake its work, including the qualifications and competences of the CAE.

6.5 As part of our Quality Assurance and Improvement Programme, an internal quality self-assessment was conducted to review our conformance with the Global Internal Audit Standards (GIAS).

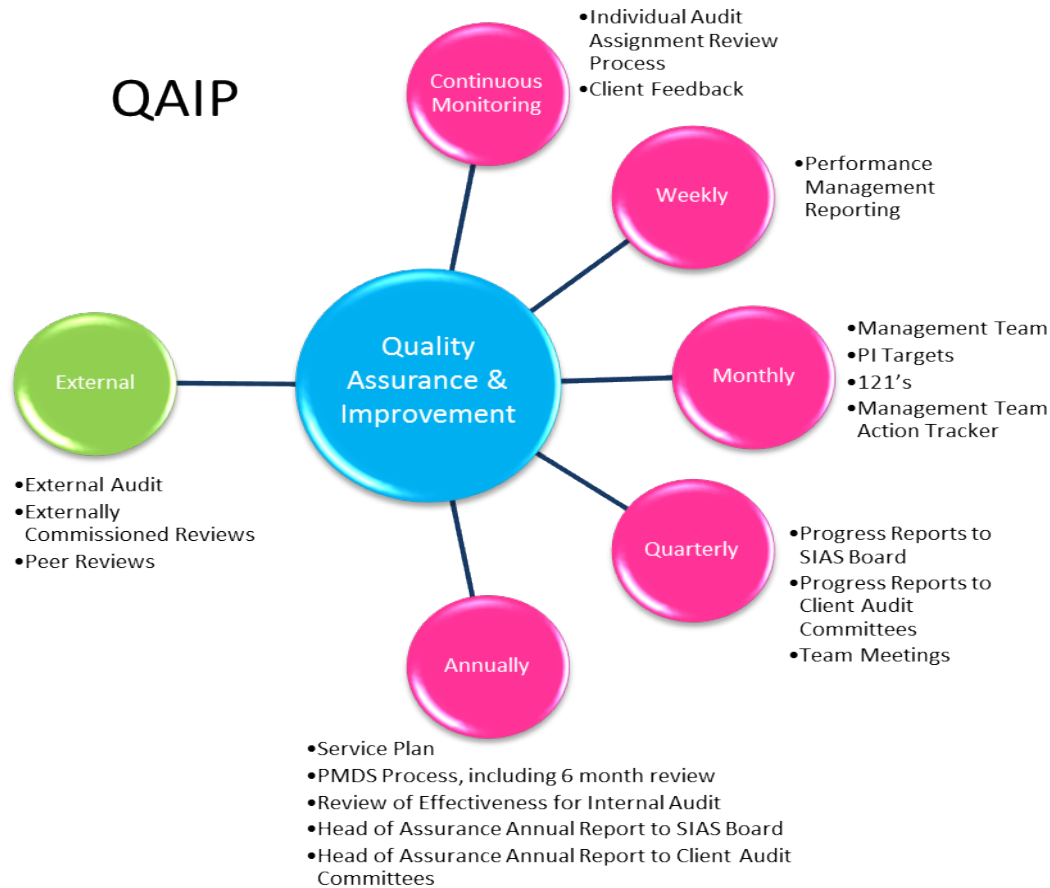
6.6 The GIAS also requires that the SIAS be subject to an external quality assessment (EQA) at least once every five years. This should be conducted by a qualified, independent assessor or assessment team from outside the organisation. This review was completed in June 2021 (the previous review being undertaken in 2015/16), with the result of the assessment reported to the Audit & Governance Committee in October 2021. The next EQA is due in 2026/27 and SIAS will shortly be seeking to appoint assessors to undertake the future review.

6.7 Based on the results of the 2024/25 GIAS self-assessment, the CAE has concluded that SIAS 'generally conforms' with the GIAS (UK Public Sector).

6.8 The self-assessment identified one area of continued agreed non-conformance in relation to the role of the Board (Audit Committee) in relation to the appointment, removal, performance management and remuneration of the CAE, this reflecting the unique nature of a shared service or partnership arrangement. A further five areas were also highlighted within the self-assessment where, whilst we assessed SIAS as conforming to the GIAS, we will undertake further work during 2025/26 to improve the evidence held to demonstrate compliance.

6.9 A summary of the outcomes of the GIAS self-assessment are detailed in Appendix C. There are no significant deviations from these Standards, or the Public Sector Internal Audit Standards that were in place during 2024/25, which warrant inclusion in the Council's Annual Governance Statement.

6.10 The SIAS QAIP includes both internal and external monitoring and reporting to assess the efficiency and effectiveness of internal audit activity and identify opportunities for improvement. The diagram below details the methods used to monitor and report on these. Detailed information outlining activity in each area is contained in the SIAS Audit Manual.



Confirmation of independence of internal audit and assurance on limitations

6.11 The Head of Assurance confirms that during 2024/25 SIAS operated according to its QAIP with evidence available within the service to support the achievement of each QAIP element.

6.12 The CAE confirms that during the year:

- a) No matters threatened SIAS's independence; and
- b) SIAS was not subject to any inappropriate scope or resource limitations.

6.13 SIAS has concluded that the corporate governance and risk management frameworks substantially comply with the CIPFA/SOLACE best practice guidance on corporate governance. This conclusion is based on the work undertaken by the Council and reported in its Annual Governance Statement for 2024/25, and the specific reviews of Risk Management and Corporate Governance carried out by SIAS during the year.

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke at the end.

Client Audit Manager

May 2025

7. Governance Issues – Progress from previous year

The following governance issues, comments and recommendations have been extracted from the External Auditors (EY) report 'The Completion Report for Those Charged with Governance Years ended 31 March 2022 and 31 March 2023'.

Key Improvement Area	Lead Officer	Update
<p><u>Procurement</u></p> <p>The council should produce an annual procurement programme as well as a 3 year “procurement pipeline” in order that local businesses can see what opportunities are coming up and to encourage them to bid.</p> <p>The council should produce an annual procurement report showing savings or costs avoided; social value gained; contracts awarded to local businesses by size; contracts awarded to SMEs; and the contributions from procurement to net zero targets.</p>	S151 Officer	<p>In progress. Ongoing, expected to be in place Q3 2025/26</p> <p>Will follow from approval of the above.</p>

Key Improvement Area	Lead Officer	Update
<p><u>ICT Resilience</u></p> <p>An external review of the ICT Strategy and delivery vehicle has been commissioned by the partner councils and recommendations arising from that will need to be taken forwards</p>	Chief Executive	<p>In progress. SOCITM review completed and recommendations being implemented. New Joint Committee established with Member oversight of Joint ICT Service now in place to ensure delivery of improved ICT Service.</p>
<p><u>Workforce Plan</u></p> <p>Following changes to working practices as a result of COVID 19 and anticipated changes from the Transformation Programme the council would benefit from a workforce plan that analyses its workforce and determines the steps it must take to prepare for future staffing needs. These future skill needs can be met by recruiting, by training or by outsourcing the work.</p>	Head of Human Resources and Organisational Development	<p>In progress. The workforce plan will be developed once changes associated with Service Reviews, new customer service model and Finance in the cloud are implemented.</p>
<p><u>Delays in Financial Reporting:</u></p> <p>The council has failed to publish draft financial statements within the regulatory timeframe for multiple years.</p> <p>The 2021/22 draft financial statements were published on 11 December 2023, significantly after the statutory deadline of 31 July 2022.</p> <p>The 2022/23 draft financial statements were not published until 6 November 2024, again missing the statutory deadline of 31 May 2023.</p> <p>The 23/24 draft financial statements have yet to be published (as of 18th March 2025) and have not included the required notices on the website.</p>	CFO (S151 Officer)	<p>Completed</p> <p>The 2021/22 and 2022/23 Accounts completed and signed off at Audit & Governance on 22 April 2025.</p> <p>The 2023/24 draft accounts were published on 29 April 2025.</p> <p>The 2024/25 draft accounts were published on 27 June 2025, in line with statutory deadline.</p>

Key Improvement Area	Lead Officer	Update
<p><u>Completeness and Accuracy</u> The draft accounts published for inspection did not include the Annual Governance Statement (AGS) and contained outdated information, i.e the Statement of Responsibilities from the 2020/21 accounts.</p>	CFO (S151 Officer)	<p>Completed The new S151 Officer has put additional controls in place to ensure adequate time is given for reviews to be undertaken prior to publication. For 2024/25 the draft accounts were completed a week before publication to enable relevant officers, including the CFO to review the accounts and allow for amendments to be made.</p>
<p><u>Finance Team Capacity</u> The finance team has experienced significant capacity issues, leading to delays in completing financial statements and supporting the external audit process. This has impacted on the Council's ability to provide timely, sufficient, and appropriate audit evidence to support the external audit.</p>	CFO (S151 Officer)	<p>On-going - The new S151 Officer started on 1 April 2025. A review of the Finance team will be undertaken in their first six months to propose a new structure that will address: potential 'single point of failure'; capability and capacity of the team to ensure it is fit for purpose; Individuals have the necessary skills needed to deliver in line with all deadlines. Tasks are clearly defined and delivered on time. Additional interim has started to help and provide capacity within the team.</p>
Key Improvement Area	Lead Officer	Update

<p><u>Single point of Failure</u></p> <p>The report by the External Auditors identifies a significant risk associated with the current structure of the finance team, specifically pointing out a single point of failure.</p> <p>This issue arises from the over-reliance on one individual for critical financial tasks and responsibilities. The report emphasises that this concentration of duties in one person not only increases the risk of errors and delays but also poses a substantial threat to the continuity of financial operations in the event of that individual's absence or departure.</p>	<p>CFO (S151 Officer)</p>	<p>On-going</p> <p>See above point</p>
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8. Governance Issues

The following governance issues, comments and recommendations have been extracted from the External Auditors (Azets) report 'Auditor's Annual Report financial year ending 31 March 2024'.

Key Improvement Area	Lead Officer	Update
<p>Financial Sustainability Officers should consider:</p> <ul style="list-style-type: none"> • The minimum level of reserves and the current levels of reserves in the context the financial risks currently faced by the Council. • A Robust savings plans are put in place and delivered to ensure spend is contained. • Mitigates the further use of reserve balancers to support the revenue budget in the medium term. • Actions to address the findings from the Finance Peer Review. • A review of its Minimum Revenue Provision (MRP) policy and calculation to ensure its fully compliant with statutory requirements and guidance. 	CFO (S151 Officer)	<p>On-going Plans are in place with the minimum reserves required and mitigate use of reserves will be picked up in the MTFP that is planned to go to Executive during October. Along with review of existing saving programme for future years.</p> <p>On-going review of savings programme in-year will be picked up during the quarterly budget monitoring process.</p> <p>Update to Audit & Governance in November on the progress of the recommendations that came out of the Finance Peer Review and the Statutory Recommendations made by the previous External Auditors EY.</p> <p>Next iteration of the MRP as part of the budget report for 2026/27 will undertake the appropriate review.</p>

Key Improvement Area	Lead Officer	Update
<p><u>Governance</u></p> <ul style="list-style-type: none"> • Council needs to ensure actions are taken to address weaknesses identified by Internal Audit on a timely basis. 	<p>CFO (S151 Officer)</p>	<p>On-going – following actions being taken:</p> <ul style="list-style-type: none"> • CFO have regular meetings with Chief Internal Auditor • These will be discussed with Leadership Team as part of the monthly focus on Finance / Budgets • Where necessary they will also be monitored by the Operation Council (consisting of Chief Executive, CFO and Monitoring Officer). • Reports regularly go to Audit & Governance Committee for noting and updating.

Key Improvement Area	Lead Officer	Update
<p><u>Improving economy, efficiency and effectiveness</u> The Council is actively looking at asset disposals to reduce borrowing and make MRP savings. Whilst these actions, in isolation, make sense, the Council will now also need to be mindful of the Local Government Reorganisation.</p>	CFO (S151 Officer) / Director of Communities	On-going The Council will continue to review its assets and to determine the best value for those assets, whether it is to dispose, use or lease out. Each asset will go through a business case to determine the best value for the Council and residents.

9. Statutory Recommendations – By the External Auditors (Azets)

The same Statutory Recommendations that had been Contained in the previous External Auditors report by EY -titled 'The Completion Report for Those Charged with Governance Years ended 31 March 2022 and 31 March 2023'., has been included within the Auditor's Annual Report for year ended 31 March 2024 as the recommendations were only raised formally in April 2025, it was acknowledged there is insufficient time for any of the responses to have been implemented at this date.

Statutory Recommendation	
1. Finance Function Workflow Review:	<p>Conduct a comprehensive review of the finance function workflow to identify bottlenecks in the flow of information and the completion of key finance tasks.</p> <p>Use the findings to redefine roles and responsibilities within the finance team, ensuring an equitable distribution of workload and preventing any single individual from being overburdened.</p>
2. Quality Assurance Issues:	<p>Implement a thorough review of the quality assurance process for draft accounts and underlying workpapers.</p> <p>Establish clear timelines for the closedown process, ensuring appropriate segregation of duties between those preparing and those reviewing the draft accounts and workpapers.</p> <p>Monitor adherence to this process and report performance to the Audit and Governance Committee</p>
3. Finance Team Capacity:	<p>The Council should re-assess roles, responsibilities, and resource requirements for financial reporting across the Council, including an assessment of the support required from other functions within the organisation for the financial reporting function to meet its objectives and to restore timely financial reporting in accordance with the requirements of the Accounts and Audit (Amendment) regulations 2024.</p>

10. Certification

To the best of our knowledge, the governance arrangements, as defined above have been effectively operating during the year except for those areas identified in Sections 7, 8 and 9. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for the improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Cllr Ben Crystal

Leader of the Council

Date:

Helen Standen

Chief Executive

Date:

East Herts Council Report

Leadership Team Meeting

Date of meeting: Tuesday 9 September 2025

Report by: Councillor Carl Brittain – Executive Member for Financial Sustainability

Report title: Treasury Management 2024/25 Outturn

Ward(s) affected: (All Wards); None

Summary – The report contains the Council’s Treasury Management Outturn Position for 2024/25.

RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE That:

- a) Members examine and comment on the Treasury Management Outturn and Prudential Indicators for 2024/25**

1.0 Proposal(s)

- 1.1 That Members examine and comment on the Treasury Management Outturn and Prudential Indicators for 2024/25 (Appendix A).

2.0 Background

- 2.1 Treasury management is defined as: ‘The management of the Council’s investments and cash flows, its banking arrangements, money market and capital transactions; the effective control of the risks associated with these activities; and the pursuit of optimum returns consistent with the Council’s risk management policy for treasury management.
- 2.2 This activity was supported by the council’s appointed independent advisors – Arlingclose.

2.3 This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2021).

2.4 This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

3.0. Reason(s)

3.1 This Council is required by regulations issued under the Local Government Act 2003 to produce a mid-year treasury management review of activities and the actual prudential and treasury indicators for 2024/25.

4.0 Options

4.1 Members can suggest amendments or additions to the Treasury Management Outturn 2024/25.

5.0 Risks

5.1 Risk management is embedded in treasury management operations through the adoption of the CIPFA Treasury Management Code. Credit ratings, other market intelligence and counterparty limits assist to assess and mitigate risk.

6.0 Implications/Consultations

None

Community Safety

None

Data Protection

None

Equalities

None

Environmental Sustainability

None

Financial

Yes

The costs of treasury operations, debt management expenses and investment income are included in the 2024/25 Medium Term Financial Plan.

Health and Safety

None

Human Resources

None

Human Rights

None

Legal

The Local Government Act 2003 and supporting regulations requires the Council to 'have regard to' the CIPFA Prudential Code for Capital Finance in Local Authorities and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. The Council also has to 'have regard' to the MHCLG's Guidance on Local Government Investments effective for financial periods commencing on or after 1st April 2018, and to CIPFA's Treasury Management in the Public Services: Code of Practice and Guidance Notes for Local Authorities.

Specific Wards

No

7.0 Background papers, appendices and other relevant material

7.1 Appendix A – Mid-Year Treasury Management Review 2024-25

Contact Member

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(must be at least a Head of Service)

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Treasury Management 2024-25 Annual Report

Introduction

The Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Authority to approve, as a minimum, treasury management semi-annual and annual outturn reports.

This report includes the requirement in the 2021 Code, mandatory from 1st April 2023, of reporting of the treasury management prudential indicators. The non-treasury prudential indicators are incorporated in the Authority's normal revenue and capital monitoring report.

The Authority's treasury management strategy for 2024/25 was approved at Council on 28th February 2024. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Authority's treasury management strategy.

External Context

Economic background: Both the UK and US elected new governments during the period, whose policy decisions impacted the economic outlook. The Chancellor of the Exchequer delivered her Spring Statement in March 2025, following her Budget in October 2024. Based on the plans announced, the Office for Budget Responsibility downgraded its predictions for UK growth in 2025 to 1% from 2%. However, it upgraded its predictions for the four subsequent years. Inflation predictions for 2025 were pushed up, to 3.2% from 2.6%, before seen as falling back to target in 2027. The market reaction to the Spring Statement was more muted compared to the Budget, with very recent market turbulence being driven more by US trade policy decisions and President Trump.

After revising its interest rate forecast in November following the Budget, the council's treasury management advisor, Arlingclose, maintained its stance that Bank Rate will fall to 3.75% in 2025.

UK annual Consumer Price Index (CPI) inflation continued to stay above the 2% Bank of England (BoE) target in the later part of the period. The Office for National Statistics (ONS) reported headline consumer prices at 2.8% in February 2025, down from 3.0% in the previous month and below expectations. Core CPI also remained elevated, falling slightly in February to 3.5% from 3.7% in January, just below expectations for 3.6% but higher than the last three months of the calendar year.

The UK economy Gross Domestic Product (GDP) grew by 0.1% between October and December 2024, unrevised from the initial estimate. This was an improvement on the zero growth in the previous quarter, but down from the 0.4% growth between April and June 2024. Of the monthly GDP figures, the economy was estimated to have contracted by 0.1% in January, worse than expectations for a 0.1% gain.

The labour market continued to cool, but the ONS data still require treating with caution. Recent data showed the unemployment rate rose to 4.4% (3mth/year) in the three months to January 2025 while the economic inactivity rate fell again to 21.5%. The ONS reported pay growth over the same three-month period at 5.9% for regular earnings (excluding bonuses) and 5.8% for total earnings.

The BoE's Monetary Policy Committee (MPC) held Bank Rate at 4.5% at its March 2025 meeting, having reduced it in February. This follows earlier 0.25% cuts in November and August 2024 from the 5.25% peak. At the March MPC meeting, members voted 8-1 to maintain Bank Rate at 4.5%, with the one dissenter preferring another 25 basis points cut. The meeting minutes implied a slightly more hawkish tilt compared to February when two MPC members wanted a 50bps cut. In the minutes, the Bank also upgraded its Q1 2025 GDP forecast to around 0.25% from the previous estimate of 0.1%.

The February Monetary Policy Report (MPR) showed the BoE expected GDP growth in 2025 to be significantly weaker compared to the November MPR. GDP is forecast to rise by 0.1% in Q1 2025, less than the previous estimate of 0.4%. Four-quarter GDP growth is expected to pick up from the middle of 2025, to over 1.5% by the end of the forecast period. The outlook for CPI inflation showed it remaining above the MPC's 2% target throughout 2025. It is expected to hit around 3.5% by June before peaking at 3.7% in Q3 and then easing towards the end of the year, but staying above the 2% target. The unemployment rate was expected to rise steadily to around 4.75% by the end of the forecast horizon, above the assumed medium-term equilibrium unemployment rate of 4.5%.

Arlingclose, the authority's treasury adviser, maintained its central view that Bank Rate would continue to fall throughout 2025. From the cuts in August and November 2024 and February 2025, which took Bank Rate to 4.50%, May is considered the likely month for the next reduction, with other cuts following in line with MPR months to take Bank Rate down to around 3.75% by the end of 2025.

The US Federal Reserve paused its cutting cycle in the first three months of 2025, having reduced the Fed Funds Rate by 0.25% to a range of 4.25%-4.50% in December, the third cut in succession. Fed policymakers noted uncertainty around the economic outlook but were anticipating around 0.50% of further cuts in the policy rate in 2025. Economic growth continued to rise at a reasonable pace, expanding at an annualised rate of 2.4% in Q4 2024 while inflation remained elevated over the period. However, growth is now expected to weaken by more than previously expected in 2025, to 1.7% from 2.1%. The uncertainty that President Trump has brought both before and since his inauguration in January is expected to continue.

The European Central Bank (ECB) continued its rate cutting cycle over the period, reducing its three key policy rates by another 0.25% in March, acknowledging that monetary policy is becoming meaningfully less restrictive. Euro zone inflation has decreased steadily in 2025, falling to 2.2% in March, the lowest level since November 2024. Over the current calendar year, inflation is expected to average 2.3%. GDP growth stagnated in the last quarter of the 2024 calendar year, after expanding by 0.4% in the previous quarter. For 2025, economic growth forecasts were revised downwards to 0.9%.

Financial markets: Financial market sentiment was reasonably positive over most of the period, but economic, financial and geopolitical issues meant the trend of market volatility remained. In the latter part of the period, volatility increased and bond yields started to fall following a January peak, as the economic uncertainty around likely US trade policy impacted financial markets. Yields in the UK and US started to diverge in the last month of the period, with the former rising around concerns over the fiscal implications on the UK government from weaker growth, business sentiment and higher rates, while the latter started falling on potential recession fears due to the unpredictable nature of policy announcements by the US President and their potential impact.

The 10-year UK benchmark gilt yield started the period at 3.94% and ended at 4.69%, having reached a low of 3.76% in September and a high of 4.90% in January in between. While the 20-year gilt started at 4.40% and ended at 5.22%, hitting a low of 4.27% in September and a high of 5.40% in January. The Sterling Overnight Rate (SONIA) averaged 4.90% over the period.

The period in question ended shortly before US President Donald Trump announced his package of 'reciprocal tariffs', the immediate aftermath of which saw stock prices and government bond yields falling and introduced further uncertainty over the economic outlook.

Credit review: In October, Arlingclose revised its advised recommended maximum unsecured duration limit on most banks on its counterparty list to six months. Duration advice for the remaining five institutions, including the newly added Lloyds Bank Corporate Markets, was kept to a maximum of 100 days. This advice remained in place at the end of the period.

Fitch revised the outlook on Commonwealth Bank of Australia (CBA) to positive from stable while affirming its long-term rating at AA-, citing its consistent strong earnings and profitability.

Other than CBA, the last three months of the period were relatively quiet on the bank credit rating front, with a small number of updates issued for a number of lenders not on the Arlingclose recommended counterparty list.

On local authorities, S&P assigned a BBB+ to Warrington Council, having previously withdrawn its rating earlier in 2024, and also withdrew its rating for Lancashire County Council due to the council deciding to stop maintaining a credit rating. However, it still holds a rating with Fitch and Moody's. Moody's withdrew its rating of Cornwall Council after it chose to no longer maintain a rating.

Credit default swap prices generally trended lower over the period but did start to rise modestly in March, but not to any levels considered concerning. Once again, price volatility over the period remained generally more muted compared to previous periods.

Financial market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remain under constant review.

Local Context

On 31st March 2025, the Authority had net [borrowing / investments] of £[X]m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.3.24 Actual £m	31.3.25 Actual £m
General Fund CFR	60.1	61.8
Less: *Other debt liabilities	-	-
External borrowing**	53.6	64.5
Internal (over) borrowing	6.5	(2.7)
Less: Balance sheet resources	(34.0)	(32.2)
Net borrowing	19.6	32.3

* finance leases, PFI liabilities and transferred debt that form part of the Authority's total debt

** shows only loans to which the Authority is committed and excludes optional refinancing

The treasury management position at 31st March and the change during the year is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.24 Balance £m	Movement £m	31.3.25 Balance £m	31.3.25 Rate %
Long-term borrowing				
- PWLB	(1.5)	-	(1.5)	8.875%
- LOBOs	-	-	-	-
- Other	-	-	-	-
Short-term borrowing	(52.1)	(10.9)	(63.0)	5.275%
Total borrowing	(53.6)	(10.9)	(64.5)	
Long-term investments*	23.0	(7.9)	15.1	3.61%
Short-term investments	6.5	(3.6)	2.9	**
Cash and cash equivalents	4.2	17.1	21.3	5.07%
Total investments	33.7	5.6	39.3	
Net borrowing	(19.9)	5.3	(25.2)	

* Long-term investments includes balance of property fund not yet being wound down, shareholding in Millstream Property Company and long term loans to Herts Building Control and Millstream Property Company.

**Balance of 2nd property fund being wound down.

Short term borrowing increased to ensure cash liquidity around the major project spend, at year end, including the new waste vehicles and bins, originally estimated to be spent end of March 2025 but delayed to 2025/26, funds were invested to reduce the cost of carry, to a minimum.

Borrowing Strategy and Activity

As outlined in the treasury strategy, the Authority's chief objective when borrowing has been to strike an appropriate risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective. The Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. During the majority of the period short term interest rates have been higher than long term interest rates.

After substantial rises in interest rates since 2021 many central banks have now begun to reduce their policy rates, albeit slowly. Gilt yields were volatile but have increased overall during the period. Much of the increase has been in response to market concerns that policies introduced by the Labour government will be inflationary and lead to higher levels of government borrowing. The election of Donald Trump in the US in November is also expected to lead to inflationary trade policies.

The PWLB certainty rate for 10-year maturity loans was 4.80% at the beginning of the period and 5.42% at the end. The lowest available 10-year maturity rate was 4.52% and the highest was 5.71%. Rates for 20-year maturity loans ranged from 5.01% to 6.14% during the period, and 50-year maturity loans from 4.88% to 5.88%.

For the majority of the year the cost of short-term borrowing from other local authorities closely tracked Base Rate at around 5.00% - 5.25%. However, from late 2024 rates began to rise, peaking at around 6% in February and March 2025.

CIPFA’s 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes. The Authority has no new plans to borrow to invest primarily for financial return.

The Authority currently holds £4.3m in commercial investments plus a further £11m currently being marketed for sale that were primarily purchased for financial return prior to the change in the CIPFA Prudential Code. Before undertaking further additional borrowing the Authority will review the options for exiting these investments.

Loans Portfolio: At 31st March 2025 the Authority held £64.5m of loans, an increase of £11.9m from 31st March 2024, as part of its strategy for funding previous and current years’ capital programmes. Outstanding loans on 31st March 2025 are summarised in Table 3 below.

Table 3: Borrowing Position

	31.3.24 Balance £m	Net Movement £m	31.3.25 Balance £m	31.3.25 Weighted Average Rate %	31.4.25 Weighted Average Maturity
Public Works Loan Board (long-term)	1.5	-	1.5	8.875%	30yrs
Public Works Loan Board (short-term)	15.0	35.0	50.0	4.85%	15mths
Local authorities (short-term)	37.1	(24.1)	13.0	5.70%	4mths
Total borrowing	53.6	10.9	64.5		

The Authority’s short-term borrowing has continued to increase, as entering into any longer-term debt is on hold, due to long term PWLB interest rates remaining high. The average rate on the Authority’s short-term PWLB loans of £50m, as at 31st March 2025 was 4.85%, this compares with 5.37% on the £15m loans held 12 months ago.

PWLB loans have a minimum maturity of 1 year. The authority uses inter local authority borrowing for loans less than 1 year. Rates are usually inflated at year end, due to higher demand for short term cash around this time. The two local authority loans held at 31st March 2025 had an agreed rate of 5.70%, this compares with rates of up to 6.90% on short term loans, entered into, at similar time, year ending 31st March 2024.

Loans restructuring: The authority did not enter into any long-term loan restructuring in the year ended 31st March 2025, but continues to review the position with its treasury advisory service, Arlingclose.

Other Debt Activity

The authority did not enter into any other debt activity, other than those listed above. It is undertaking a review of its assets, to identify surplus assets for potential sale, receipts from sales produce capital receipts, which can be used to fund the ongoing capital programme and it is hoped, reduce current debt levels.

Treasury Investment Activity

The CIPFA Treasury Management Code now defines treasury management investments as those investments which arise from the Authority's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Authority's investment balances ranged between £21m and £42m , including property funds, due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.3.24 Balance £m	Net Movement £m	31.3.25 Balance £m	31.3.25 Income Return %	31.3.25 Weighted Average Maturity days
Banks & building societies (unsecured)	5.1	4.4	9.5	4.34%	Call
Local authorities and other govt entities	-	7.0	7.0	6.275%	1 mth
Money Market Funds	5.6	(0.8)	4.8	4.66%	Call
Property Funds	17.8	(5.0)	12.8	3.61%	N/A
Total investments	28.5	5.6	34.1		

Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

As demonstrated by the liability benchmark in this report, the Authority expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different asset classes and boost investment income.

Bank Rate reduced from 5.25% to 5.00% in August 2024, again to 4.75% in November 2024 and again to 4.5% in February 2025 with short term interest rates largely being around these levels. The rates on DMADF deposits ranged between 4.45% and 5.20% and money market rates between 4.66% and 5.17.

Externally Managed Pooled Funds: As at 31st March 2025, £12.8m of the Authority's investments was invested in externally managed strategic pooled property funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. These funds generated an average total return of 3.61%, which is used to support services in year.

In financial markets the 2024/25 year was characterised by overall positive equity market performance, market volatility, elevated global yields, central bank interest rate cuts and uncertainties surrounding the impact of UK and European fiscal policy and particularly US President Donald Trump's tariff plans.

For UK and US government bonds, yields declined (and therefore prices rose) until September but then moved higher following the UK budget and strong US economic data. Government bond yields were then generally dragged upwards (prices down) globally by US market movements, given the uncertain trade policy outlook of Donald Trump's administration. Announcements of increased defence spending by governments in Europe and fiscal concerns in the UK saw yields spiking in January before easing somewhat, despite some divergence.

US, UK & European stock markets hit highs in early 2025 but started to decline towards the very end of the period, particularly in the US, reflecting investor concerns over escalating trade tensions and economic uncertainty. The FTSE All Share index was higher at the end of the 12-month period at 4,623 on 31/03/2025 versus 4,324 on 01/04/24. The MSCI All Countries World Index was higher at 3,629 on 31/03/2025 versus 3,425 on 01/04/24.

Having had a challenging time since 2022, UK commercial property generally experienced a recovery during the period, with improved investment activity, capital values stabilising or improving, particularly towards the end of the period, and income remaining relatively robust.

The period in question ended shortly before US President Donald Trump announced his package of 'reciprocal tariffs', the immediate aftermath of which saw stock prices and government bond yields falling and introduced further uncertainty over the economic outlook.

The change in the Authority's funds' capital values and income return over the 12-month period to 31st March is shown in Table 4.

Income from the Authority's property funds greatly reduced from one fund, due to the winding down and asset sales to return principal sums to investors. The 2nd fund had announced it would be wound down, but with a proposed merger to a pension fund. This had little impact on the rental distributions in 2024/25, due to fund not selling off major assets and wanting to generate good income returns to increase the success of the merger.

Statutory override: Further to consultations in April 2023 and December 2024 MHCLG wrote to finance directors in England in February 2025 regarding the statutory override on accounting for gains and losses in pooled investment funds. On the assumption that when published regulations follow this policy announcement, the statutory override will be extended up until the 1st April 2029 for investments already in place before 1st April 2024. The override will not apply to any new investments taken out on or after 1st April 2024. The Authority had set up a reserve to mitigate the impact of the statutory override not being extended.

Non-Treasury Investments

The definition of investments in the Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).

Investment Guidance issued by the Ministry of Housing, Communities and Local Government (MHCLG) and Welsh Government also includes within the definition of investments all such assets held partially or wholly for financial return.

The Authority held £5.2m of such investments.

- shareholding in subsidiaries £1.7m
- loans to subsidiaries £3.5m

These investments generated £0.146m of investment income for the Authority, representing a rate of return of 2.8%.

Treasury Performance

The Authority produced a favourable outturn totalling £1.1m, on interest payments on Loans and interest receivable on investments.

Table 5: Treasury Performance against Budget

	Original Budget 2024/25 £m	Outturn £m	Variance £m
Interest Payments on Loans	2.955	2.368	(0.587)
Interest & Investment Income	(1.200)	(1.730)	(0.530)
Total Saving			(1.117)

MRP Regulations

On 10th April 2024 amended legislation and revised statutory guidance were published on Minimum Revenue Provision (MRP). The majority of the changes take effect from the 2025/26 financial year, although there is a requirement that for capital loans given on or after 7th May 2024 sufficient MRP must be charged so that the outstanding CFR in respect of the loan is no higher than the principal outstanding less the Expected Credit Loss (ECL) charge for that loan.

The regulations also require that local authorities cannot exclude any amount of their CFR from their MRP calculation unless by an exception set out in law. Capital receipts cannot be used to directly replace, in whole or part, the prudent charge to revenue for MRP (there are specific exceptions for capital loans and leased assets).

Compliance

The Director of Finance, Risk and Performance reports that all treasury management activities undertaken during the year complied fully with the principles in the Treasury Management Code and the Authority's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 6 below.

Table 6: Investment Limits

	2024/25 Counterparty Maximum	31.3.25 Actual	2024/25 Sector Limit	Complied?
The UK Government	Unlimited	£19.6m	n/a	Yes
Local authorities & other government entities	£20m	£10.0m	Unlimited	Yes
Secured investments	£20m	-	Unlimited	Yes
Banks (unsecured)	£20m	£10.0m	Unlimited	Yes
Building societies (unsecured)	£20m	£9.6m	£60m	Yes
Registered providers (unsecured)	£5m	-	£30m	Yes

Money market funds	£20m	£9.6m	Unlimited	Yes
Strategic pooled funds	£20m	£17.8m	£20m	Yes
Real estate investment trusts	n/a	-	n/a	Yes
Other investments	£1m	-	£5m	Yes

Compliance with the Authorised Limit and Operational Boundary for external debt is demonstrated in table 7 below.

Table 7: Debt and the Authorised Limit and Operational Boundary

	2024/25 Maximum £m	31.3.25 Actual £m	2024/25 Operational Boundary £m	2024/25 Authorised Limit £m	Complied? Yes/No
Borrowing	63	63	75	150	Yes

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

Treasury Management Prudential Indicators

As required by the 2021 CIPFA Treasury Management Code, the Authority monitors and measures the following treasury management prudential indicators.

1. Liability Benchmark:

This new indicator compares the Authority's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £5m required to manage day-to-day cash flow.

	31.3.24 Actual £m	31.3.25 Actual £m
Loans CFR	60.1	61.8
Less: Balance sheet resources	(34.0)	(32.2)
Net loans requirement	25.1	29.6
Plus: Liquidity allowance	10.0	5.0
Liability benchmark	35.1	34.6
Existing borrowing	53.6	64.5

Whilst borrowing may be above the liability benchmark, strategies involving borrowing which is significantly above the liability benchmark carry higher risk, but 98% of borrowing was short term, pending the return of property fund receipts and asset sales.

2. Maturity Structure of Borrowing: This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	Upper Limit	Lower Limit	31.3.25 Actual	Complied?
Under 12 months	100%	0%	20%	Yes
12 months and within 24 months	100%	0%	78%	Yes
24 months and within 5 years	30%	0%	-	Yes
5 years and within 10 years	30%	0%	-	Yes
10 years and above	35%	0%	2%	Yes

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

3. **Long-term Treasury Management Investments:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management limits are:

	2024/25	2025/26	2026/27	No fixed date
	£m	£m	£m	£m
Limit on principal invested beyond year end	20.0	20.0	20.0	20.0
Actual principal invested beyond year end	15.1	6.0	6.0	6.0
Complied?	Yes	Yes	Yes	Yes

Long-term investments with no fixed maturity date include strategic pooled funds, real estate investment trusts and directly held equity but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

Agenda Item 15

East Herts Council Report

Executive pre-meeting

Date of meeting: Tuesday 23 September 2025

Report by: Councillor Carl Brittain – Executive Member for Financial Sustainability

Report title: Financial Management 2025/26 - Quarter 1 Forecast to year end

Ward(s) affected: All

Summary –

- The net revenue budget for 2025/26 is £ 20.134m as set out in Table 1. The forecast yearend outturn as of 30th June 2025 predicts an overspend of £789k.
- The revised capital budget for 2025/26 is £11.247m, as set out in Appendix C. The forecast outturn is £10.610m giving a variance of £637k.

RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE:

- a) Note and consider the net revenue budget end of year projected overspend of £789k.
- b) Note and consider the capital programme forecast outturn of £637k.

1.0 Background

1.1 The 2025/26 Medium Term Financial Plan (MTFP), revenue budget and capital programme were approved by Council on 26th February 2025. The 2025/26 net revenue budget is £20.134m, the table below shows the budget alongside the 2025/26 forecast outturn as at quarter 1. A full breakdown of the revenue budget and forecast can be found in **Appendix A** and an explanation of key variances in **Appendix B** .

Table 1: Revenue Budget and End of Year Forecast Outturn	2025/26 Budget	2025/26 Forecast Outturn	Variance
	£'000	£'000	£'000
Net Cost of Services (NCS)	15,921	16,809	888
Total corporate budgets	4,377	4,278	(99)
Total reserve movements	(164)	(164)	-
Net Revenue Budget	20,134	20,923	789
Total funding	(7,008)	(7,008)	-
Funded by Council Tax	(13,131)	(13,131)	-
Overspend/Underspend	(6)	783	789

1.2 The Net Cost of Services (NCS) budget of £15.921m includes the saving proposals of £3.409m that were approved as part of the MTFP. The table below shows “RAG” rating of the savings as at quarter 1 –

RAG Rating	Numbers of Measures	£'000s
Red	6	129
Amber	3	192
Green	36	3,089
Total	45	3,409

A red rating is where the saving cannot be achieved and the value of that is shown in the table. Amber is where savings have in part been achieved and the value represents what is forecast to not be achieved in the current year, but most likely to be fully achieved in the following financial years due to timing, and green is where the savings have been achieved. Appendix B shows the key variances and picks up on where there are more significant savings variances.

Where savings are rated red, the service is reviewing whether they can be delivered. If following review, the savings are deemed unachievable, they will be considered as part of the Medium Term Financial Plan to be presented to Executive in October.

Capital Programme

1.4 The revised capital budget for 2025/26 is £11.247m. The forecast outturn shows a variance of £637k underspend on the year. A summary of the Capital Programme is provided below, with further detail available within Appendix C.

Table 2 : Summary Capital Forecast

	Carry Forward from 2024/25	Revised Budget 2025/26	Forecast Outturn 2025/26	Variance 2025/26
	£'000s	£'000s	£'000s	£'000s
Land and Buildings	1,252	2,020	1,683	(337)
Infrastructure	0	37	37	0
Vehicles, Equipment and Intangible Software	7,810	8,760	8,460	(300)
Community Assets	111	111	111	0
Revenue Expenditure funded as Capital under Statute (REFCUS)	0	319	319	0
Current Capital Programme Total	9,173	11,247	10,610	(637)

1.5 An underspend of £637k is forecast, these are:

- Old River Lane project - there is no further expenditure in respect of the main scheme, the only expenditure in 2025/26 is in relation to the public square, with the majority of the expenditure planned in 2026/27 & 2027/28. Therefore, an underspend of £87k is reported.
- There is no call on the capital contingency forecast as at quarter one, an underspend of £250k is reported.
- There is a forecast underspend of £300k against the ICT rolling programme, the forecast outturn includes all forecast schemes for 2025/26. This budget will be reviewed as part of the 2026/27 budget setting.

Debtors

1.6 The outstanding debt as at the end of July was £2.515m which is an improving position from March 2025 that was £3.213m. Debt greater than 180 days is £1.053m 42% of the total. The debt when compared to with position at the end of March has reduced in total by £698.4k a 22%

reduction. A review of the aged debts has been carried out and, there have been write offs in line with the council's policy totalling £312k which have contributed to this. A longstanding debt was also settled for £692k. **Appendix D** shows the profile of the aged debt.

2.0 Reason(s)

2.1 Section 28 of the Local Government Act 2003 requires the council to monitor the budget and monitor and assess the adequacy of reserves and balances during the year. East Herts Council's financial management framework requires quarterly reports to Audit and Governance Committee and the Executive with forecasts to year end.

2.2 The Executive is required to consider the budget forecasts and ensure that action is taken in relation to any expenditure overspends or any underachievement of income so that the council's financial resources are not exceeded.

3.0 Options

3.1 Not applicable.

4.0 Risks

5.0 Implications/Consultations

5.1 The finance implications are contained within the report.

Community Safety

None arising from this report.

Data Protection

None arising from this report.

Equalities

None arising from this report.

Environmental Sustainability

None arising from this report.

Financial

All financial implications are included in this report.

Health and Safety

None arising from this report.

Human Resources

None arising from this report.

Human Rights

None arising from this report.

Legal

Section 28 of the Local Government Act 2003 requires the council to monitor the budget and monitor and assess the adequacy of reserves and balances during the year. East Herts Council's financial management framework requires the quarterly reports to Audit and Governance Committee and the Executive with forecasts to year end.

Specific Wards

No

6.0 Background papers, appendices and other relevant material

6.1

Appendices	
A	2025/26 Revenue Budget & Forecast Outturn
B	2025/26 Significant variances
C	2025/26 Capital Programme and Forecast Outturn
D	Quarter 1 Debtors position

Contact Member

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2025/26 Revenue budget - Qtr 1 Forecast outturn position

		2025/26 budget	Forecast outturn	Variance
		£'000	£'000	£'000
Net Cost of Services	Chief Exec & Corp Support Team	305	272	(33)
	HR & Organisational Development	519	547	28
	Communities	5,562	5,772	210
	Centrally Managed Costs	779	840	61
	Legal Policy & Governance	1,747	1,752	5
	Place	4,132	4,131	(1)
	Regeneration Customer & Commercial Services	(2,183)	(1,454)	729
	Finance, Risk Performance	5,060	4,949	(111)
	Total Net Cost of Services	15,921	16,809	888
Corporate Budgets	Fees & charges annual review	(100)	(100)	-
	Minimum Revenue Provision	1,634	1,634	-
	Interest Payments on loans	3,269	3,095	(174)
	Interest & Investment income	(1,000)	(925)	75
	Pension Fund Deficit contribution	637	637	-
	Executive Savings approved 2024/25 budget round	(63)	(63)	-
	Corporate Budgets Total:	4,377	4,278	(99)
	Use of Reserves	Contributions to Earmarked reserves	-	-
Contributions from Earmarked reserves		(164)	(164)	-
Net Use of Reserves:		(164)	(164)	-
Net Cost of Services Total:		20,133	20,922	789
Funding	Retained Business Rates - Business Rates	(5,092)	(5,092)	-
	Retained Business Rates - Section 31 Grants	-	-	-
	Council Tax Demand on the Collection Fund	(13,131)	(13,131)	-
	(Surplus)/Deficit on collection fund	-	-	-
	General Government Grants	(582)	(582)	-
	Revenue Support Grant	(141)	(141)	-
	New Homes Bonus Grant	(1,193)	(1,193)	-
Non Departmental Budgets Total:		(20,139)	(20,139)	-
Total:		(6)	783	789

Appendix B - Summary of Significant Variances - Quarter 1 2025-2026

Budget Area	2025-2026 Budget £ 000's	Forecast Outturn £ 000's	Variance £ 000's	Reason for Variance
Chief Exec & Corp Support Team	305	272	(33)	Minor Staffing Variances
HR & Organisational Development	519	547	28	Minor Staffing Variances
Communities	5,562	5,772	210	
Strategic Property	1,163	1,438	275	Strategic property, pressure of £275k, of which £122k loss of rent relates to Rapier house currently occupied by Glendales, Plus £114k pressure on Northgate end flats, due to required security costs and council tax. There are also some pressures on property maintenance.
Housing Service	518	439	(80)	Hostels are forecasting a surplus on rental income against budget, this is due to low void rates than anticipated of lets across most of there sites.
Licensing & Enforcement	60	129	68	There is a £17k pressure on licence fees and £36k shortfall on a recharge for a staffing to another council where the arrangement is no longer active.
Community & Well being Partnership	450	395	(55)	This is due staff vacancies that are being held.
Other Variances	3,370	3,371	1	minor variances
Centrally Managed Costs	779	840	61	Centrally managed cost pressures from savings not currently being fully achieved from the LT restructure. This will be achieved following the outcome of the tier three review
Legal Policy & Governance	1,747	1,752	5	
Improvement and Insight	292	342	50	An income target of £60k for staff recharges to other councils for project work which is no longer achievable in full for 2025-2026 as the arrangement has now finished - £47k pressure.
Legal Services	427	380	(47)	The underspend is due to a vacant planning solicitor and a trainee post.
Other Variances	1,029	1,030	2	
Place	4,132	4,131	(1)	
Planning	2,354	2,335	(19)	There is no significant pressure forecast, however it is worth noting that there is a large net pressure on staffing costs due to the use of agency planners. Whilst there has been successful recruitment in other areas of planning, this is due to a shortage of experienced planners at a principal level in Development Management. Recruitment continues in this area, but in the interim the work is covered by agency staff similar to the position at the end of 2024-2025.
Other Variances	1,778	1,796	18	
Regeneration Customer & Commercial Services	(2,183)	(1,454)	729	
Carparking	(3,353)	(2,979)	374	There is a pressure of £99k for parking fees and charges, this is against a backdrop of a increased income target based on the increase on parking charges and the tariff structure, a £210k pressure on NNDR across the 3 multi storey carparks and a pressure on carpark cleansing as a result of the change in contractor.
Beam - Theatre	(200)	70	270	There is a pressure of £270k for the theatre overall. The majority of which (£184k) is showing against the Café. There have been delays in recruiting a Chef, a new appointment has been made and started in July. The food offering will start in early September once the kitchen is operational and has its regulatory H&S certification, plus the menus and logistics have been designed and planned. There is also a £47k pressure on ticket sales for the theatre, however it is worth noting that cinema tickets were £20k favourable in Q1. These are pressure's based on Q1 performance only, they are not being forecast for the remaining 9 months, due to the seasonal nature of the service. There is also a £22k pressure for membership sales and a £32k pressure on utilities which are forecast for the year.
Customer Services	967	999	32	Agency for temps to cover garden waste administration as a result of the new service arrangements being instigated.
Comms & Digital Media	397	455	58	A net pressure due to agency costs covering the ORL project manager role.
Other Variances	5	0	(5)	
Finance, Risk Performance	5,060	4,949	(111)	
ICT Shared Service	2,971	2,900	(71)	ICT underspend on shared service due to staffing vacancies
Other Variances	2,089	2,049	(40)	
Total Variances	15,921	16,809	888	

Capital Forecast Outturn Quarter 1 - June 2025

	Carry Forward from	Revised Budget	Forecast Outturn	Variance
	2024/25	2025/26	2025/26	2025/26
	£'000	£'000	£'000	£'000
Land and Buildings				
Investment in operational assets	80	393	393	-
Buntingford Depot	681	681	681	-
Hertford Theatre - BEAM	311	311	311	-
Old River Lane	-	205	118	(87)
Pinehurst Community Hall	180	180	180	-
Capital Contingency - Major Projects	-	250	-	(250)
Infrastructure				
Bridges	-	37	37	-
Vehicles, Equipment and Intangible Software				
Rolling programme to be utilised on ICT projects	-	410	110	(300)
BEAM Website replacement.	-	40	40	-
Refuse & Recycling - cleansing vehicles	6,130	6,130	6,130	-
Refuse & recycling - containers	1,680	1,680	1,680	-
Transformation Programme	-	500	500	-
Community Assets				
Hertford Castle Grounds - Development Phase - HLF	32	32	32	-
Parks & Open Spaces	79	79	79	-
Revenue Expenditure Funded as Capital Under Statute (REFCUS)				
Warmer Homes - WH:LG	-	319	319	-
Current Capital Programme Budget Total	9,173	11,247	10,610	(637)

	Carry Forward from 2024/25
	£'000
Land and Buildings	1,252.00
Infrastructure	-
Vehicles, Equipment and Intangible Software	7,810.00
Community Assets	111.00
Revenue Expenditure Funded as Capital Under Statute (REFCUS)	-
Current Capital Programme Budget Total	9,173.00

Revised Budget	Forecast Outturn	Variance
2025/26	2025/26	2025/26
£'000	£'000	£'000
2,020.00	1,683.00	- 337.00
37.00	37.00	-
8,760.00	8,460.00	- 300.00
111.00	111.00	-
319.00	319.00	-
11,247.00	10,610.00	- 637.00

Appendix D

EastHerts District Council - Aged Debt Analysis - July 2025

Outstanding Debt as at July 2025	Balance Outstanding	30 Days	30 - 60 Days	60 - 90 Days	90 - 120 days	120 - 180 Days	180+ days
	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's
Outstanding Debt 31 July	2,515.1	765.9	370.8	142.7	42.6	140.5	1,052.6
Outstanding Debt 31 March	3,213.5	1,051.7	220.1	77.3	60.5	44.3	1,759.6
Increase / (Decrease) to March 2025	(698.4)	(285.8)	150.7	65.3	(17.8)	96.1	(707.0)
Percentage Spread of Debt Across Periods		30%	15%	6%	2%	6%	42%
Percentage (Reduction) / Increase in Debt from 31 March	(22%)	(27%)	68%	84%	(30%)	217%	(40%)

Agenda Item 16

East Herts Council Report

Leadership Team Meeting

Date of meeting: Tuesday 9 September 2025

Report by: Councillor Carl Brittain – Executive Member for Financial Sustainability

Report title: Strategic Risk Register Monitoring Q1 2025/26 and Updated Risk Management Strategy

Ward(s) affected: All Wards

Summary – This report provides the Committee with the corporate risk register for quarter one of 2025/26 and details how East Herts manage these risks to the Council.

The Risk Management Strategy has been reviewed and updated.

RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE:

- a) The 2025/26 quarter one corporate risk register and actions being taken to control and mitigate risk be noted.
- b) The Risk Management Strategy be reviewed and approved.

1.0 Background

1.1 The leadership team reviews the content of the corporate risk register quarterly and provides updates that are relayed within this monitoring report to Audit & Governance Committee.

1.2 The Corporate Risk Register is attached at Appendix A. The format concentrates on key risks and is very focussed on control and mitigation actions.

1.3 The Risk Management Strategy is reviewed annually. This report details amendments since the last update.

2.0 Risk Register results for quarter one

2.1 Leadership Team has set a risk tolerance level. Risks above the tolerance levels are actively managed and regularly reviewed to ensure that contingency and mitigation action is being taken. Risks below the tolerance line are managed by Services. Services are responsible for keeping all risks under review and taking action to reduce the impact of the risk on the Council.

		Likelihood			
		1	2	3	4
Impact	A				
	B			2	1, 6
	C		3, 4, 7	8	
	D		5		

Table 1 Risk Score

2.2 Details of how risks are scored can be found below. Appendix A shows the comprehensive breakdown of each risk.

Likelihood	Score	Description	Likelihood of occurrence	Probability of occurrence	
	4	High	Monthly	The event is expected to occur or occurs regularly	
	3	Medium	Annually	The event will probably occur	
	2	Low	1 in 5 years	The event may occur	
	1	Very Low	Less frequently than 1 in 5 years	The event may occur in exceptional circumstances	

Impact	Score	Description	Financial	Reputation	Service / operation
	A	Critical	> £1m p.a.	Serious negative media	Catastrophic fall in service quality or long-term disruption to services
	B	Significant	£400,000 to £1m p.a.	Adverse national media	Major fall in service quality or serious disruption to services
	C	Marginal	£100,000 to £400,000 p.a.	Adverse local media	Significant fall in service quality
	D	Minor	< £100,000	Public concerns restricted to local complaints	Little impact to service quality

Table 2 Methodology of corporate risk scoring

2.3 The risk scores reflect control and mitigation measures (Residual scores) rather than the Inherent (before any action is taken to control) scores.

2.4 There has been one change to the risk register since the last review. Risk 4 (Key Contractor) has been reclassified from C3 to C2, reflecting the commencement of the new long-term waste contract. While some initial operational issues are being actively managed, the updated financial terms and strengthened contractual framework significantly reduce the likelihood of a complete service failure. This reclassification reflects increased certainty and resilience in our waste service provision.

2.5 All remaining risks remain unchanged.

3.0 Risk Management Strategy

3.1 The Risk Management Strategy is intended to be reviewed annually by the Leadership Team and the Audit & Governance Committee. However, it has not undergone formal review for a number of years, and this update provides an opportunity to reaffirm the Council's approach to risk management and ensure alignment with current best practice.

3.2 The Strategy outlines the Council's approach to identifying, assessing, and managing risk. Annual updates are presented to Members for approval, forming a key component of the Council's Annual Governance Statement (AGS).

3.3 The draft Risk Management Strategy for 2025/26 (at Appendix B) remains largely unchanged from the previous version. The only substantive update is the enhancement of the risk scoring framework, which has moved from a 3x3 matrix to a 4x4 matrix, allowing for more detailed evaluation of risk exposure.

4.0 Implications/Consultations

Community Safety

No

Data Protection

The topic features within the corporate risk register.

Equalities

The topic features within the corporate risk register.

Environmental Sustainability

Climate change features within the corporate risk register.

Financial

Not specific but risk management can provide protection of budgets from unexpected losses. Better governance can be demonstrated, and the annual audit plan is risk based.

Health and Safety

Not specific but risk management can provide a safer environment across the District and all services for the benefit of the public, staff and our contractors.

Human Resources

No

Human Rights

No

Legal

Not specific but legal matters feature within the corporate risk register.

Specific Wards

No

5.0 Background papers, appendices and other relevant material

5.1 Appendix A Corporate Risk Register

5.2 Appendix B Risk Management Strategy

Contact Member Councillor Carl Brittain, Executive Member for Financial Sustainability

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Reference	Risk Title	Impact	Likelihood	Likelihood reduction	LR Target Date	Impact Mitigation	IM Target Date	Residual Impact	Residual Likelihood	Progress Update	Risk Owner
1 - Financial Resources	Expenditure is likely to exceed the resources available to the council triggering a report in the public interest by the s.151 officer under section 114 (3) of the Local Government Finance Act 1988.	A	4	Medium Term Financial Plan which plans for further reductions in net expenditure to reflect real terms reduction in council funding Annual savings plan Transforming East Herts Programme to deliver efficiencies and enable customers to access services 24/7 on the web site Reductions in non-essential capital expenditure and agreement to sell assets to realise capital receipt which will be applied to pay down debt. Revised BEAM business plan aims to support the MTFP with £200k per year		s.114 Report leading to appointment of Commissioners but also access to Government support Requesting CIPFA support prior to reaching s.114 threshold Requesting Government support although flexibility on capital receipts and further borrowing would be counter-productive BEAM business plan kept under review in its first year of operation	On-going	B	4	Savings schedule being reviewed to ensure achieved Monthly budget meetings with Leadership Team MTFP refresh is underway Expedited asset disposal programme commenced	Brian Moldon
2 - Climate Change	Lack of mitigation of and adaptation to climate changes adversely impacts of service delivery	B	4	Declaration of Climate Emergency by Council Reducing carbon emissions from council operations - Climate Change Action Plan Seeking to influence residents to reduce carbon footprint for the district		Adaption Plan Business Continuity Plan Severe Weather section Emergency Plan including specific response plans to flooding etc. Health and Safety Policy details severe weather response Works to Great Amwell depot site taking account of flood risk assessment.		B	3	Adaption risk assessment substantially complete. Producing offsetting strategy and business case for carbon credits. All vehicles in council fleet now BEVs and in waste contract management that came in effect in May is using electric smaller vehicles and switching from diesel to hydrogenated vegetable oil (HVO) later in 2025/26 for the larger vegicles. Depot works due to go to Development Management Committee in summer 2025.	Jonathan Geall
3 - District Plan	District Plan not up to date leading to a developer led system, resulting in unsustainable, unplanned, piecemeal development across the district without the required supporting infrastructure such as roads, schools, healthcare facilities etc.	A	2	By Executive / Council Budget for evidence studies in place, including reserve. Evidence base updated in line with the National Planning Policy Framework and Planning Practice Guidance. Legal requirements including the Duty to Co-operate met.	Mar-26	Programme of work agreed for the preparation on the new District Plan. Resources in place to progress the new District Plan. Duty to Co-operate complied with. New District Plan is legally compliant and in conformity with the NPPF.	Mar-26	C	2	Formal work on the new District Plan will start in 2026 under the new planning system. In the meantime, we have undertaken the following preparatory work: •Agreed a revised timetable for the preparation of the new District Plan in the form of a Local Development Scheme (LDS). The LDS sets out the key plan-making stages and timetable for the new District Plan and takes account of the Government's plan-making reforms. •Undertaken a Call for Sites - an opportunity for landowners, developers, agents and site promoters to submit sites which may be considered to have the potential for future development. •Produced an updated Statement of Community Involvement. •Developed a Strategic Vision to chart a clear and ambitious course for the district's future which will serve as the golden thread for the new District Plan, informing policies and decision-making that will shape East Herts in the years to come. Community Engagement on the Vision was planned to take place in September/October 2025, however, this has been postponed pending publication of the secondary legislation which will implement the LURA's plan-making provisions. •Commenced work on a District Design Code. •Started work on updating our evidence base including – Green Belt Review, Employment Land Review, Buntingford Employment Study 2025, Open Space and Sports Facilities Assessment, Village Hierarchy Study, and LCWIP.	Sara Saunders
4 - Key Contractor	A key major contractor of the council fails meaning that services stop altogether e.g the refuse contractor fails and streets are not swept and bins are not emptied	C	3	Monitoring of major contractors for risks of business failure Parent Company Guarantee/Performance Bond Contract compliance procedure should note issues locally such as recruitment freeze or other issues that may indicate financial health issues with company		Local Authority Trading Company ready to activate to take over service provision Business Continuity Plans Performance Bonds or parent company guarantee	On-going	C	2	Continued monitoring of positions. The new waste contract with Veolia is currently in mobilisation, and the Council will continue to monitor this as the new service is rolled out.	James Ellis
5 - Governance	There is a governance failure caused by a lack of policies, procedures and internal controls leading to loss of legal cases on process and/or loss of assets	B	4	All Executive, Committee and Council reports require sign off by legal and finance to ensure Compliance with budget and policy framework and current legislation. List of policies maintained with review dates. Information Governance function strengthened to ensure compliance with data protection and Freedom of Information. Ensuring Equalities Impact Assessments are completed for all policies		In house legal staff in place with few vacancies therefore capacity available to address issues that arise unexpectedly. Internal audit provided by Shared Internal Audit Service using assurance mapping methodology which allows for all assurance levels to be seen and assessed. Monitoring Officer and s.151 officer work closely together and horizon scan for potential issues		D	2	Minor amendments to Constitution to reflect legislation changes made. HR policies have been amended for legislative change.	James Ellis
6 Ransomware attack deletes data	A successful ransomware attack would render the council's IT systems completely inoperative for an extended period. This would paralyze all council operations, preventing it from collecting revenues, calculating and paying benefits, paying staff and suppliers, and executing any regulatory or enforcement actions.	A	4	We patch all systems and have updated firewalls and anti-virus software for the network. Databases are moved, operating systems use support releases, and laptops are protected with AV and firewall systems. System access requires 2-factor authentication. Staff complete mandatory data protection and cyber security training.	WiFi - completed July 2025	Rubrik backs up our on-premises systems for a duration of 42 days. The most recent three backups are retained on the Rubrik appliance located in Daneshill, and all backups, including these three, are stored in the Rubrik Cloud Vault. Rubrik identifies indicators of compromise in our backups, allowing us to either revert to a clean backup (up to 42 days old) or recover the latest backup to an isolated network environment, remove the compromise, and then restore from the backup. We also maintain snapshots on the Pure arrays. A snapshot is created on the array volume every four hours, with all snapshots retained on the array volume for one week. Additionally, we keep a consolidated snapshot per day for an additional five days. This results in six snapshots per day, which are kept for five extra days beyond the current setup, totaling 42+5 (consolidated) snapshots.	On-going	B	4	Our systems are presently undergoing scheduled updates as we transition business platforms to the New Vision system. Office Wi-Fi networks have been upgraded to deliver enhanced coverage and strengthened security. As part of our IT restructuring initiative, a dedicated cybersecurity team has been established to bolster our protective measures; nevertheless, it should be acknowledged that ransomware threats cannot be entirely eliminated. In 2024/2025, a total of 588 cyberattacks were detected and prevented, with 371 incidents successfully intercepted to date this year.	Helen Standen
7 - Major Data Breach	A major data breach of sensitive personal data occurs causing reputational damage and the Information Commissioner to fine the Council	A	3	Mandatory staff training Laptop/mobile device security Confidential waste shredded		Mandatory staff training Data Protection and Privacy Statements Culture of reporting all breaches and learning from each breach		C	2	The Cyber Police training course has been well received and uptake has been very high. IT will provide a half yearly update on any non compliance.	James Ellis
8 - Staff and skills	The lack of the right staff to deliver services leads to service backlogs and failures. Staff are not skilled up to perform work in a digital environment and to work in an agile ways means that investment in systems and digital access channels is wasted	B	4	LGA have been commissioned to undertake a Decision Making Accountability Review to help inform the structure of the council. Commercial skills training requirements identified. Cultural change training requirements being worked on to cement Transforming East Herts investment as recognised in the July 2022 Business Case	LGA DMA report expected 24/05/2024 Culture Change training 31/03/2025	Introduction of new systems and moving transactions onto the web goes through a first stage of process review using Lean Six Sigma principles so wasteful processes are eliminated as well as maximising the technological capabilities. As far as possible human interventions in a process will be reduced or eliminated altogether. Training in skills is being worked up to deliver culture change to ensure investment is maximised. Managers have been trained as part of the Blueprint Programme and aspiring managers trained as part of the First Step Programme	Culture Change training 31/03/2025	C	3	The principles of the DMA findings have been applied and incorporated into the revised Leadership Team structure to ensure decision making is taken at the most efficient and cost effective level. New structure has been implemented and a further review is underway to apply the findings further down the organisation - Tiers 3 and 4 will be in place by autumn 2025	Helen Standen



Risk Management Strategy

2025/26 Review

Leadership Team
Audit and Governance Committee

9 September 2025
30 September 2025

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Section 1 - Context

Policy statement

Risk is present in everything that we do, so it is our policy to identify, assess and manage the key areas of risk.

East Herts Council recognises that risk management is an essential element of good governance and must be embedded in the culture of the Authority, particularly projects and strategic decisions, including procurement and contracting. It supports informed decision making thereby enabling opportunities to be exploited, or action to be taken to mitigate or manage risk to an acceptable level.

In order to obtain a clear picture of the risks that threaten the council's ability to achieve its objectives, it is important that the council determines its 'risk appetite' – the level of risk that is considered acceptable for the organisation to be exposed to. The Risk Management Strategy reflects our 'risk appetite', the size of the Authority and the nature of our operations.

The objectives of this strategy are:

- Define what risk management is about and what drives risk management within the council.
- Set out the benefits of risk management and the strategic approach to risk management.
- Outline how the strategy will be implemented.
- Identify the relevant roles and responsibilities for risk management within the council.
- Formalise the risk management process across the Council.

Approval, communication, implementation and review

The Risk Management Strategy is on the intranet and is specifically issued to all Members, Leadership Team and Senior Managers.

The strategy is reviewed each year, and following key changes in central or local policies. Risk management is also subject to frequent audit by the Shared Internal Audit Service (SIAS) and feeds in to the risk-based audit planning process.

Section 2 - What is risk management and why do we do it?

Risk Management can be defined as:

The process which aims to help organisations understand, evaluate and take action on all their risks with a view to increasing the probability of their success and reducing the likelihood of their failure. (Source: The Institute of Risk Management).

The council maintains two tiers of risk register:

- Strategic risks – the highest level ‘business’ risks.
- Operational risks – the day to day issues faced by services and Project Managers.

Once identified, the next stage is to prioritise risks to identify which are key to the Council moving forward. It is essential that steps are then taken to manage these effectively.

There should also be a consideration of the positive or ‘opportunity’ risk aspect. (For more information see Section 3, ‘risk identification’).

National drivers behind strategic risk management

- The CIPFA/SOLACE framework on Corporate Governance requires the Council to manage risks and performance through robust internal control and strong public financial management. Risk management and internal control are integral parts of a performance management system and are crucial to the achievement of outcomes. Robust and integrated risk management arrangements are required, and risk should be addressed as part of all decision making activities.
- Risk management is best practice in both the public and private sectors.

Benefits of risk management

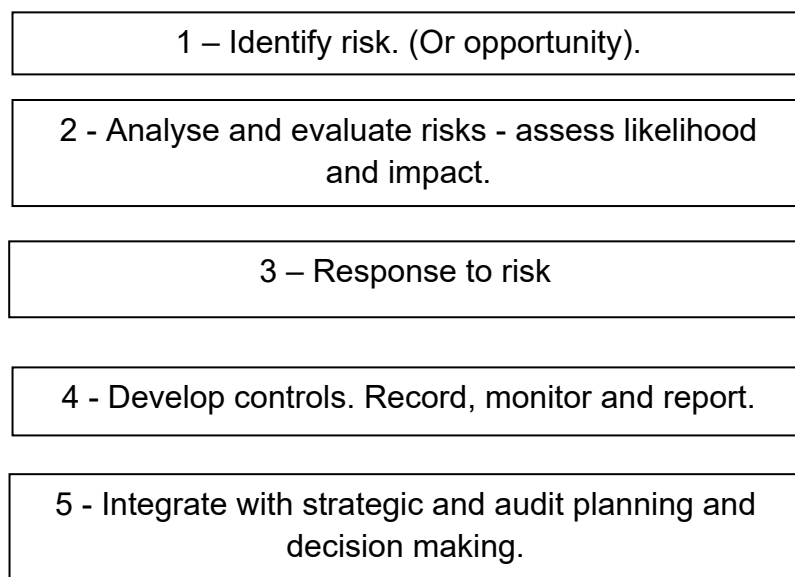
Public services are facing unprecedented challenges and the effective management of risk is needed more than ever. A risk-managed approach to decision making will help the council to achieve objectives and deliver services more efficiently, using innovative and cost-effective means.

Implementation of risk management produces many benefits for the Council including:

- Improved efficiency of operations.
- Protection of budgets from unexpected financial losses.
- Protection of reputation.
- Increased chance of achieving strategic / project objectives as key risks are minimised.
- The possibility of becoming less risk averse because risks are understood.
- Improved performance (accountability and prioritisation) - feeds into performance management framework.
- Better governance can be demonstrated to stakeholders.

Section 3 - Implementation of risk management

Implementing the strategy involves a 5-stage process:



Stage 1 – Risk identification

An inventory of risks is prepared of those events which might create, prevent, accelerate or delay the achievement of objectives. (A list of prompts is included at Appendix 1.)

It is important that those involved with the process clearly understand what the Council wants to achieve in order to be able to identify the barriers. A variety of people from across the organisation should input to ensure that all risks are identified.

Strategic risks are generally considered at an annual review with Leadership Team. Service or operational risks are identified through the service planning process, with service managers, at project meetings and / or through the committee reporting process.

The process for the identification of risk should be undertaken for projects (at the start of each project stage), partnerships, service planning and at a strategic / corporate level. Details of who contributes to these stages are explained further in the roles and responsibilities section.

It is important to remember that risk management is also about making the most of opportunities. For example:

- Making bids for funding.
- Taking a national or regional lead on policy development.
- Savings that may be achievable or income that may be generated.
- A 'spend to save' initiative.
- Tendering a large contract also provides an opportunity to reshape service delivery.

The risk should be given a clear and concise title and captured on the template in appendix 2. A fuller description to include the root cause and the possible consequences of the risk if it occurs should also be provided separately.

Stage 2 – Analysing and evaluating the risks

The likelihood of a risk occurring and its potential impact are scored using the criteria below. Thresholds have been set to ensure that scoring remains consistent across the authority including committee reports and project documentation. These thresholds will be reviewed annually.

	Score	Description	Likelihood of occurrence	Probability of occurrence
Likelihood	4	High	Monthly	The event is expected to occur or occurs regularly
	3	Medium	Annually	The event will probably occur
	2	Low	1 in 5 years	The event may occur
	1	Very Low	Less frequently than 1 in 5 years	The event may occur in exceptional circumstances

	Score	Description	Financial	Reputation	Service / operation
Impact	A	Critical	> £1m p.a.	Serious negative media	Catastrophic fall in service quality or long-term disruption to services
	B	Significant	£400,000 to £1m p.a.	Adverse national media	Major fall in service quality or serious disruption to services
	C	Marginal	£100,000 to £400,000 p.a.	Adverse local media	Significant fall in service quality
	D	Minor	< £100,000	Public concerns restricted to local complaints	Little impact to service quality

		Likelihood			
		1	2	3	4
Impact	A				High
	B		Medium		
	C				
	D	Low			

Risk appetite

A material risk is deemed to be any risk scored A3, A4 or B4. These exceed the Council's 'risk appetite' i.e. the level of risk that it is prepared to tolerate without need for ongoing monitoring or reporting. Where a risk rating exceeds this area of tolerance, demonstrable

evidence of how risks are being mitigated will be required, together with proposals for future controls.

Increasing pressure on public finances means that Local Authorities are obliged to have more appetite for risk. The Council cannot deliver everything it would ideally like to deliver and tough choices are necessary. The Council is therefore open to considering all delivery options, accepting increased levels of risk in order to secure the successful outcomes or rewards.

Risk management is essential in supporting innovation and moving from a 'risk averse' to a more 'risk aware' approach. An example is the acquisition of Old River Lane, Bishop's Stortford. The financial commitment is significant but the acquisition provides an opportunity to shape the town centre, and an additional income stream.

Stage 3 – Respond to risks

Risks may be able to be:

Controlled - It may be possible to mitigate the risk by 'managing down' the likelihood, the impact or both. The control measures should, however, be commensurate with the potential frequency, severity and financial consequences of the risk event.

Accepted - Certain risks may have to be accepted as they form part of, or are inherent in, the activity. The important point is that these risks have been identified and are clearly understood.

Transferred - to another body or organisation i.e. insurance, contractual arrangements, outsourcing, partnerships etc. (Liabilities cannot be contracted out in their entirety. The Council will often retain overall accountability; and certainly for health and safety risks.)

Terminated - By ending all or part of a particular service or project.

It is important to recognise that, in many cases, controls will already be in place. It is therefore necessary to look at these controls before considering further action. They may be out of date or not complied with.

Most risks are capable of being managed, either by managing down the likelihood or impact or both. Relatively few risks have to be transferred or terminated.

Stage 4 – Recording, monitoring and reporting

Only risks that are considered to be at an unacceptably high level require monitoring, using the template at appendix 2. (All risk registers will be compiled in the corporate format to ensure consistency, of scoring in particular.)

Existing controls of strategic risks, their adequacy, new mitigation measures and associated action planning information are to be recorded on the Strategic Risk Register.

A target risk score will also be agreed at the beginning of each financial year to focus minds on risk mitigation and recording of actions planned and achieved.

The target risk score, planned and implemented controls and the associated cost will all be recorded on the risk register and updated quarterly.

Leadership Team is responsible for ensuring that strategic risks are managed and will receive a quarterly monitoring report. The report will subsequently be submitted to Performance, Audit and Governance Oversight Committee.

Project Managers will be required to maintain risk registers and key entries will feature on or contribute to the broader Strategic Risk Register.

The Operational Risk Register will comprise the highest level service and project risks and corporate issues that affect all services such as data management, health and safety and fraud. This register shall be reported quarterly to Leadership Team.

Stage 5 - Integrate with strategic and audit planning and decision making

In order to formalise and structure risk management at the Council, it is recognised that there are obvious and clear links between risk management and strategic planning; financial and audit planning; policy making and review and performance management. The linkages are as follows:

- Risk management is part of the business planning process. Guidance is issued annually to Leadership Team.
- Financial Procedure Rules apply to every Member and officer of the Council and anyone acting on its behalf. The council encourages innovation, providing this is within the framework laid down by the Financial Procedure Rules, and the necessary risk assessment and approval safeguards are in place.
- Risk registers will be shared with the Shared Internal Audit Service for the purposes of audit planning.
- Risk management process can lead to the development of corporate policies and monitoring of compliance. E.g. health and safety, data protection and land management.

Section 4 - Risk management in projects and partnerships

Risk management needs to be a key part of the ongoing management of projects and partnerships, including shared services.

Project / Programme management

There is a need for consistent and robust approach to risk management in significant projects, both at the initiation stage and throughout the entire project. Guidance is available on the intranet.

Risk management should feature regularly on meeting agendas.

Partnerships

Reduced funding is leading to more public services and community projects being delivered through partnerships between the public, private and third sectors. Partnerships are essential to deliver benefits to residents, businesses and visitors, but they bring risks as well as opportunities.

Assurance should be gained and evidenced on risks associated with delivering services through third parties, and accountability should be clear and recognised.

Section 5 - Roles and responsibilities

The following describes the roles and responsibilities that Members and officers have in introducing, embedding and owning the risk management process:

Members

Elected Members are responsible for governing the delivery of services to the local community. Members have a responsibility to understand the strategic risks that the Council faces.

All Members will have the responsibility to consider the risks associated with the decisions they undertake and will be informed of these risks in the reports that are submitted to them. They cannot seek to avoid or delegate this overall responsibility, as it is key to their stewardship responsibilities.

Additional responsibilities are:

Executive

- Allocate sufficient resources to address top risks.

Audit and Governance Committee

- To provide assurance of the effectiveness of the corporate risk assessment process and monitor the effective development and operation of risk management policies in the council, specifically including monitoring of the Risk Management Strategy and the Strategic Risk Register.

Chief Executive and Leadership Team

- To ensure that effective systems of risk management and internal control are in place to support the Corporate Governance of the Council.
- Take a leading role in identifying and managing the risks and opportunities to the council and to set the example and standards for all staff.
- Advise on the management of strategic and other significant risks.
- Ensure that the Policy and Strategy are communicated, understood and implemented by all Members, senior managers and staff.
- To ensure that the risk management process is part of all major projects, partnerships and change management initiatives.
- Create a culture where risk management is promoted, facilitated and appropriately undertaken by the council.

Assistant Directors

- To be individually responsible for their service risks.
- Ensure that all reports written for Members include risk commentary.
- To implement the detail of the Risk Management Strategy and risk related corporate policies, e.g. Health and Safety, Data Protection.

Senior Managers and Project Managers

- Manage and monitor key risks effectively in each area of their responsibility.
- Support production and monitoring of the operational risk register.

Strategic Finance and Property

- Advise on corporate risk profiling and management, including safeguarding assets, risk avoidance and insurance.
- Co-ordinate risk management activities, update and prepare related reports for Leadership Team and Members.
- Review, develop and promote the Risk Management Strategy and processes.
- Facilitate / arrange risk management training for staff and Members.
- Co-ordinate the Business Continuity Plan.
- Support the risk based audit planning process.

Shared Internal Audit Service

- To provide assurance to the Council through an independent and objective opinion on the control environment comprising risk management, control procedures and governance.
- To provide an annual Audit Plan that is based on a reasonable evaluation of risk, and to provide an annual assurance statement to the Council based on work undertaken in the previous year.
- Review and challenge the effectiveness of the risk management framework.

Appendix 1 – Categories of risk

Risk	Definition	Examples
Political	Associated with the local or central government policy or the local administration's manifesto commitment.	New political arrangements.
Finance	Affecting the ability of the Council to meet its financial commitments. These include internal budgetary pressures, external macro level economic changes or consequences of proposed investment decisions.	Financial climate. Financial sustainability and income streams. Budget overspends. Level of Council tax. Level of reserves. Changes in interest rates. Inflation.
Social	Relating to the effects of changes in demographic, residential or socio-economic trends on the Council's ability to meet its objectives.	Ageing population. Health statistics. Crime rates. Housing development. Employment sites and ability to influence growth. Cost of living. Deprivation indicators.
Technological	Associated with the capacity of the Council to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures on the Council's ability to deliver its objectives.	E-Gov. IT infrastructure. Staff/client needs. IT Security.
Legislative / Legal	Associated with current or potential changes in national or European law Or possible breaches of legislation.	GDPR. Human rights. TUPE regulations. Challenge to procurement exercise.
Continuity / service delivery	Ability to deliver services.	Loss of key staff, contractor, building, documents or IT.
Environmental	Relating to the environmental consequences of progressing the Council's strategic objectives.	Land use. Recycling. Pollution. Extreme weather events.
Competitive	Affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value.	Fail to win quality accreditation. Alternative service providers.
Customer / citizen	Associated with failure to meet the current and changing needs and expectations of customers and citizens.	Managing expectations. Extent of consultation.

Managerial / profession	Associated with the particular nature of each profession, internal protocols and managerial abilities.	Resources and ability to deliver services and key projects. Staff restructure.
Partnership / contractual	Associated with failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification.	Contractor fails to deliver. Partnership agencies do not have common goals. Shared services.
Physical	Related to fire, security, accident prevention and health and safety.	Land / facility management. Health and safety risks. Development sites.

Appendix 2 - Template

Code	Risk Title	Description	Current Likelihood	Current Impact	Target Likelihood	Target Impact	Managed By	Controls introduced and those planned for future. To include financial impact.
			Score each heading using the table on page 7					
	Concise title	Explanation of the risk, consequences, benefits etc. E.g. Failure to... Loss of... Inability to... Reduction of... Disruption to... etc	Score each heading using the table on page 7				Risk owner. (Strategic risks will be managed by a member of Leadership Team)	Describe the controls introduced and those considered / planned for the future. These are to be costed with the sum listed here.
1								
2								
3								
4								
5								

East Herts Council Report

Audit and Governance Committee

Date of meeting: Tuesday 30 September 2025

Report by: Brian Moldon, Director of Finance, Risk and Performance

Report title: Audit and Governance Committee Work Programme

Ward(s) affected: All

Summary – This report presents the updated Finance and Audit Work Programme to the Audit and Governance Committee. It provides a summary of the business scheduled for consideration at each meeting throughout the current municipal year, along with a proposed calendar for the 2026/27 municipal year. The aim is to give Members a clear overview of the Committee's forward plan.

RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE

- a) Approve the Finance and Audit Work Programme for the 2025/26 municipal year as outlined in the report.
- b) Note and provide comments on the proposed meeting schedule for the 2026/27 municipal year.
- c) Identify any training requirements to support Members in fulfilling their roles effectively.

1.0 Proposal(s)

- 1.1 Audit and Governance Committee's audit functions are:
 - 1.1.1 Approving the Council's statement of accounts.
 - 1.1.2 Consider the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.
 - 1.1.3 Seek assurances that action is being taken on risk-related issues identified by auditors and inspectors.
 - 1.1.4 Be satisfied that the Council's assurance statements, including reviewing the Annual Governance Statement against the good governance

framework, properly reflect the risk environment and any actions required to improve it.

- 1.1.5 Approve internal audit's strategy, its plan and monitor its performance.
 - 1.1.6 Approve the shared anti-fraud service strategy, its plan and monitor its performance.
 - 1.1.7 Review summary internal audit reports and the main issues arising and seek assurance that action has been taken where necessary.
 - 1.1.8 Receive the annual report of the head of internal audit.
 - 1.1.9 Receive and consider the reports of external audit (including the annual audit letter) and inspection agencies and monitor management action in response to the issues raised.
 - 1.1.10 Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies and that the value of the audit process is actively promoted.
 - 1.1.11 Review the financial statements, external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit.
 - 1.1.12 Oversight of the Council's commercial projects.
- 1.2 The Committee's responsibilities in relation to finance include:
- 1.2.1 Receiving budget monitoring and risk management reports.
 - 1.2.2 Leading cross-Member scrutiny of the Council's draft annual budget and Medium-Term Financial Plan.
 - 1.2.3 Scrutinising the Annual Investment Strategy, Annual Capital Strategy, Mid-Year Treasury Management Report, and Annual Treasury Management Report, and gaining assurance on the effectiveness of governance and control systems for Treasury Management.
 - 1.2.4 Supporting the Council and Executive, where appropriate, in developing the budget and policy framework through in-depth analysis of financial, procurement, and governance-related policy issues.
 - 1.2.5 Overseeing and scrutinising all Internal, Corporate, and Corporate Governance functions of the Council, where relevant to the Committee's audit or finance remit.
- 1.3 To support the Committee in fulfilling its functions, a series of reports will be presented to Members to provide assurance that:
- 1.3.1 The Council's financial affairs are being properly managed and resources are used effectively.
 - 1.3.2 An adequate and effective internal audit system is in place and the approved plan is being delivered.
 - 1.3.3 Governance arrangements are robust and fit for purpose.
 - 1.3.4 Key business risks are identified, evaluated, and managed appropriately.

- 1.3.5 Key systems and controls are operating effectively, providing assurance that the Statement of Accounts is materially correct and can be approved.
- 1.3.6 External audit reports, including the Audit Plan, Audit Results Report, and Annual Audit Letter, are received and considered.

- 1.4 Budget Monitoring - Executive budget monitoring reports will be shared with the Committee for information, enabling comparison between forecast and final outturn positions.

- 1.5 Member Training - Training for Committee Members will be delivered during the first 30 minutes of each meeting and will be aligned with the business scheduled for discussion.

- 1.6 Training Needs - Members are encouraged to review the proposed work programme and training schedule, and to identify any additional training needs.

2.0 Work Programme

- 2.1 The proposed Work Programme for the Audit and Governance Committee for the 2025/26 municipal year is set out in Appendix A.
- 2.2 A draft meeting schedule for the 2026/27 municipal year, based on five Committee meetings throughout the year, is provided in Appendix B for Members' consideration and feedback.

3.0 Reason(s)

- 3.1 To ensure that Audit and Governance Committee is aware of the work programme and ensure that Members have the opportunity to request any training or briefing around upcoming items.

4.0 Risks

- 4.1 Risk Management is reported to the Committee regularly.

5.0 Implications/Consultations

Community Safety

No

Data Protection

Data protection reports and policies will be brought before the Committee as appropriate.

Equalities

No

Environmental Sustainability

No

Financial

No

Health and Safety

No

Human Resources

No

Human Rights

No

Legal

Legal requirements are noted in the report summaries in the table in this report.

Specific Wards

No

6.0 Background papers, appendices and other relevant material

6.1 Appendix A – Updated work programme for 2025/26

6.2 Appendix B – Propose schedule for 2026/27 programme

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Committee	Author	Report Title	Report Summary
Audit & Governance Committee		Training	Members are invited to nominate a training topic
Sep-25	Paul Grady - Azets	Receipt of the Final External Auditor's Audit Results Report 2023/24	In accordance with the Code of Audit Practice (the Code), this report provides a summary of the work the external auditor has carried out during their audit of accounts, the conclusions they have reached and the recommendations they have made to discharge their statutory audit responsibilities to those charged with governance (in this case the Audit and Governance Committee) at the time they are considering the financial statements. In preparing their report, the Code requires them to comply with the requirements of International Standards on Auditing (United Kingdom & Ireland) – ISA (UK&I) - 260 'Communication of Audit Matters to Those Charged With Governance'.
	Paul Grady - Azets	External Audit Planning Report 2024/25	To present to Audit and Governance Committee the external auditor's Audit Planning Report. The Committee receives the report on behalf of the Council.
	Alison Street	Provisional Outturn 2024/25 and Draft Statement of Accounts 2024/25	To present to Audit and Governance Committee the provisional General Fund Revenue and Capital Outturn. The figures remain provisional until the external auditor has completed the audit.
	Brian Moldon	Approval of the Annual Governance Statement 2024/25	To present to Audit and Governance Committee for approval the Annual Governance Statement for incorporation in the Statement of Accounts. Regulation 6 of the Accounts and Audit Regulations 2015 requires the Council to conduct a review, at least once a year, of the effectiveness of its system of internal control and approve an annual governance statement to accompany the statement of accounts.
	Nicola Munro	Treasury Management 2024/25 Outturn Report	To provide Audit and Governance Committee with a copy of the Treasury Management Outturn Report so that they can scrutinise the Report
	Alison Street	Financial Management 2025/26 – Quarter 1 Forecast to Year End	To provide Audit and Governance Committee with a copy for information of the Executive Report with the forecast position on revenue spending and the capital programme as at the end of quarter 1.
	Simon Martin	Shared Internal Audit Service Internal Audit Plan Progress Report	To present to Audit and Governance Committee the Shared Internal Audit Service's progress against the Internal Audit Plan 2025/26
	Nick Jennings	Shared Anti-fraud Service Anti-Fraud Plan progress report	To present to Audit and Governance Committee the Shared Anti-Fraud Service's progress against the Anti-Fraud Plan Annual Report 2024/25.
	Procurement	Annual Update	To present to Audit and Governance Committee annual update on Procurement
	Brian Moldon	Strategic Risk Register Monitoring Q1 2025/26	To present to Audit and Governance Committee the Strategic Risk Register Monitoring at the end of quarter 1.
	Ben Wood	Assets of Community Value	To present to Audit & Governance Committee the Register of Assets of Community Value annual update report.
	Brian Moldon	Audit and Governance Committee Work Programme	To present to Audit and Governance Committee an update on the work programme for the year.

Committee	Author	Report Title	Report Summary
Audit & Governance Committ Nov-25		Training: TBD	Members are invited to nominate a training topic
	Jackie Bruce	Annual Infrastructure Funding Statement Report 2024/25	To present to Audit and Governance Committee an update on Section 106 contributions and the council's Annual Infrastructure Funding Statement Report 2024/25
	Jackie Bruce	Annual Infrastructure Funding Statement Report Qtr 2 Update 2025/26	To present to Audit and Governance Committee an update on Section 106 contributions and the council's Annual Infrastructure Funding Statement Report Update at Q2 for 2025/26
	Alison Street	Financial Management 2025/26 – Quarter 2 Forecast to Year End	To provide Audit and Governance Committee with a copy for information of the Executive Report with the forecast position on revenue spending and the capital programme as at the end of quarter 2.
	Nicola Munro	Treasury Management 2025/26 Mid-Year Review	To provide Audit and Governance Committee with a copy of the Treasury Management Mid-Year Review Report so that they can scrutinise the Report
	Steve Sargent	BEAM Trading Update	To present to Audit & Governance Committee an annual report on BEAM (theatre and cinema in Hertford) so that the Committee can assure Council that the investment in new leisure centres is performing as per the business case and making a return to the council after servicing debt.
	Brian Moldon	Strategic Risk Register Monitoring Q2 2025/26	To present to Audit and Governance Committee the Strategic Risk Register Monitoring at the end of quarter 2.
	Brian Moldon	Update on progress against External Auditors Statutory Recommendations and Finance Peer Review	To present to Audit & Governance Committee an update position against each of the External Auditors Statutory Recommendations and the Finance Peer Review recommendations
	Simon Martin	Shared Internal Audit Service Internal Audit Plan Progress Report	To present to Audit and Governance Committee the Shared Internal Audit Service's progress against the Internal Audit Plan.
	Nick Jennings	Shared Anti-fraud Service Anti-Fraud Plan progress report	To present to Audit and Governance Committee the Shared Anti-Fraud Service's progress against the Anti-Fraud Plan.
	Matt Canterford	Cyber Security Update	To present to Audit & Governance Committee an update on the impact of Cyber Security for East Herts Council
Brian Moldon	Audit and Governance Committee Work Programme	To present to Audit and Governance Committee an update on the work programme for the year.	

Committee	Author	Report Title	Report Summary
Audit & Governance and Overview and Scrutiny Joint Committee Jan-26	Alison Street	Budget Scrutiny - Budget 2026/27 and Medium Term Financial Plan 2026-30	Executive Member for Financial Sustainability to present to Audit and Governance Committee the Executive's proposed General Fund Budget and Medium Term Financial Plan for scrutiny.
	Nicola Munro	Capital Strategy and Minimum Revenue Provision Policy 2026/27 for scrutiny	Executive Member for Financial Sustainability to present to Audit and Governance Committee the Executive's proposed Capital Strategy and Minimum Revenue Provision Policy for scrutiny.
	Nicola Munro	Investment Strategy 2026/27 for scrutiny	Executive Member for Financial Sustainability to present to Audit and Governance Committee the Executive's proposed Investment Strategy for scrutiny.

Committee	Author	Report Title	Report Summary
Audit & Governance Committ Feb-26	Paul Grady - Azets	Approval of the Statement of Accounts 2024/25	Regulation 10 (1) of the Accounts and Audit Regulations 2015 requires the Statement of Accounts to be approved by a resolution of a committee of the Council, such approval to take place before 30 September immediately following the end of a year, or as soon as practicable after the conclusion of the audit.
	Alison Street	Update to the 2025/26 Accounting Polices	To update the Accounting Policies for 2025/26 and subsequent years.
	Nick Jennings	Anti-Fraud Plan 2026/27 - look to move to March / April	To present to Audit and Governance Committee the Shared Anti-Fraud Service Anti-Fraud Plan for the financial year 2026/27.
	Simon Martin	Internal Audit Plan 2026/27	To present to Audit and Governance Committee the Shared Internal Audit Service Audit Plan for the financial year 2026/27.
	Brian Moldon	Audit and Governance Committee Work Programme	To present to Audit and Governance Committee an update on the work programme for the year.

Committee	Author	Report Title	Report Summary
Audit & Governance Committee Apr-26	Alison Street	Financial Management 2025/26 - Quarter 3 Forecast to Year End	To provide Audit and Governance Committee with a copy for information of the Executive Report with the forecast position on revenue spending and the capital programme as at the end of quarter 3.
	Brian Moldon	Strategic Risk Register Monitoring Q3 2025/26	To present to Audit and Governance Committee the Strategic Risk Register Monitoring at the end of quarter 3.
	Brian Moldon	Audit and Governance Committee Work Programme	To present to Audit and Governance Committee an update on the work programme for the year.

Statement of Accounts	Date for Publication of Draft SoA	Date for Audited Statement of Accounts	Dates when completed
2023/24	31/05/2024	28/02/2025	Accounts Published on 30 April 2025 - Looking to be signed off at September 2025
2024/25	30/06/2025	27/02/2026	Accounts published on 27 June 2025 - Looking to be signed off at February 2026
2025/26	30/06/2026	31/01/2027	
2026/27	30/06/2027	30/11/2027	
2027/28	30/06/2028	30/11/2028	

Propose dates of meetings for 2026/27

Appendix B

Report Titles	Meeting 1 July	Meeting 2 September	Meeting 3 November	Joint O&S and A&G January	Meeting 4 February	Meeting 5 April	Go on to Executive
Budget Scrutiny - Budget for coming year and Medium Term Financial Plan				Budget & MTFP report			
Scrutiny of Capital Strategy and Minimum Revenue Provision Policy for coming year				Capital Strategy & MRP report			
Quarterly monitoring	Q4 Outturn	Q1	Q2			Q3 if not included in budget report	YES
Risk Management	Q4 Outturn	Q1	Q2			Q3	YES
Statement of Accounts	Draft Statement of Accounts - Noting				Final Statement of Accounts - Approval	Approving Accounting Policies	NO
External Auditor			External Audit Planning Report and Annual Audit Report		Receipt of the Final External Auditor's Audit Results Report		NO
Internal Audit Reports	Annual Assurance Statement and Internal Audit Annual Report	Update report for current year			Update report for current year	Audit Plan for coming year	NO
Anti Fraud Reports	Annual Report for previous year		Update report			Fraud Plan for coming year and update on Current Year	NO
Treasury Management		Outturn Report	Mid-Year	Annual TMSS			YES
Infrastructure Funding			Annual Report				YES
Data Protection	Annual Report						NO
BEAM		Annual Update					NO
Leisure Annual Report	Annual Update						NO
Register of Assets of Community Value		Annual Update					NO
Procurement		Procurement Annual Update					NO