



MEETING : AUDIT AND GOVERNANCE COMMITTEE
VENUE : COUNCIL CHAMBER, WALLFIELDS, HERTFORD
DATE : TUESDAY 24 FEBRUARY 2026
TIME : 7.00 PM

PLEASE NOTE TIME AND VENUE

This meeting will be live streamed on the Council's Youtube page:
<https://www.youtube.com/user/EastHertsDistrict>

MEMBERS OF THE COMMITTEE

Councillor Martin Adams (Chair)
Councillors B Deering, J Dunlop, C Hart, S Nicholls (Vice-Chair),
G Williamson, D Willcocks, 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)

CONTACT OFFICER:
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COMMITTEE SUPPORT OFFICER
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Disclosable Pecuniary Interests

A Member, present at a meeting of the Authority, or any committee, sub-committee, joint committee or joint sub-committee of the Authority, with a Disclosable Pecuniary Interest (DPI) in any matter to be considered or being considered at a meeting:

- must not participate in any discussion of the matter at the meeting;
- 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;
- must leave the room while any discussion or voting takes place.

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Visit <https://www.eastherts.gov.uk/article/35542/Political-Structure> for details.

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AGENDA

1. Apologies

To receive any apologies for absence

2. Minutes - 26 November 2025 (Pages 6 - 20)

To approve as a correct record the minutes of the meeting held on 26 November 2025.

3. Chair's Announcements

4. Declarations of Interest

To receive any declarations of interest.

5. External auditors completion report - 2024/25 (Pages 21 - 200)

6. Shared Anti Fraud Service - Anti-Fraud Progress Report 2025/26 (Pages 201 - 205)

7. Shared Anti Fraud Service - Anti-Fraud Plan 2026/27 (Pages 206 - 218)

8. Shared Internal Audit Service - Internal Audit Plan Report 2026/27 (Pages 219 - 252)

9. Strategic Risk register Quarter 3 Monitoring (Pages 253 - 260)

10. Financial Management 2025/26 - Quarter 3 Forecast to year end (Pages 261 - 273)

11. 2025/26 Accounting Policies (Pages 274 - 283)

12. Audit and Governance Committee Work Programme (Pages 284 - 293)

13. 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.

Exclusion of Press and Public

No Part II business has been notified for this meeting. If Part II business is notified and the procedures set out in the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 have been complied with, the Chairman will move: -

“That under Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting during the discussion of item XX on the grounds that it involves the likely disclosure of exempt information as defined in paragraph XX of Part 1 of Schedule 12A of the said Act and the public interest in maintaining the exemption outweighs the public interest in disclosing the 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 26 NOVEMBER 2025, AT
7.00 PM

PRESENT: Councillor M Adams (Chair)
Councillors B Deering, J Dunlop, C Hart and
S Nicholls, Mr M Poppy and Mr N Sharman

ALSO PRESENT:

Councillors C Brittain, B Crystall, S Hopewell
and V Glover-Ward

OFFICERS IN ATTENDANCE:

| | |
|-----------------|---|
| Michele Aves | - Committee Support Officer |
| Jackie Bruce | - Section 106 Programme Manager |
| Matt Canterford | - Assistant Director (IT) |
| Brian Moldon | - Director for Finance, Risk and Performance |
| Steve Sargeant | - BEAM Venue Director |
| Alison Street | - Financial Planning Manager |
| Ben Wood | - Director for Regeneration, Customer and Commercial Services |

ALSO IN ATTENDANCE:

| | |
|---------------|---------------------|
| Darren Bowler | - Shared Anti-Fraud |
|---------------|---------------------|

| | | |
|--|----------------|---------------------------------|
| | Martha Charima | Service (SAFS) |
| | Paul Grady | - Azets |
| | Simon Martin | - Azets |
| | | - Shared Internal Audit Service |

245 APOLOGIES

There were apologies for absence from Councillors Williamson and Willcocks.

246 MINUTES - 30 SEPTEMBER 2024

It was moved by Councillor Nicholls and seconded by Councillor Deering that the Minutes of the meeting of the Committee held on 30 September 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. It was noted that Councillor Dunlop abstained from the vote.

RESOLVED – that the Minutes of the Committee meeting held on 30 September 2025 be confirmed as a correct record and signed by the Chair.

247 CHAIR'S ANNOUNCEMENTS

The Chair welcomed all to the meeting and reminded participants to use their microphones when speaking as the meeting was being webcast. The full webcast of the meeting can be viewed here: [Audit & Governance Committee - 26th November 2025 - YouTube](#)

The Chair asked that attendees kept their comments and questions as succinct as possible, due to the number of participants and the length of the agenda.

248 DECLARATIONS OF INTEREST

There were no declarations of interest.

249 EXTERNAL AUDITORS ANNUAL REPORT 2024/25

The Azets representatives introduced the report which

provided a summary of the findings and key issues arising from the 2024/25 audit of the Council.

The Chair thanked the Azets representatives for the report.

Members also conveyed their thanks to the Azets representatives for their hard work and commented that the relationship between Azets and the Council felt positive.

Expansion was sought on the operational 'bottlenecks' mentioned within the report, and the action being taken to eradicate these.

The Azets representative said that the wording of this recommendation was made by the previous auditor, EY, in their 2022/23 report, and related to the challenges in producing accounts with a lean Finance Team.

Questions were raised on the risks around Local Government Reorganisation (LGR) and how this was impacting decision making and the Risk Register.

The Committee's attention was drawn to Item 10 on the agenda, which gave specifics around Members and LGR. They were advised that the financial impact of LGR was not entirely known, as Government had not yet decided on how many unitary councils there would be.

The Director for Finance, Performance and Risk said that he believed that the Medium-Term Financial Plan (MTFP) - which was also on the agenda, was robust, but savings would need to be found over the next five years.

It was moved by Councillor Nicholls and seconded by Councillor Dunlop 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 external auditor’s Annual Auditors Report (Appendix A) for 2024/25 and any comments be received.

250 SHARED ANTI-FRAUD SERVICE - ANTI-FRAUD REPORT 2025/26

The Shared Anti-Fraud Service Manager introduced the report, which was a mid-year update giving details of the work undertaken by the Service and officers to protect the Council against the threat of fraud.

The Chair thanked the Shared Anti-Fraud Service Manager for the report.

There were no comments or questions from the Committee.

It was moved by Councillor Deering and seconded by Councillor Nicholls that 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 progress by officers and the Shared Anti-Fraud Service to deliver the Anti-Fraud Plan for the Council be noted.

251 SHARED INTERNAL AUDIT SERVICE - PROGRESS REPORT

The Shared Internal Audit Service Manager introduced the report which set out details of audit activity between mid-September to early November, and the status of all internal audit work being delivered in the financial year.

The Chair thanked the Shared Internal Audit Service Manager for the report.

Members also extended they’re thanks to the Shared

Internal Audit Service Manager for his continued good work and asked if Local Government Reorganisation (LGR) was impacting this.

The Shared Internal Audit Service Manager said that it was primarily expected that LGR would affect the time taken for officers to service audit requests, but he explained that there were protocols for this, and the Service was flexible. He added that LGR may have more influence on work – which was being considered.

It was moved by Councillor Nicholls and seconded by Councillor Dunlop that 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 Internal Audit Report be noted, and;

(B) the Implementation Status of High Priority Recommendations be noted.

252 SECTION 106 UPDATE REPORT AND 2024/25
INFRASTRUCTURE FUNDING STATEMENT

The Executive Member for Planning and Growth introduced the report which was the annual report seen by the Committee for Section 106 at East Herts and the ongoing work of the Section 106 Programme Manager.

The Chair thanked the Executive Member for Planning and Growth for the report.

Members raised questions in relation to Parish and Town Councils' understanding of Section 106, unspent allocations, affordable housing costs, the indexing linking of payments and Hatfield Forest contributions.

The Section 106 Programme Manager said that several years ago training had been provided to the Parish

Councils at their Conference, but she was happy to provide such information again. The Executive Member for Planning and Growth added that Section 106 training for Parish Councils could also be added to a Development Management Forum if desired.

Members were advised that since 1996, only one contribution had been refunded – due to the wording of the contribution rendering it unfulfillable. It was explained that contributions were monitored on a spreadsheet, with affordable housing contributions overseen by Finance and the Director for Communities.

Members heard that Section 106 payments were index linked to the individual contribution payment trigger and this is then the final amount available from the contribution, and that the time limit for these to be spent (with most being ten years) was triggered upon payment of monies, and not the date on which the agreement was signed. It was explained that the Section 106 Programme Manager worked closely with communities and fellow officers to ensure that funding was used as quickly as possible – enabling it to achieve what it was intended for.

It was confirmed that in respect of Hatfield Forest, eleven unilateral undertakings had been signed, with two payments collected for Natural England.

It was moved by Councillor Dunlop and seconded by Councillor Nicholls that 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 contents of the report and the ‘2024/25 Infrastructure Funding Statement’ (Appendix A) be noted and commented on.

253

BEAM TRADING UPDATE

The BEAM Venue Director introduced the report,

accompanied by a slide presentation which gave an overview of BEAM's achievements and challenges since it's opening.

The Chair thanked BEAM's Venue Director for the report and his presentation.

Members agreed that BEAM was a fantastic resource. Questions were asked regarding cinema attendance, food offering and, the venues website.

The Committee were told that cinema occupancy at BEAM was higher than other similar venues across the country, but there were plans to improve on the current 21% with a broader cinema programme. To include first release blockbusters, specific theming, cult classics and Q & A events – for which a higher price can be charged. It was further explained that cinema customers also used BEAM's food and beverage offerings - which delivered a higher profit.

Members heard that BEAM's food offering was designed to be contained and cautious at first and would remain focused on reducing food wastage. They were told that the menu would develop (but the small kitchen made food allergy guarantees unachievable) and opening hours would expand, with growth expected to continue in conference and delegate catering rates. It was confirmed that the venues 'wet sales' gave BEAM's largest proportion of sales and income.

The BEAM Venue Director said that he shared the Committee's frustrations regarding the venue's website, and that web presence was a priority to future proof the business. He said that the team was working with web developers on the next phase of the website which was due to be delivered early next year.

Members questioned where the benchmarking within the report was sourced and asked if BEAM's board had considered external challenge – such as peer reviews to

monitor performance. Clarity was also sought regarding expenditure in the venue's business plan.

Members were advised that data came from several sources and covered a large number of venues. With data was also available around increased footfall into Hertford – which appeared to correlate with events at BEAM. The Executive Member for Communities said that she would happily take the Committee's suggestions regarding external challenge to the next BEAM Board meeting.

Members heard that a range of backstage and technical services and packages were offered to commercial performers. And that a contract review had been undertaken, and a number of changes had now happened to pull back on expenditure, including strict wage targets - with a casual workforce, a reduction in utilities – using modelling from PHD students and a now detailed understanding of BEAM's landscape and growth.

It was moved by Councillor Deering and seconded by Councillor Nicholls that that the recommendations, as detailed, be approved.

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

RESOLVED – that BEAM's position be reviewed and any recommendations made to the Executive Member for Wellbeing in regard to BEAM's performance.

254 STRATEGIC RISK REGISTER QUARTER 2 MONITORING 2025/26

The Director for Finance, Performance and Risk introduced the report which provided the Committee with the Corporate Risk Register for Quarter 2 of 2025/26. He said that one risk had been added Risk 9 – Lack of Election Candidates - which reflected the impact of Local Government Reorganisation (LGR) and a delay in local elections as well as a potential shadow authority. He said

that all other risk scores remained the same, but there had been a thorough review of Risk 8 – Staff and Skills which focused on recruitment and retention difficulties.

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

Members sought expansion on the risks of BEAM not achieving a £200,000 surplus and those associated to LGR. It was suggested that the potential 'loss of corporate memory' also be captured within the LGR risks.

Members heard that the risks posed by BEAM was detailed in agenda Item 13 and was being closely monitored. They were told that in relation to LGR, not many redundancies were expected below CEO level, with help and support being given to staff to allow them to develop and grow within their existing roles.

It was moved by Councillor Nicholls and seconded by Councillor Dunlop that 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 2025/26 quarter two corporate risk register and actions being taken to control and mitigate risk be considered and noted.

- 255 FINANCIAL MANAGEMENT 2025/26 - QUARTER 2 FORECAST TO YEAR END
The Service Manager - (Strategic Finance), introduced the report which presented the forecast outturn position for 2026/27 as at Quarter 2.

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

The Committee sought clarification if the reduction in

debtors was due to write-offs, and if the current forecasted spend on the Customer Relationship Management System (CRM) was still required considering Local Government Reorganisation (LGR).

The Committee heard that there had been no debts written off in the quarter and that the CRM (under the Transformation Programme) was a focus which was reviewed monthly by Leadership Team, so it remained aligned.

It was moved by Councillor Nicholls and seconded by Councillor Dunlop that 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 Note and consider the net revenue budget end of year projected overspend of £509k be noted and considered;

(B) the additional Heritage Lottery capital fund grant of £238k for Hertford Castle Greenspace renewal and reflect this additional resource in the capital programme, and;

(C) the capital programme forecast outturn underspend of £722k be noted and considered.

256 TREASURY MANAGEMENT 2025/26 MID-YEAR REVIEW
The Director for Finance, Performance and Risk introduced the report, the mid-year review against the Treasury Strategy which was agreed by Council as part of the Budget papers in February/March 2025.

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

There were no comments or questions from the Committee.

It was moved by Councillor Deering and seconded by Councillor Nicholls that that the recommendations, as detailed, be approved.

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

RESOLVED – that Members examine and comment on the Mid-Year Treasury Management Review and Prudential Indicators for 2025/26.

- 257 MEDIUM TERM FINANCIAL PLAN 2026-2031
The Director for Finance, Performance and Risk introduced the report which gave the Medium-Term Financial Plan 2026–2031, as seen at Executive in October, and which set out the Council’s strategic financial planning framework for the next five years. He said that the report was central to ensuring the Council’s long-term financial sustainability and provided the springboard for the budget setting process for 2026/27.

The Chair thanked the Director for Finance, Performance and Risk for the report. Further thanks were extended to the Director for Finance, Performance and Risk for the paper which gave an excellent explanation of planning for the future using prudent assumptions.

Members raised concerns regarding the implications of the Fair Funding Review and asked if this had been raised directly with Government. They also asked how confident officers were that savings of £2.9 million could be found, and what would happen should these savings not come to fruition.

The Committee were advised that concerns relating to the Fair Funding Review had been raised to Government by East Herts, other councils and various bodies - such as the District Councils' Network (DCN). Members were told that it was imperative that the Council understood what was coming up to enable the budget to be balanced, with a review of earmarked reserves enabling sight of what was truly committed. It was further explained that should the savings target not be met, reserves could be used – but these could obviously only be used once, and the fundamental issues would need to be addressed.

It was moved by Councillor Nicholls and seconded by Councillor Dunlop that 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 Medium-Term Financial Plan (MTFP) 2026–2031 as set out in Appendix A, along with the financial assumptions and modelling used to forecast resources and pressures over the MTFP period be considered and any comments given.

- 258 UPDATE ON STATUTORY RECOMMENDATION FROM EXTERNAL AUDITORS AND FINANCE PEER REVIEW
The Director for Finance, Performance and Risk introduced the report which updated Members on the progress made in response to the statutory recommendations from the Council's previous external auditors, EY, and the Finance Peer Review conducted by the Local Government Association.

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

Clarification was sought on when the new structure of the Finance Team would be 'signed off' by the Executive.

It was clarified that 'sign off' would come from Leadership Team as soon as possible.

Thanks were given to the Finance Team for their progress, and their hard work was echoed by the Director for Finance, Performance and Risk.

It was moved by Councillor Nicholls and seconded by Councillor Deering 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 progress made to date on the Statutory and the Finance Peer Review Recommendations and consider and comment on the actions taken so far be noted.

259 AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME

The Director for Finance, Performance and Risk introduced the report which provided the work programme for the Committee, and asked Members to consider any other reports or training subjects which they would be keen to see in the near future.

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

Members observed the high number of items on the agendas of the last two of the Committee's meetings and expressed concerns that this may lead to reduced scrutiny. Reassurance was sought that this volume of items was due to historical workflow delays.

Members were advised that this was the case, and that the next municipal year would also see an increase in the number of meetings held – which would further aid the spread of reports.

It was moved by Councillor Deering and seconded by Councillor Dunlop that 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; Finance and Audit Work Programme for the 2025/26 municipal year as outlined in the report be approves, and;

(B) that any training requirements to support Members in fulfilling their roles effectively be identified.

260 EXCLUSION OF THE PRESS AND PUBLIC

At this point in the meeting, as it was approaching 10pm, it was moved by the Councillor Nicholls and seconded by Councillor Dunlop that that meeting continue past 10pm. Having been proposed and seconded, the motion, as detailed, was put to the meeting and upon a vote being taken, was declared CARRIED. It was noted that Councillor Hart abstained from the vote.

RESOLVED – that the meeting continue past 10pm.

The Chair said that the next item on the agenda - Cyber Security Update, involved the likely disclosure of exempt information, and that therefore, the meeting would need to move to exclude the press and public on these grounds.

It was moved by the Chair and seconded by Councillor Nicholls that that the recommendations, as detailed, be approved.

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

RESOLVED – that under Section 100A(4) of the Local Government Act, 1972, the press and public

be excluded from the meeting for agenda item 17 on the grounds that it involves the likely disclosure of exempt information falling within paragraphs 3 and 7 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended.

261 CYBER SECURITY UPDATE

The Assistant Director, Chief Technology Officer and Senior Information Risk Owner gave the presentation to the Committee.

The Chair thanked the Assistant Director, Chief Technology Officer and Senior Information Risk Owner for his presentation.

RESOLVED – that the presentation be noted by the Committee.

262 URGENT ITEMS

There were no urgent items.

The meeting closed at 10.07 pm

| |
|----------------|
| Chairman |
| Date |

East Herts Council Report

Audit and Governance Committee

Date of meeting: Tuesday 24 February 2026

Report by: Councillor Carl Brittain– Executive Member for Financial Sustainability

Report title: External auditors completion report - 2024/25

Ward(s) affected: (All Wards);

Summary – The external auditors, Azets will present their Audit Completion report for 2024/25 Statement of Accounts setting out the results of their audit.

This report presents the 2024/25 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 2024/25.
- b) Approve the 2024/25 Statement of Accounts.

1.0 Proposal(s)

1.1 That Members review and comment on the external auditors Completion Reports (Appendix A).

1.2 The Statement of Accounts are attached as Appendix B for 2024/25.

2.0 Background

2.1 The government has introduced legislation aimed at bringing local authority audits up to date, with a backstop date of 27 February 2026 for the completion of 2024/25 audits. As part of this process, it is expected that the 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 B).

2.3 For Members' information, an updated version of the Auditor's Disclaimer of Opinion on the financial statements is provided at Appendix C. This will be incorporated into the final version of the 2024/25 Statement of Accounts once the auditors have signed them off. Also included is a copy of the Letter of Representation (at Appendix D), 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 2025 due to the inability to complete the required audit testing. This is a result of catching up with previous years audit processes and lack of available finance and audit resource.

3.3 The auditors completion report identifies details of misclassification and disclosure changes, on pages 46-48, required in the accounts, these relate to the 2023/24 comparative figures in the accounts. The 2024/25 draft Statement of Accounts were published on the Councils website by the statutory deadline of 30th June 2025 and the 2023/24 Statement of Accounts were finalised on 30th September 2025. The main reasons for the audit changes are:

- Changes made to the 2023/24 accounts that were not included in the draft 2024/25 accounts
- Presentation changes to the Movement in Reserve Statement and some notes in 2024/25 Statement of Accounts to make these clearer to the reader of the accounts. This has resulted in adjustments to the presentation of the prior year figures.
- Some inputting errors in the 2023/24 prior year figures in the 2024/25 Statement of Accounts, which have been corrected.

3.4 The sign off of the 2024/25 Statement of Accounts by the 27th February will mean that the Council is up to date with the backlog of audits. Plans to build back the assurance on the Statement of Accounts were presented to members on 26th November 2025.

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

6.1

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 2024/25 |
| Appendix B | Statement of Accounts for 2024/25 |
| Appendix C | Auditors Disclaimer of opinion on the financial statements |
| Appendix D | Draft Letter of Representation |

Contact Member

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Executive Member for Financial Sustainability

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Director for Finance, Risk and Performance,

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Report Author

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East Hertfordshire Council

Audit Completion Report
Year ended 31 March 2025

February 2026

Your key team members

Paul Grady
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Martha Charima
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Owen Jones
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This report has been prepared for the sole use of those charged with governance, should not be quoted in whole or in part without our prior written consent, and should not be relied upon by third parties. No responsibility is assumed by Azets Audit Services to any third parties. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.



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Appendices

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Additional documents presented

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| Draft letter of management representations | |
| Draft audit report (opinion) | |

Purpose of this report

This report highlights the significant findings arising from the audit. We are responsible for performing the audit in accordance with International Standards on Auditing (UK), and the National Audit Office Code of Audit Practice and associated Auditor Guidance Notes.

Our audit is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Audit and Governance Committee. Under the Code of Audit Practice, we are also required to consider the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources and to report any significant weaknesses we identify. 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 errors or other irregularities, or to include all possible improvements in internal control that a more extensive examination might identify.

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.

Executive summary



Executive summary

This section summarises, for the benefit of Those Charged with Governance, the status of our audit of East Hertfordshire District Council for the year ending 31 March 2025 and the key findings and other matters arising from our audit.

Financial Statements

As at the date of writing we have completed almost all of our scoped audit work. Where our work is concluded we have set out the details of the work undertaken and our findings in the body of this report. Where audit work has been started but not yet concluded we have highlighted the work undertaken to date and the reasons why the work is not able to be concluded.

Our work in 2024/25 focused on three key objectives:

- Recovering the delays caused by the late conclusion of the audits for 2021/22, 2022/23 and the knock-on impact for 2023/24, including bringing our planning and financial statements risk assessment procedures fully up to date for 2024/25 following the finalisation of those earlier years
- Following up the Council progress in respect of the statutory recommendations raised in April 2025 and considering the impact on our value for money work. The outcome of this work was reported previously in our Auditor’s Annual Report in November 2025
- Undertaking procedures insofar as the remaining time allowed in respect of the 2024/25 accounts and commencing our build-back planning and risk assessment procedures. The 2021/22 and 2022/23 audits were only concluded in April 2025. We then focused our time on concluding the delayed 2023/24 audit and reported the outcome of that audit in September 2025. Our remaining time was spent on the 2024/25 audit and the outcome of this work is contained in this report. Due to the delays and recovery of the timetable – which has now been achieved – there has not been a significant volume of additional build-back activity in 2024/25. In line with our overarching build-back plan, this activity will be undertaken over the period 2025/26 to 2027/28.

From our work we have identified a number of disclosure amendments and reconciling issues, including where comparative figures differ from the prior year signed accounts. We have raised recommendations for management as a result of our work.

Management has agreed to amend the accounts for all adjustments identified during the audit. The Audit and Governance Committee is asked to confirm its agreement to management proposals not to amend the financial statements for the unadjusted misstatements.

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

- ▶ The financial statements give a true and fair view of the Council and Group’s financial position and income and expenditure for the period; and
- ▶ The Council and Group’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’) 2024/25 and the Local Audit and Accountability Act 2014.

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 materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.



Executive summary

The quality of the accounts provided was satisfactory and they were provided on time in line with the statutory deadline. Due to the challenges of undertaking an audit where the previous three years have been subject to significant delays and subsequently disclaimed because of the local authority backstop, it has not been possible to regain full assurance and it is not possible for us to undertake sufficient work to support an unmodified audit opinion ahead of the backstop date of 27 February 2026. Undertaking work on balances that have not been subject to audit for several years necessarily means the audit on the current year balances takes longer than would ordinarily be the case. The limitations imposed from this lack of assurance on opening balances and closing balances in key areas means we are unable to form an opinion on the 2024/25 financial statements. We therefore intend to disclaim our opinion.

We are also unable to conclude that the other information included in the statement of accounts is consistent with our knowledge of the Council and Group and the financial statements we have audited. This is because we intend to disclaim our opinion.

It is important to note that build back is a comprehensive and time-consuming process which is compounded at a council such as East Herts where added complexity is present by virtue of the group accounts, complexity of the asset portfolio and the finance restructuring management is in the process of undertaking following the statutory recommendations raised in April 2025. Management has been engaged and supportive. Many of the matters reported in this report are unavoidable implications arising from a position wherein the Council's accounts have not been audited for several years.

Financial Statements

We have not altered our audit plan as formally presented to you on 30 September 2025.

Our audit approach has been based on gaining a thorough understanding of the Council and Group's control environment and has been risk based. This included:

- ▶ An evaluation of the Council and Group's internal control environment, including the IT systems and controls; and
- ▶ Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to our key audit risks.

At the completion of the audit, following the Audit and Governance Committee, we are required to undertake the following procedures:

- ▶ Final senior reviews and engagement lead 'stand back' review of the file
- ▶ Receipt and review of the management representation letter
- ▶ Receipt and review of the final, amended statement of accounts, narrative report and annual governance statement, appropriately signed and dated
- ▶ Response from management regarding subsequent events up to the date of the opinion
- ▶ Submission of our Whole of Government Accounts (WGA) return to the National Audit Office (NAO).



Executive summary

Value for money

We have completed our value for money work. Our detailed findings were reported in our Auditor's Annual Report in November 2025.

We have not identified any significant weaknesses in the Council's arrangements and so are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Statutory duties

We have not exercised any of our additional statutory powers and duties.

Certificate

We will not be able to certify the closure of the audit until:

- ▶ we have completed all work we are requested to undertake as a component auditor for Whole of Government Accounts (WGA), and we receive confirmation from the National Audit Office that the Comptroller and Audit General has certified the WGA for 2024/25

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, under the NAO Code of Audit Practice.

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.

Financial statements



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 |
|--|---------|--|
| Quality and timeliness of draft financial statements | GREEN | The draft financial statements were provided on time and were complete. The Council published its accounts in line with statutory deadlines and advertised its inspection period appropriately. We did not encounter any significant issues related to the quality and timeliness of the accounts although we did identify a number of amendments which were required and a number of differences between comparators in the accounts and prior year financial statements. |
| Quality of working papers provided and adherence to timetable | AMBER | Planning work was originally scheduled for completion during the December-January 2024 period. However, we were unable to obtain the required information from the Council within that timeframe to complete our procedures, whilst the Council dealt with the open 2021/22 and 2022/23 audits. Consequently, planning activities had to be deferred and completed during the July-September 2025 period, in addition to final accounts fieldwork. Despite the revised timetable, not all requested listings needed to perform the planned audit work were received. |
| Timing and quality of key accounting judgements | GREEN | We did not encounter any significant issues relating to the timing or quality of key accounting judgements. |
| Access to finance team and other key personnel | AMBER | The Council is currently undergoing a finance team restructuring aimed at strengthening its ability to support the audit process and resolve the issues mentioned above. |
| Quality and timeliness of narrative report and annual governance statement | GREEN | The draft financial statements were received on 30 June 2025. From the work undertaken in the time available ahead of the statutory backstop, we did not identify significant issues related to the quality of the narrative report and annual governance statement. |
| Volume and magnitude of identified errors | AMBER | From the work we have been able to undertake, we identified disclosure amendments required in the financial statements which are detailed later in this report. Management has agreed to amend the accounts in respect of these matters where appropriate. 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 assurance, and the imminent statutory backstop date of 27 February 2026 for the 2024/25 audit, we intend to disclaim the audit in our audit report. |



Audit Timeline

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



| Planning | Interim | Period end: 31 st March | Final accounts | Audit and Governance Committee | Completion | Sign off |
|--|--|------------------------------------|--|--|---|--|
| <ul style="list-style-type: none"> ▶ 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 | <ul style="list-style-type: none"> ▶ Document control design and effectiveness ▶ Discuss audit plan with Audit and Governance Committee ▶ Early testing | | <ul style="list-style-type: none"> ▶ Regular updates with management ▶ Undertake audit testing ▶ Review of narrative report and annual governance statement ▶ Conclude on significant risk areas ▶ Report observations on other risk areas, management judgements ▶ Draft Audit Completion Report ▶ Close-out meeting with management | <ul style="list-style-type: none"> ▶ Discuss audit findings with Audit and Governance Committee ▶ Issue draft Audit Findings (ISA260) report ▶ Issue Auditor's Annual Report (by 30 November) | <ul style="list-style-type: none"> ▶ Subsequent events procedures ▶ Management representation letter ▶ Sign financial statements | <ul style="list-style-type: none"> ▶ Sign audit report opinion ▶ Issue delayed audit certificate |



We are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’. The assessment of what is material is a matter of professional judgement and is affected by our risk assessment and the needs of users of the financial statements.

At the planning stage of the audit, we determined overall materiality as £1,607k for the Group and £1,518k for the Council, with performance materiality set at £964k for the Group and £910k for the Council. These assessments were based on the draft 31 March 2025 accounts; therefore, no changes to materiality were required from those outlined in the audit plan

| | Group £000 | Council £000 | Explanation |
|--|---------------|-----------------|---|
| Overall materiality for the financial statements | 1,607 | 1,518 | This is approximately 2% of gross revenue expenditure based on the 2024/25 draft financial statements. This is a common measure for calculating materiality for councils as the users of the financial statements are considered to be most interested in where the Council has expended its income during the year. |
| Performance materiality | 964 | 910 | 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 | 80 | 75 | This is set at 5% of the overall materiality calculation. Individual errors above this threshold are communicated to those charged with governance. |

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



Group audit

As group auditors under ISA (UK) 600, we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and regarding 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.

For periods commencing on/after 15 December 2023 the auditing standard for group engagements (ISA (UK) 600) has been revised. The key changes that you may see reflected in the audit findings have been outlined below:

- ▶ 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 revised ISA600 based on its internal structure, while multiple legal entities may sometimes be defined as a single component
- ▶ There are increased leadership responsibilities and involvement requirements for the group engagement leader, particularly when component auditors are utilised
- ▶ In the UK, there is a specific requirement for all component auditors to confirm their ability and willingness to comply with the FRC's Ethical Standard, regardless of their local jurisdiction
- ▶ The analytical/desktop review designation, which triggered the lowest requirement for procedures deployed, has been removed from the scope of procedures performed over a component in response to risk

Risks at the component level

The risks identified at the Council are set out in this audit findings report. There are no additional risks identified in any of the other components above in respect of the Group audit.

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 component-by-component basis.

The table on the next page sets out the components within the group and our audit findings in respect of each component.



| Component | Scope | Planned audit approach | Audit findings |
|-------------------------------------|----------------|---|---|
| East Hertfordshire District Council | Full scope | Full scope statutory audit performed as set out in this report, amended due to impact of disclaimer | Our audit findings have been documented later in this report. |
| Millstream Property Investments Ltd | Specific scope | Specific scope procedures performed by group engagement team. | We have considered whether the time constraints imposed by the backstop date 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). Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25. |

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



Key audit findings



Key audit findings: significant risks

This section includes a summary of audit findings relating to significant risk areas identified at planning and other risk areas that required special consideration or arose during the audit.

Significant risks are defined as risks that require special audit consideration and include risks of material misstatement that are close to the upper range 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 auditing standards.

The table below summarises the significant risks. Detail behind each risk and the work undertaken is set out on the subsequent pages.

| Significant risk | Financial Statement / Assertion Level Risk | Fraud risk? | Approach to controls | Level of judgement / estimation uncertainty | Outcome of work |
|--|--|-------------|--------------------------------|---|---|
| Management override of controls | Financial Statement Level | Yes | Assess design & implementation | Very high | We undertook our planned procedures in this area but were unable to conclude them due to delays in receiving the listings required to perform the work. Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25. |
| Prior year opinion on the financial statements (Council and group) | Financial Statement Level | No | Assess design & implementation | Very high | We have implemented an overarching build-back plan for the period 2024/25 to 2027/28. Current year findings are reported in this report. In line with our build back plan, we intend to disclaim the opinion for 2024/25. |



Key audit findings: significant risks

| Significant risk | Financial Statement / Assertion Level Risk | Fraud risk? | Approach to controls | Level of judgement / estimation uncertainty | Outcome of work |
|---|--|-------------|--------------------------------|---|---|
| Presumption of fraud in revenue and expenditure recognition | Assertion Level | Rebutted | Assess design & implementation | Low | We rebutted the risk of fraud in revenue and expenditure recognition at the planning stage. Standard procedures were required in respect of these balances which will be progressed in line with our overarching build-back plan in the coming year. In line with our build back plan, we intend to disclaim the opinion for 2024/25. |
| Valuation of land and buildings and investment property. | Assertion Level | No | Assess design & implementation | High | Due to the delays experienced we were unable to conclude our procedures in this area. Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25. |
| Valuation of pension assets and liabilities (IAS19) | Assertion Level | No | Assess design & implementation | High | We have commenced our procedures and they are currently being finalised in line with our build back plan. We are unable to reach a conclusion in this area. Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25. |
| Incorrect capitalisation of revenue expenditure | Assertion Level | No | Assess design & implementation | High | In line with our build back plan, substantive testing of material income and expenditure streams is planned in future years as part of build-back and, in 2024/25, this time was re-focused to support additional work undertaken on journals, ledger reconciliations and value for money. |

Key audit findings: significant risks

Significant risks at the financial statement level

The table below summarises our conclusions on significant risks of material misstatement at the financial statement level for the 2024/25 accounts. 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.

Management override of controls

| Significant risk | Audit approach |
|--|--|
| <p>Management override of controls (Council and group) 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 to mitigate risks of material misstatement in this area included:</p> <ul style="list-style-type: none">• Documenting our understanding of the journals posting process and evaluated the design effectiveness of management controls over journals;• Analysing the journals listing and determined 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 had 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 also challenged assumptions and considered reasonableness and indicators of bias which could have resulted in material misstatement due to fraud; and• Evaluating the rationale for any changes in accounting policies, estimate or significant unusual transactions. |

Key audit findings: significant risks

Management override of controls ...continued

Audit findings and conclusion

It should be noted that, given the Council's accounts have not been subject to audit for several years, it is not unexpected that more time is required than in a 'normal' audit when recovering disclaimed positions. Additional time was therefore focused on this area in line with our build-back plan.

Planning work was originally scheduled for completion during the December-January 2024 period. However, we were unable to obtain the required information from the Council within that timeframe. As a result, planning activities were deferred and subsequently completed during the July-September 2025 period, alongside the final accounts fieldwork.

We have documented the business processes and key controls in place and tested the design and implementation of the procedures. We completed a walkthrough to understand how management mitigates the risk of management override of controls. We completed the ingest process but were not able to conclude our substantive journals testing. This is because the general ledger information required for both the ingest process and for reconciling the journals listing to the TB, GL and the accounts information was only received later in the audit process, leaving insufficient time to select a sample and conclude the planned procedures.

We have raised a control recommendation relating to journal authorisation later in this report.

We cannot draw finalised conclusions from this work as not all of the planned areas of testing for this significant risk have been completed. For instance, we have been unable to reach a conclusion on all accounting estimates used by management in the financial statements, including property valuations, and therefore cannot conclude as to whether any management bias in significant account estimates exists, notwithstanding that our understanding of management's judgements and estimates applied to the financial statements does not indicate this may be the case. This is due to the time constraints to perform sufficient procedures on these accounting estimates. The key judgements in the financial statements for 2024/25 are documented later in this report.

Based on the above, we are unable to reach a conclusion on this area. Along with the other factors explained in the report, we therefore plan to issue a disclaimer of opinion for the financial year 2024/25.

Key audit findings: significant risks

Prior year opinion on the financial statements

| Significant risks | Audit approach |
|--|---|
| <p>Prior year opinion on the financial statements (Council and group)</p> <p>As a result of the backstop implemented on 28 February 2025, a disclaimer audit opinion was provided on the council 2023/24 financial statements. Disclaimed audit opinions have also been provided on the Council’s accounts for the 2021/22 and 2022/23 years.</p> <p>As a result of prior year disclaimed audit opinion:</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 periods. <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>Inherent risk of material misstatement: Very High</p> | <p>Procedures to mitigate risks of material misstatement in this area included:</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. |



Key audit findings: significant risks

Prior year opinion on the financial statements ...continued

Audit findings and conclusion

In our audit plan we communicated the high-level end-to-end indicative build-back plan. This envisages gaining assurance over the accounts from the period from 2024/25 to 2027/28. Our audit approach and procedures deployed in 2024/25 are in line with this approach. Our approach also includes the statutory guidance issued by the National Audit Office (NAO) in Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01 to 06.

Our procedures in 2024/25 fell into two categories:

- **Procedures on the 2024/25 accounts with a view to gaining assurance over the year end position and identifying improvement suggestions for recovery work in future years.** Given the Council's accounts have not been subject to audit for several years, it is not unexpected that more time is needed than in a 'normal' audit when recovering disclaimed positions. This was compounded by the fact the audits for 2021/22 and 2022/23 were not concluded until April 2025. This had a knock-on impact for the conclusion of the audit for 2023/24, which was concluded in September 2025. Additional time was therefore focused on recovering the position in line with our build back plan to regularise the Council's reporting timelines. Our work in 2024/25 was focused on updating and finalising our planning and risk assessment procedures to bring the Council position up to date, considering progress in response to the statutory and non-statutory recommendations raised as part of our value for money work and recovery of year end balance sheet positions, journals, fraud testing and in-year reserves movements and analysis.
- **Build-back procedures to gain assurance over disclaimed periods of account.** This work involves additional planning, in line with the statutory considerations set out in LARRIG06, additional risk assessment and additional substantive procedures over the disclaimed years. The substantive procedures also include substantive testing of Property, Plant and Equipment movements in disclaimed years and in future years will require substantive testing of income and expenditure transactions. Due to the delays from prior years and the limited time available before the statutory backstop date, much of this work will take place from 2025/26. We have, however, commenced our procedures for the quantitative reserves analysis going back to the last clean opinion.

Build-back risk assessment procedures

Our build-back risk assessment procedures comprise two significant streams: the qualitative risk assessment and the quantitative risk assessment. The qualitative work, guided by LARRIG 06, focuses on assessing the inherent risk of material misstatement in opening General Fund (GF) balances and associated earmarked reserves following prior-year disclaimers. This involves evaluating governance arrangements, the control environment, timeliness of accounts preparation, complexity of reserves, and risks arising from multiple disclaimed opinions. We will consider factors such as changes in personnel, financial systems, budgetary controls, and classification risks between capital and revenue transactions. Our planned response will include enhanced inquiry, review of Annual Governance Statements, analytical procedures, and targeted substantive testing to evaluate these risks. This work is due to take place from 2025/26.



Key audit findings: significant risks

Prior year opinion on the financial statements continued....

Audit findings and conclusion

The quantitative work relates to reconciling and validating movements within the Movement in Reserves Statement (MIRS) back to the last clean opinion (2020/21). This includes detailed testing of reserve movements, statutory adjustments and consistency checks across primary statements and supporting notes to evaluate accuracy and completeness of reported balances.

In line with our build back plan we will undertake procedures in respect to both the qualitative and quantitative risk assessment streams from 2025/26. However, we have already commenced our reserves analysis work back to the last clean opinion. We have not yet been able to conclude our procedures due to the impending backstop but will continue this work as part of 2025/26. It is important to note that build back is a comprehensive and time-consuming process.

Build-back risk assessment: Qualitative stream

We will reconcile the financial statements to the general ledger and trial balance for the current year and each previously disclaimed year back to the last clean opinion dated 31 March 2021. We have not been able to perform these procedures due to the impending backstop and will continue this work as part of the 2025/26 audit.

Build-back risk assessment: Quantitative stream

We have undertaken procedures under this stream, which includes reconciling and validating movements within the Movement in Reserves Statement (MIRS) back to the last clean opinion. This work remains ongoing. During our review, we identified changes to the comparative figures within the MIRS; for example, the Other Comprehensive Income (OCI) balance has been amended from £18,576k to £17,603k, and total unusable reserves have changed from £16,440k to £21,033k. These adjustments indicate that the underlying reserve movements will need further audit investigation and further analysis will be required to understand the basis for these revisions and to assess their implications for the build-back process. Recovering the disclaimed position is a long-term and complex process, involving substantial volumes of audit work and significant time from management to facilitate such work.

Due to audit opinions on the prior years' financial statements being disclaimed, we have no assurance over the opening balances of the reserves and the balance sheet financial statement line items. This means we have no assurance on the movements in year and cannot gain sufficient audit evidence on the material accuracy of the financial statements at 31 March 2025.

Key audit findings: significant risks

Significant risks at the assertion level for classes of transaction, account balances and disclosures

The following tables summarise conclusions in relation to significant risks of material misstatement at the assertion level for classes of transaction, account balances and disclosures in the 2024/25 accounts.



Key audit findings: significant risks

Fraud in revenue recognition and expenditure

| Significant risk | Audit approach | Audit findings and conclusion |
|---|--|---|
| <p>Fraud in revenue recognition and expenditure (Council and group) Material misstatement due to fraudulent financial reporting relating to revenue recognition is a rebuttable presumed risk in ISA (UK) 240. Having considered the nature of the revenue streams at the Council, we consider that the risk of fraud in revenue recognition can be rebutted on all income streams because:</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>We have also 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"> • 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: (Existence and Occurrence): Low</p> | <p>As we had rebutted the presumption of risk in both expenditure and income recognition, standard procedures to mitigate risks of material misstatement in this area included:</p> <ul style="list-style-type: none"> • Documenting our understanding of the Council’s systems for income and 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 income and expenditure and compliance with the CIPFA Code. • Substantively testing material income and expenditure streams using analytical procedures and sample testing of transactions recognised for the year | <p>We have undertaken procedures to document our understanding of the Council’s systems for income and expenditure to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements. We agreed debtors and creditors to the general ledger and supporting working papers.</p> <p>In line with our build back plan we have not evaluated the Council’s accounting policies for recognition of income and expenditure and compliance with the CIPFA Code. Substantive testing of material income and expenditure streams is planned in future years as part of the build-back plan and, in 2024/25, we focused our time on completing planned procedures on journals, ledger reconciliations, the testing of current assets and current liabilities and the follow up work on statutory recommendations as part of our value for money work.</p> <p>We have considered whether the time constraints imposed by the backstop date 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). Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25.</p> |



Key audit findings: significant risks

Valuation of land and buildings and Investment property

| Significant risks | Audit approach | Audit findings and conclusion |
|---|---|--|
| <p>Valuation of land and buildings Investment property (key accounting estimate) (Council and group)</p> <p>The Council carries out a rolling programme of revaluations to ensure all property, plant and equipment required to be measured at fair value is revalued at each 1 April</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 of 31 March 2025. 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 as a significant risk.</p> <p>We further pinpointed 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 value was individually significant and where the in-year valuation movements fell outside of our expectations.</p> <p>Inherent risk of material misstatement: Land and Buildings& Investment Property (valuation): High</p> | <p>Procedures to mitigate risks of material misstatement in this area included:</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 that 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. | <p>As part of our procedures, we have evaluated management processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work, evaluated the competence, capabilities, and objectivity of management’s valuation expert and undertaken a walkthrough of the design and implementation of management’s processes for determining the valuation accounting entries in the financial statements. We have reconciled the accounting entries to the general ledger and the fixed asset register.</p> <p>In line with our build back plan substantive testing of fixed asset valuations is planned in future years. In 2024/25, we focused our time on completing planned procedures on journals, ledger reconciliations, the testing of current assets and current liabilities and the follow up work on statutory recommendations as part of our value for money work.</p> <p>We have considered whether the time constraints imposed by the backstop date 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). Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25.</p> |



Key audit findings: significant risks

Valuation of pension assets and liabilities

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| Significant risks | Audit approach |
|--|--|
| <p>Valuation of pension assets and liabilities (IAS19) (key accounting estimate) (Council)</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. 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: –Pension assets and liabilities (valuation): High</p> | <p>Procedures to mitigate risks of material misstatement in this area included:</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 |



Key audit findings: significant risks

Valuation of pension assets and liabilities continued....

Audit findings and conclusion

We have commenced the planned procedures over this item of account in line with our overarching build-back plan. Further detailed work will take place in 2025/26, as previously communicated, following the next triennial valuation. We have evaluated management processes and assumptions for the calculation of the estimate, the instructions issued to the actuary and the scope of their work, evaluated the competence, capabilities, and objectivity of management's valuation expert and undertaken a walkthrough of the design and implementation of management's processes for determining the pension accounting entries in the financial statements.

We have been unable to obtain assurance over the year-on-year movements, interest costs, interest on assets, actual return on assets, share of assets and service costs. This is because the prior year balances were disclaimed, meaning we have no assurance over the opening balances. These areas are directly influenced by those opening balances, and without assurance over them, we cannot conclude on the accuracy of the current year movements.

In addition, we have not been provided with assurance by the pension fund auditor over membership of the pension fund back to the last triennial valuation.

We wrote to the current pension fund auditor on 17 July 2025 requesting assurance over the membership data. No response was received until 19 January 2026. In this letter the pension fund auditor stated that the audit of the pension fund accounts was not yet complete and no opinion had been issued. However, they stated that in respect of the assurances we required of them, they had undertaken their procedures and no exceptions were noted that they needed to report to us. However, this assurance is for the current year only and does not include assurance dating back to the previous triennial valuation.

Due to audit opinions on the prior years' financial statements being disclaimed, we have no assurance over the opening balances of the pension liability. This means we have no assurance on the movements in year and cannot gain sufficient audit evidence on the material accuracy of the valuation of the pension fund liability as at 31 March 2025.

Therefore, we are unable to reach a conclusion on this area. Along with the other factors explained in the report, we therefore plan to disclaim the audit for the financial year 2024/25. More detailed findings on our consideration of this estimate are contained later in this report.



Key audit findings: significant risks

Incorrect capitalisation of revenue expenditure

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| Significant risks | Audit approach | Audit findings and conclusion |
|--|---|--|
| <p>Incorrect capitalisation of revenue expenditure</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. 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 to mitigate risks of material misstatement in this area included:</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 | <p>In line with our build back plan substantive testing of capital expenditure is planned in future years. In 2024/25, we focused our time on completing planned procedures on journals, ledger reconciliations, the testing of current assets and current liabilities and the follow up work on statutory recommendations as part of our value for money work.</p> <p>We have considered whether the time constraints imposed by the backstop date 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). Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25.</p> |



Key audit findings: other risks

Other risks

This section summarises conclusions in relation to other identified risks which, although not considered to be significant, required specific consideration during the audit, or were risks otherwise identified during the course of the audit

| Other risks | Audit approach | Audit findings and conclusion |
|---|--|---|
| <p>Implementation of IFRS 16 – key accounting estimate – (Council and group)</p> <p>As 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. At the time of issue of the audit plan we were waiting for the Council’s confirmation of the impact for 2024/25.</p> | <p>Procedures to mitigate risks of material misstatement in this area included:</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; • Performing a walkthrough of the Council’s systems and processes to capture the data required to account for right of use (RoU) lease assets and associated liability in accordance with IFRS 16; • Reviewing the Council’s accounting policies for the year ended 31 March 2025 to 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 Right of Use assets and lease liabilities have been appropriately remeasured in line with the requirements of IFRS 16 as set out in the CIPFA Code. | <p>In line with our build back plan substantive review of this area is planned to take place in future years. In 2024/25, we focused our time on completing planned procedures on journals, ledger reconciliations, the testing of current assets and current liabilities and the follow up work on statutory recommendations as part of our value for money work.</p> <p>We have considered whether the time constraints imposed by the backstop date 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). Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25.</p> |



Key audit findings: other risks

Other risks

| Other risks | Audit approach | Audit findings and conclusion |
|--|--|---|
| <p>Minimum revenue provision (MRP) – (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 to mitigate risks of material misstatement in this area included:</p> <ul style="list-style-type: none"> • Gaining an understanding of the processes and controls put in place by management to calculate the Minimum Revenue Provision (MRP) • Assessing and reviewing the calculation of the Capital Financing Requirement to ensure it is appropriate and consistent with other notes in the financial statements • Reviewing the MRP Policy statement and confirming consistency with prior year or any changes thereof • Evaluating the appropriateness of the Council’s MRP policy • Evaluating whether the MRP has been appropriately calculated in accordance with the latest statutory guidance. | <p>We have undertaken our procedures in this area. Firstly, we updated our understanding of East Hertfordshire District Council’s processes and controls for calculating the Minimum Revenue Provision (MRP), including how statutory guidance is applied. In addition, we assessed the reasonableness of any changes to the Council’s MRP policy from the prior year. We also assessed and benchmarked the Council’s MRP charge as a percentage of the opening capital financing requirement (CFR). A charge above 2% is generally considered a sufficiently prudent estimate. The Council’s MRP charge is only 1.2% of the opening CFR. This does not indicate that the 2024/25 MRP is incorrect; however, it does place the charge below the level typically considered prudent.</p> <p>We assessed and benchmarked the Council’s total debt as a percentage of the CFR; although a level below 100% is deemed prudent, the Council’s position of 106% indicates it is overextended on its borrowing with minimal financial headroom. These ratios highlight the financial pressure the Council is experiencing in 2024/25, but do not indicate non-compliance with the approved MRP policy.</p> <p>The Minimum Revenue Provision (MRP) policy for 2025/26 has been updated in consultation with the Council’s external advisors. The MRP charge is anticipated to double from its 2024/25 level. The revised MRP for 2025/26 is £1.431m, rising to £1.453m in 2026/27. When considered against the opening CFR for 2025/26, this would result in a ratio of 2.3% (above the prudential benchmark of 2%) and would reflect 2.2% of borrowing as at 31 March 2025 (remaining below the prudential benchmark of 3%). However, if borrowing is repaid and not refinanced, this would improve the position and would also reduce borrowing below the level of the CFR.</p> <p>As we do not have any assurance over the opening CFR, we do not have assurance over the closing CFR. We therefore cannot conclude in full on the accuracy of the MRP calculation. Based on the above, we are unable to reach a conclusion on this area. Along with the other factors explained in the report, we therefore plan to issue a disclaimer of opinion for the financial year 2024/25.</p> |



Key audit findings: other balances and areas of testing

| Testing area | Commentary | Conclusion |
|---------------------------------------|--|---|
| Cash and cash equivalents £21,294k | We have obtained an understanding of the processes and controls in place over cash and cash equivalents. With management's consent, we requested direct confirmations from the relevant financial institutions for the balances held in each bank account as at 31 March 2025. However, we did not receive any confirmations and, as a result, we have not been able to verify the year-end balances. We have also been unable to complete our remaining testing, as the necessary working papers required to perform these procedures were not provided. | We have started but not been able to conclude our work for the reasons set out to the left. |
| Debtors: £16,575k | <p>Planned procedures over debtors included:</p> <ul style="list-style-type: none"> • Agreeing the ledger breakdown to the TB and supporting notes for short-term debtors and payments in advance. • Selecting samples to verify the accuracy and existence of the balances as at year-end. <p>However, the debtor listings provided were unsuitable for sampling, as they were not presented at a transactional level and showed only in-year movements rather than the year-end balances. As a result, we were unable to select items for testing or conclude our procedures over debtors within the time remaining before the statutory backstop. We have therefore raised a recommendation that future debtor listings must include transaction-level detail showing the full year-end balances, to enable appropriate sample selection and completion of our required audit procedures.</p> | We have started but not been able to conclude our work for the reasons set out to the left. |
| Reserves | <p>We have</p> <ul style="list-style-type: none"> • Evaluated the completeness of the statutory adjustments included in the 2024/25 movement in reserves statement • Reconciled the internal consistency of reserves movements in year with other parts of the financial statements • Not been able to conclude the accuracy of the movements as the movements and the closing balance are directly influenced by the opening balance | We have started but not been able to conclude our work for the reasons set out to the left. |



Key audit findings: other balances and areas of testing

| Testing area | Commentary | Conclusion |
|-------------------------------------|--|---|
| Assets Held for sale : £12,294k | <p>Planned procedures included:</p> <ul style="list-style-type: none"> • Agreeing the listing of assets held for sale to the trial balance (TB) and supporting notes in the financial statements. • Reviewing evidence to confirm that each asset met the IFRS 5 criteria for classification as held for sale. • Agreeing the carrying amount prior to reclassification to underlying asset records. • Testing the valuation of assets held for sale, including assessing whether they were measured at the lower of carrying amount and fair value less costs to sell. • Reviewing any valuation reports or supporting documentation provided by management. • Checking that no depreciation was charged after classification as held for sale. • Reviewing disclosures in the financial statements to ensure compliance with IFRS 5. <p>We were unable to complete our planned procedures as the required listings needed to perform the work were not provided. As a result, we were unable to select items for testing or conclude our procedures over this area within the time remaining before the statutory backstop.</p> | We have started but not been able to conclude our work for the reasons set out to the left. |
| Short-term Investments : £2,942k | <p>Planned procedures over short-term investments included:</p> <ul style="list-style-type: none"> • Agreeing the ledger breakdown to the TB and supporting notes for short-term investments. • Selecting samples to verify the accuracy and existence of the balances as at year-end. <p>The requested listings needed to perform the planned procedures over short-term investments were not received. We have identified a disclosure issue regarding the Balance Sheet, which shows £2,942k of short-term investments; however, the Financial Instruments note appears to show only £903k of FVOCI, without clearly disclosing the remaining £2,039k classified as amortised cost. Due to time constraints in meeting the backstop deadline, and in line with our agreement with management, we have backstopped our testing in this area for the current year.</p> | We have started but not been able to conclude our work for the reasons set out to the left. |
| Provisions: £(2,106k) | <p>Planned procedures over provisions included:</p> <ul style="list-style-type: none"> • Reconciling the provisions per the financial statements to underlying records and the general ledger. • Selecting a sample of provisions and testing them against the requirements of IAS 37. <p>We were unable to complete our planned procedures because the required transaction-level listings were not provided, preventing us from selecting any samples.</p> | We have started but not been able to conclude our work for the reasons set out to the left. |



Key audit findings: other balances and areas of testing

| Testing area | Commentary | Conclusion |
|---------------------------------------|--|---|
| Short-term creditors: £(17,592k) | <p>Planned procedures included:</p> <ul style="list-style-type: none"> • Agreeing the ledger breakdown to the trial balance (TB) and the supporting notes for short-term creditors and receipts in advance. • Selecting a sample of transactions to verify the accuracy and existence of the balances as at year-end. • Performing testing on all creditor balances and on accruals, except collection fund creditors, as we had not planned to perform any procedures on the collection fund. <p>However, the creditor listings provided were not suitable for sampling, as they were not presented at a transactional level and showed only in-year movements rather than the required year-end balances. As a result, we were unable to select items for testing or complete our procedures over creditors within the time remaining before the statutory backstop. We have therefore recommended that future creditor listings include full transaction-level detail showing the complete year-end balances, to enable appropriate sample selection and completion of the required audit procedures</p> | We have started but not been able to conclude our work for the reasons set out to the left. |
| Short-term borrowings : £(63,000k) | <p>Planned procedures included:</p> <ul style="list-style-type: none"> • Agreeing the ledger breakdown to the trial balance (TB) and the supporting notes for both short- and long-term borrowings • Testing all borrowings as at year-end to verify the accuracy and existence of the balances. • Obtaining direct confirmations from third parties where applicable and agreeing borrowing balances to the underlying contracts. • Verifying the classification of borrowings between short-term and long-term. <p>We were unable to complete our planned procedures as the required listings needed to perform the work were not provided. We also identified a disclosure issue relating to borrowings. The total short-term borrowings disclosed on the balance sheet amount to £63m; however, this does not agree with the figures presented in the financial instruments note. The note incorrectly shows short-term borrowings of £13m. In addition, long-term borrowings in the financial instruments note are £51.5m compared to £1.5m per the balance sheet. Accordingly, adjustments are required so that balance sheet and note are consistent.</p> | We have started but not been able to conclude our work for the reasons set out to the left. |
| Group accounts | <p>We have:</p> <ul style="list-style-type: none"> • Obtained and reviewed management’s consolidation working papers. • Assessed the group position and evaluated the materiality of specific transactions <p>We have not undertaken specific testing on component transactions due to the time constraints imposed by the backstop</p> | We have started but not been able to conclude our work for the reasons set out to the left. |



Key audit findings: other procedures

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Other specific procedures we have undertaken in 2024/25 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, Cabinet and the Audit and Governance Committee;
- ▶ IT General controls and work under ISA315;
- ▶ Business process documentation and walkthroughs;
- ▶ Agreeing opening balances and comparative figures to prior year financial statements;
- ▶ Agreeing the financial statements to the Council's trial balance and general ledger;
- ▶ Checking financial statements for internal consistency and arithmetic accuracy;
- ▶ Confirming the audit fee reported in the financial statements;
- ▶ Undertaking a high-level review of the accounts to assess for material omissions or disclosure errors;
- ▶ Undertaking a high-level Audit Manager and Engagement Lead review of the 2024/25 financial statements to further refine our risk assessment and understand unexpected movements;
- ▶ Confirming that accounts have been issued and approved in line with The Accounts and Audit Regulations 2015;
- ▶ Procedures in respect of subsequent events after the balance sheet date, including enquiries of management;
- ▶ Updating our planning and risk assessment and procedures on receipt of the financial statements (post-statement procedures) including re-considering our materiality thresholds;
- ▶ Updating our scoping procedures following receipt of the financial statements;
- ▶ Undertaking comprehensive build-back scoping across all disclaimed years;
- ▶ Undertaking post-statement analytical procedures;
- ▶ Evaluating any misstatements identified; and
- ▶ Drafting an Audit Plan and Audit Completion Report and presenting these to the Audit and Governance Committee.



Key audit findings: other areas of focus

| Area of focus | Issue | Audit findings and conclusion |
|--|---|--|
| Significant matters on which there was disagreement with management | There were no significant matters on which there was disagreement with management | None noted |
| Significant management judgements which required additional audit work and / or where there was disagreement over the judgement and / or where the judgement is significant enough that we are required to report it to those charged with governance before they consider their approval of the accounts | No concerns were identified | None noted |
| Prior year adjustments identified | As part of our work, we identified several instances where the 2024/25 comparators have been amended from the figures in the signed 2023/24 accounts. We are discussing these changes with management. For example, Other Comprehensive Income has changed from £18,576k in 2023/24 to £17,603k in the 2024/25 comparator and Total Unusable Reserves have changed from £16,440k in 2023/24 to £21,033k in the 2024/25 comparators. Further differences are contained in the report | Where prior period adjustments are made, the comparator column should be headed up restated, and a note added to the accounts explaining the change. |
| Concerns identified in the following: <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 system position / target | No concerns were identified | None noted |



Accounting policies, key judgements and estimates



Accounting policies, key judgements and estimates

Accounting policies

We have evaluated the appropriateness of the Council’s accounting policies, taking into account consistency with the disclosures from the prior year and requirements as set out in the CIPFA LASAAC Code of Practice on Local Authority Accounting in the UK (the ‘CIPFA Code’) 2024/25 where appropriate. We have no matters to report.

Key judgements and estimates

Key judgements and estimates, as well as other judgements and estimates made by management, are set out in the table below along with audit commentary on these judgements and estimates in line with the enhanced requirements for auditors.

| Significant judgement or estimate | Value in accounts £000 | Summary of management’s approach | Audit comments and assessment |
|---|------------------------|--|--|
| Land and buildings valuations (key accounting estimate) | 110,754 | <p>The valuation of land and buildings begins with determining whether assets are specialised or non-specialised, as this drives the appropriate valuation method. Valuations follow the CIPFA Code and RICS professional standards and are carried out by the Council’s internal RICS-qualified valuers. Land and buildings are measured at current value: non-specialised assets use market-based evidence where available, while specialised assets are valued using Depreciated Replacement Cost (DRC) applying the Modern Equivalent Asset (MEA) approach. Revaluations are performed annually, supported by yearly impairment reviews, with all valuations undertaken at 31 March.</p> | <p>As part of our procedures, we documented our understanding of the processes and systems the Council has in place for accounting for the estimate. This included how the valuation is determined, the instructions issued to the valuation experts and the scope of their work. We also evaluated the competence, capabilities and objectivity of management’s valuation expert.</p> <p>In line with our build back plan the additional procedures specifically designed to address this significant risk will take place in 2025/26.</p> <p>Along with the other factors explained in this report, we therefore plan to issue a disclaimer of opinion for the financial year 2024/25.</p> |

Accounting policies, key judgements and estimates

| Significant judgement or estimate | Value in accounts £000 | Summary of management's approach | Audit comments and assessment |
|---|------------------------|--|--|
| Investment properties (key accounting estimate) | 4,292 | Investment properties are measured at fair value in accordance with IAS 40 and the requirements of the CIPFA Code. All valuations are undertaken by the Council's internal MRICS-qualified valuers, applying RICS Valuation Professional Standards. Fair value is determined using a market-based approach, drawing on current market conditions, comparable sales evidence, lease terms and rental yields, with all assets classified as Level 2 in the fair-value hierarchy. Investment properties are not depreciated; instead, gains and losses arising from annual revaluation as at 31 March each year are recognised in the Comprehensive Income and Expenditure Statement and subsequently reversed out through statutory adjustments. | <p>As part of our procedures, we documented our understanding of the processes and systems the Council has in place for accounting for the estimate. This included how the valuation is determined, the instructions issued to the valuation experts and the scope of their work. We also evaluated the competence, capabilities and objectivity of management's valuation expert.</p> <p>In line with our build back plan the additional procedures specifically designed to address this significant risk will take place in 2025/26.</p> <p>Along with the other factors explained in this report, we therefore plan to issue a disclaimer of opinion for the financial year 2024/25.</p> |

Accounting policies, key judgements and estimates

| Significant judgement or estimate | Value in accounts £000 | Summary of management's approach | Audit comments and assessment | | | | | | | | | | | | | | | | | | |
|---|------------------------|--|--|------------|---------------|------------------------|---------------|-------|------------|-----------------------|-------|------------|---------------|-------|------------|--|------------|------------|--|------------|------------|
| Pension assets and liabilities valuations (key accounting estimate) | (22,245) | <p>This relates to the Council's obligations as a participating employer in the Hertfordshire Pension Fund, part of the Local Government Pension Scheme (LGPS). The Council's IAS 19 figures are prepared by Hymans Robertson LLP, using the projected unit credit method, with liabilities discounted to present value and scheme assets measured at fair value. Triennial funding valuations are undertaken by the Fund every three years, with the next valuation having commenced on 1 April 2025. For 2024/25, key actuarial assumptions include a discount rate of 5.8%, pension (CPI) inflation of 2.9%, and salary growth of 3.9%. Given the magnitude of the estimate, small changes in assumptions can result in material movements in the reported liability.</p> | <p>We have undertaken the following in the course of our testing:</p> <ul style="list-style-type: none"> Assessed the competence, capability and independence of management's expert actuary Documented our understanding of the processes and systems the Council has in place for accounting for the estimate Used our auditor's expert (PwC) to assess assumptions made by the actuary <table border="1" data-bbox="1133 564 2280 913"> <thead> <tr> <th>Assumption</th> <th>Actuary value</th> <th>Assessment against PwC</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>5.80%</td> <td>Reasonable</td> </tr> <tr> <td>Pension increase rate</td> <td>2.90%</td> <td>Reasonable</td> </tr> <tr> <td>Salary growth</td> <td>3.90%</td> <td>Reasonable</td> </tr> <tr> <td>Life expectancy: males currently 45-65</td> <td>21.2 years</td> <td>Reasonable</td> </tr> <tr> <td>Life expectancy: females currently 45-65</td> <td>24.1 years</td> <td>Reasonable</td> </tr> </tbody> </table> <p>We have not been provided with assurance by the pension fund auditor over membership of the pension fund back to the last triennial valuation. We wrote to the current pension fund auditor on 17 July 2025 requesting assurance over the membership data. No response was received until 19 January 2026. In this letter the pension fund auditor stated that the audit of the pension fund accounts was not yet complete, and no opinion had been issued. However, they stated that in respect of the assurances we required of them, they had undertaken their procedures, and no exceptions were noted that they needed to report to us. However, this assurance is for the current year only and does not include assurance dating back to the previous triennial valuation.</p> <p>Due to audit opinions on the prior years' financial statements being disclaimed, we have no assurance over the opening balances of the pension liability. This means we have no assurance on the movements in year and cannot conclude on the valuation of the pension fund liability as at 31 March 2025.</p> | Assumption | Actuary value | Assessment against PwC | Discount rate | 5.80% | Reasonable | Pension increase rate | 2.90% | Reasonable | Salary growth | 3.90% | Reasonable | Life expectancy: males currently 45-65 | 21.2 years | Reasonable | Life expectancy: females currently 45-65 | 24.1 years | Reasonable |
| Assumption | Actuary value | Assessment against PwC | | | | | | | | | | | | | | | | | | | |
| Discount rate | 5.80% | Reasonable | | | | | | | | | | | | | | | | | | | |
| Pension increase rate | 2.90% | Reasonable | | | | | | | | | | | | | | | | | | | |
| Salary growth | 3.90% | Reasonable | | | | | | | | | | | | | | | | | | | |
| Life expectancy: males currently 45-65 | 21.2 years | Reasonable | | | | | | | | | | | | | | | | | | | |
| Life expectancy: females currently 45-65 | 24.1 years | Reasonable | | | | | | | | | | | | | | | | | | | |



Accounting policies, key judgements and estimates

| Significant judgement or estimate | Value in accounts £000 | Summary of management's approach | Audit comments and assessment |
|-----------------------------------|------------------------|--|--|
| Minimum revenue provision | 751 | <p>The Council sets an annual Minimum Revenue Provision (MRP) to ensure a prudent charge for the repayment of borrowing, in line with statutory regulations and government guidance.</p> <p>The 2024/25 MRP charge was £751k, an increase from £600k in 2023/24. Following consultation, updated MHCLG guidance-effective from April 2025-clarifies existing expectations rather than changing policy. The guidance confirms that capital receipts cannot replace a prudent MRP, that MRP must be applied to all unfinanced capital expenditure, and that assets may only be excluded where statute permits.</p> <p>The MRP is a statutory, non-cash adjustment, reversed through the Movement in Reserves Statement and reflected within capital financing entries in the Capital Adjustment Account.</p> | <p>We have undertaken our procedures in this area. Firstly, we updated our understanding of East Hertfordshire District Council's processes and controls for calculating the Minimum Revenue Provision (MRP), including how statutory guidance is applied. In addition, we assessed the reasonableness of any changes to the Council's MRP policy from the prior year. We also assessed and benchmarked the Council's MRP charge as a percentage of the opening capital financing requirement (CFR). While a charge above 2% is generally considered a sufficiently prudent estimate, the Council's MRP charge is 1.2% of the opening CFR. This does not indicate that the 2024/25 MRP is incorrect; however, it does place the charge at the lower end of what is typically considered prudent when benchmarked against sector practice.</p> <p>Furthermore, we assessed and benchmarked the Council's total debt as a percentage of the CFR; although a level below 100% is deemed prudent, the Council's position of 106% indicates it is overextended on its borrowing with minimal financial headroom. These ratios highlight the financial pressure the Council is experiencing in 2024/25, but they do not indicate non-compliance with the approved MRP policy.</p> <p>As we do not have any assurance over the opening CFR we therefore do not have assurance over the closing CFR. We therefore cannot conclude in full on the accuracy of the MRP calculation. The MRP charge must remain under regular review, particularly in light of future capital spending plans.</p> |

Accounting policies, key judgements and estimates

| Significant judgement or estimate | Value in accounts £000 | Summary of management's approach | Audit comments and assessment |
|-----------------------------------|------------------------|---|---|
| Depreciation | 3,299 | <p>Depreciation is charged annually to reflect the consumption of economic benefits of the Council's property, plant and equipment. The method and useful lives follow the requirements of the CIPFA Code and are applied consistently across asset classes. Depreciation is calculated on a straight-line basis, with useful lives ranging from 5 to 60 years depending on asset type, while freehold land and most community assets are not depreciated.</p> <p>Where assets contain significant components with different useful lives, componentisation is applied, ensuring each major element is depreciated appropriately. A £1m de-minimis threshold is used when identifying components.</p> <p>Depreciation is reviewed annually and adjusted where revaluations or impairment assessments indicate a material change in asset condition or useful life. The 2024/25 depreciation charge was £3.299m, recognised in the Comprehensive Income and Expenditure Statement and subsequently reversed through statutory adjustments to the Capital Adjustment Account.</p> | <p>In line with our build back plan substantive review of this area is planned to take place in future years. In 2024/25, we focused our time on completing planned procedures on journals, ledger reconciliations, the testing of current assets and current liabilities and the follow up work on statutory recommendations as part of our value for money work.</p> <p>We have considered whether the time constraints imposed by the backstop date 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). Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25.</p> |



Accounting policies, key judgements and estimates

| Significant judgement or estimate | Value in accounts £000 | Summary of management's approach | Audit comments and assessment |
|-----------------------------------|------------------------|---|--|
| Provisions | 3,101 | <p>Provisions are recognised when the Council has a legal or constructive obligation arising from a past event and it is probable that settlement will require the transfer of economic benefits, even though the exact timing remains uncertain. Provisions are charged to the relevant service in the year the obligation is identified and are measured at the best estimate of the expenditure required as at the balance sheet date.</p> <p>Payments made are applied against the provision recorded in the Balance Sheet, and if the likelihood or amount of settlement reduces, the provision is reversed and credited back to the service. Where reimbursement from a third party such as an insurance claim is virtually certain, the expected recovery is recognised as income for the relevant service.</p> <p>Although most provisions are expected to be settled within 12 months, the Council recognises that some, such as insurance-related items, may take longer to resolve; however, this does not materially affect the financial statements.</p> | We were unable to complete our planned procedures because the required transaction-level listings were not provided, which meant we could not select any samples. Taken together with the other factors outlined in this report, we intend to disclaim an opinion for 2024/25. |

Other responsibilities



Financial statements: other responsibilities

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

| Matter | Commentary | Findings |
|--|---|--|
| Matters in relation to fraud | We have previously discussed the risk of fraud with management and the Audit and Governance Committee. We have not been made aware of any other incidents in the period. No other issues have been identified during the course of our audit from the work we have been able to complete. | As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a conclusion on this area. |
| Matters in relation to related parties | We are not aware of any related parties or related party transactions which have not been disclosed from the work we have been able to complete. | As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a conclusion on this area |
| 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, and we have not identified any instances from the audit work we have been able to complete. | As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a conclusion on this area |
| Written representations | A letter of management representations has been requested from the Council. | Please refer to the letter of representation included alongside this report. |
| Confirmation requests from third parties | As part of our audit work, we planned to complete testing over cash and cash equivalents, which required obtaining an independent bank confirmation. To date, we have been unable to finalise this testing because the bank confirmation has not been received | As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a conclusion on this area |

Financial statements: other responsibilities

| Matter | Commentary | Findings |
|--|--|---|
| <p>Going concern</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 and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570). Management prepared the financial statements on a going concern basis applying the continuation of services provision set out in Practice Note 10. We have confirmed that this is appropriate as there is no known intention to transfer the services provided by the Council outside the public sector. We have not identified any material uncertainties relating to going concern at the Group.</p> | <p>As we have been unable to conclude our audit in advance of the backstop date, we have not been able to obtain sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> • a material uncertainty related to going concern has not been identified • management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate. |
| <p>Other information (Narrative report and Annual Governance Statement)</p> | <p>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 not required to consider whether the Annual Governance Statement addresses all risks and controls or whether risks are satisfactorily addressed by internal controls.</p> | <p>As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a final conclusion on this area.</p> |
| <p>Matters on which we report by exception</p> | <p>We are required to report on a number of matters by exception:</p> <ul style="list-style-type: none"> • 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 • Where we are not satisfied in respect of arrangements to secure value for money and have reported significant weaknesses | <p>We have nothing to report on these matters. However, as we plan to issue a disclaimer of opinion for the audit, we are unable to reach a final conclusion on this area.</p> |



Financial statements: other responsibilities

| Matter | Commentary | Findings |
|---|---|--|
| Disclosures | From the work completed, our review identified some disclosure issues, which are highlighted with the Audit Adjustments section | We have identified and reported disclosure errors in this report. As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a final conclusion on this area |
| Specified procedures for the Whole of Government Accounts | <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 August 2025 which set out the procedures that the NAO require from component auditors. However, the NAO may direct auditors of components below the audit threshold to undertake additional work.</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 required.</p> | We will complete and submit a partial assurance statement after issue of our auditor's report and await further guidance on whether or not any additional testing is required. |
| Certification of closure of the audit | We are required to certify the closure of the audit on completion of all audit work for the financial year required under the Code. | We cannot issue our certificate of closure until the Comptroller and Audit General has certified the WGA for 2024-25. Our auditor's report will therefore include a delayed certificate. |
| Statutory powers and duties | We are required to report by exception if we have applied our other statutory powers or duties during the audit. | We have not exercised any of our additional statutory powers or duties. Statutory recommendations were issued in April 2025 and we have followed up the Council's progress in response to these as part of our value for money work, reported to the Council in November 2025. |



Audit adjustments



Audit adjustments

Misclassification and disclosure changes

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The table below provides details of misclassification and disclosure changes identified during the audit.

| Disclosure / issue / omission | Outcome | Adjustment agreed? |
|---|--|--------------------|
| <p><u>Narrative statement</u> -Narrative statement states £6.7m capital expenditure; Note 7 shows total capital spend £7.064m including intangibles and CERA.</p> | Management has agreed to make the necessary changes. | Y |
| <p><u>Short-term investments presentation</u> -Balance Sheet shows £2,942k short-term investments; Financial Instrument note appear to show only £903k FVOCI without clearly showing remaining £2,039k amortised cost.</p> | Management has agreed to make the necessary changes. | Y |
| <p><u>Borrowings disclosure in Note 12. Financial Instruments Note</u> -We identified a disclosure issue relating to borrowings. The total short-term borrowings disclosed on the balance sheet amount to £63m; however, this does not agree with the figures presented in the financial instruments note. The note incorrectly shows short-term borrowings of £13m. In addition, long-term borrowings have been misstated in the financial instruments note as £51.5m instead of £1.5m. Accordingly, adjustments to the note are required.</p> | Management has agreed to make the necessary changes. | Y |
| <p><u>Net Pension Asset (23/24)</u> -The comparative figure is an asset and therefore should be presented within the asset section of the Balance Sheet</p> | Management has agreed to make the necessary changes. | Y |
| <p><u>Cashflow statement</u> -The net cash inflow from operating activities for 2023/24 should be £2,384k, not £2,374k, to ensure consistency with the signed 2023/24 accounts. -The cash figure disclosed in the cash flow statement differs from the figure disclosed in the balance sheet and does not agree with the signed 2023/24 accounts.</p> | Management has agreed to make the necessary changes. | Y |



Audit adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit.

| Disclosure / issue / omission | Outcome | Adjustment agreed? |
|--|--|--------------------|
| <u>Audit fees:</u> - The audit fee disclosed in the accounts does not agree to the published scale fee. The council has disclosed a fee of £165k, whereas the applicable scale fee is £180.9k. | Management has agreed to make the necessary changes. | Y |
| <u>Minor presentational, formatting and disclosure issues</u> - We proposed a number of minor changes and narrative amendments to improve the presentation of the accounts. | Management has agreed to make the necessary changes. | Y |

Audit adjustments

Misclassification and disclosure changes

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| Disclosure / issue / omission | Outcome | Adjustment agreed? |
|--|---|--------------------|
| <p>Summary of Identified Differences in Prior-Year Comparative Figures</p> <ul style="list-style-type: none"> Total Net Assets / Total Reserves have reduced from £122,156k in the signed 2023/24 accounts to £118,536k in the 2024/25 comparatives, a difference of £3,620k. Capital Adjustment Account comparatives have similarly decreased by £3,620k (from £61,619k to £57,999k), reflecting the same movement noted above. Earmarked Reserves have increased by £1,104k, from £20,912k to £22,016k. Short-term Borrowing has increased by £3,620k, from £48,500k to £52,120k. The Pension Reserve has changed marginally, decreasing by £16k (from £5,266k to £5,250k). Other Comprehensive Income (OCI) reported in the Movement in Reserves Statement has decreased by £973k (from £18,576k to £17,603k). Total Unusable Reserves Movement has increased by £4,593k, from £16,440k to £21,033k. Net cash inflow from operating activities has changed from £2,384k to £2,374k. The cash figure disclosed across the statements is inconsistent, with a reduction from £8,944k to £4,156k, a difference of £4,788k. Depreciation charges have changed, including: <ul style="list-style-type: none"> - Other Land & Buildings: increased by £4,719k (from £36,821k to £41,540k) - Vehicles, Plant & Equipment: increased by £1,368k (from £20,191k to £21,559k) Note 8 – Analysis of Fixed Assets shows incorrect comparative figures, with changes totalling £12,617k. Note 12 – Borrowing at amortised cost differs by £3,620k, consistent with the change in short-term borrowing. Note 6 – Earmarked Reserves is also misstated by £1,104k, consistent with the movement identified above. | <p>Management has agreed to make the necessary changes.</p> | <p>Y</p> |
| <p>Prior period adjustments</p> <p>-The council will need to update the column headings for the comparative figures to indicate that they have been restated, and include a note explaining the changes made to those comparative figures</p> | <p>Management has agreed to make the necessary changes.</p> | <p>Y</p> |



Building back assurance



Building back assurance

We set out below the work we have done to build back assurance from disclaimed years of audit. Our work has been undertaken in accordance with the statutory guidance set out in Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01 to 06

| Build back activity | Commentary |
|---|---|
| <p>Risk Assessment (LARRIG 06)</p> <p>We are required by LARRIG 06 to evaluate the inherent risk of material misstatement in the opening general fund and HRA balances and associated earmarked reserves following prior year disclaimers.</p> <p>This in turn informs the volume of work necessary to recover assurance over the reserves position as a 1 March 2025.</p> | <p>We have considered the guidance set out in LARRIG 06 issued by the National Audit Office to determine the risk of material misstatement in the general fund and HRA reserves of the Council at 1 March 2025.</p> <p>This involved a detailed assessment of a number of risk factors, as set out in LARRIG 06, including consideration of the following:</p> <ul style="list-style-type: none"> • Whether the Council has a history of timely production of the financial statements • The number of years for which disclaimed opinions have been issued • The complexity and volume of movement in reserves over the disclaimed period • The strength of the control environment in place over the period of disclaimed opinions • Changes in key personnel, financial reporting systems or key processing activities during the disclaimed period • Previous reporting of significant deficiencies in control, significant weaknesses in arrangements to secure VFM or material or other misstatements • The level of reserves in place over the disclaimed period • Issues reported by Internal Audit and in the Annual Governance Statements |



Building back assurance

LARRIG06 Qualitative risk assessment: Outcome

We have commenced our procedures in this area as part of our build-back risk assessment in accordance with the requirements and statutory considerations set out in LARRIG06. The procedures are comprehensive and, as agreed with management, the majority of this work will take place in 2025/26. This was to enable the delays experienced in the conclusion of the 2021/22, 2022/23 and 2023/24 audits to be recovered in 2024/25. The recovery of these delays has been achieved.

As part of our procedures under this stream, we had planned to reconcile the financial statements to the general ledger and the trial balance for the current year and each previously disclaimed year, tracing back to the last clean opinion dated 31 March 2021. We have agreed with management that there will not be sufficient time for the finalisation of this work ahead of the backstop date, and we will therefore continue this work during the 2025/26 audit.

Based on our preliminary work and our understanding of the factors in place at the Council over the disclaimed period, we have determined that East Hertfordshire District Council is at the higher end of the risk spectrum for build-back purposes. This is because a number of factors indicating high risk, as per LARRIG06, are features of the Council, including the statutory recommendation made as part of the value for money work, the general complexity of the accounts, the delays experienced during the disclaimed years and the reconciling issues which remain under investigation following our initial assessment and analysis of reserves movements over the disclaimed period. In addition, we have encountered issues with the transaction listings provided for the purposes of audit testing, including inconsistencies with the general ledger, and delays in obtaining complete and accurate information. The Council has also adjusted some comparative figures, which adds further complexity to the build-back process.

As a result, it is likely that full build back procedures will be required in the coming years in respect of income and expenditure in the disclaimed period. We will continue and conclude our detailed LARRIG06 risk assessment in 2025/26.



Building back assurance

| Build back activity | Commentary | Outcome |
|---|---|---|
| <p>Phase 2: Build back of assurance in respect of other balances directly influenced by the opening position over the disclaimed period</p> <p>Build back of assurance in respect of Property, Plant and Equipment over the disclaimed period</p> | <p>In order to build back assurance over the reserves, we are required to undertake substantive testing of movements in property, plant and equipment over the disclaimed period.</p> <p>In order to build back assurance over balances where the closing position is directly influenced by the opening position, we are required to undertake substantive testing of movements in these balances over the disclaimed period.</p> | <p>As agreed with management and in line with our over-arching build back plan, build back of property, plant and equipment movements will take place in 2025/26.</p> |
| <p>Phase 3: Build back of assurance in respect of unusable and useable reserves</p> | <p>We have commenced our procedures, including reconciling and validating the movements within the Movement in Reserves Statement (MIRS) for each disclaimed audit period back to the last clean opinion. This work remains ongoing. During our review, we identified changes to the comparative figures within the MIRS. For example, the Other Comprehensive Income (OCI) balance has been amended from £18,576k to £17,603k, and total unusable reserves have changed from £16,440k to £21,033k. These adjustments indicate that the underlying reserve movements are still being refined, and further analysis will be required to understand the basis for these revisions and to assess their implications for the build-back process</p> | <p>The reconciling issues between audit years over the disclaimed period require further audit investigation. We will continue and conclude our work in this area in 2025/26.</p> |



Value for money



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').

We have completed our value for money work. Our detailed findings were reported in our Auditor's Annual Report in November 2025.

We have concluded there are significant weaknesses in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The significant weaknesses and key recommendations arising are summarised on the next page. Our auditor's report will refer to the significant weaknesses in arrangements we have identified. Further detail is contained in our Auditor's Annual Report.

| Reporting criteria | Planning – risk of significant weakness identified? | Final – significant weakness identified? | Recommendations made | | |
|---|---|--|----------------------|-----|-------|
| | | | Statutory | Key | Other |
| 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 | Yes | Yes | No | 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 weaknesses and key recommendations

The significant weaknesses we have identified and the key recommendations made are set out below. Our detailed commentary is set out in our separate Auditor’s Annual Report.

| Observation previously reported | Criteria | Recommendation previously made | Auditor update 2024/25 |
|---|-------------------|--|---|
| <p>Statutory financial reporting 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>Governance</p> | <p>Finance function workflow review 1. 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. Although the finance structure is still under review.</p> | <p>A review of the finance structure is currently underway, aimed at reducing dependency on specific individuals and addressing operational bottlenecks. Input has been provided by the Interim CFO (in March), the current CFO, Brian Moldon, and the Interim Group Accountant to inform the process with insights into effective working practices and structures from comparable authorities. The distribution of roles and responsibilities is being clarified within the proposed structure.</p> <p>This work remains in progress and as such the recommendation remains open.</p> <p style="text-align: right;"><i>continued.....</i></p> |



Value for money: significant weaknesses and key recommendations

| Observation previously reported | Criteria | Recommendation previously made | Auditor update 2024/25 |
|--|-------------------|--|---|
| <p>Statutory financial reporting <i>continued from previous page</i></p> | <p>Governance</p> | <p>Quality assurance function review 2. 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>The quality assurance process has commenced. A timetable for the 2025/26 closedown process is in place and will be reviewed by the end of January to ensure it remains fit for purpose. Further enhancements to the review process are being considered, including the introduction of formal review checks to ensure appropriate segregation of duties; specifically, that working papers prepared by one individual are independently reviewed by another. Weekly meetings will be held throughout the closedown period to monitor progress and maintain oversight. The 2024/25 financial statements were published on time and in line with the Accounts and Audit (Amendment) Regulations 2024.</p> <p>Work remains in progress and as such the recommendation remains open.</p> <p style="text-align: right;"><i>continued.....</i></p> |

Value for money: significant weaknesses and key recommendations

| Observation previously reported | Criteria | Recommendation previously made | Auditor update 2024/25 |
|--|-------------------|---|---|
| <p>Statutory financial reporting <i>continued from previous page</i></p> | <p>Governance</p> | <p>Finance team capacity</p> <p>3. 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> | <p>Monthly meetings have been established between the Chief Finance Officer, Deputy Chief Finance Officer and the Leadership Team to focus on the Council’s financial requirements. Roles within the Finance Team are currently under review as part of a broader restructure. This review aims to distribute workload more evenly across the team and ensure that high-risk areas are appropriately resourced, allowing sufficient capacity to concentrate on key priorities during critical periods.</p> <p>There is progress; however, implementing this recommendation is key if the Council is to continue to produce accounts on time and, moreover, have sufficient capacity to facilitate the annual audit and the additional audit work required to build back assurance and lift the disclaimer by 2028. During 2025 we continued to experience delays in obtaining information to support audit progress.</p> <p>Work remains in progress and as such the recommendation remains open.</p> |



Independence and ethics



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.

Non-audit service fees

| Service | 2024/25 Fee £ | Threats identified | Safeguards |
|--------------------------------------|------------------|-------------------------------|---|
| Housing Benefit (HBAP) certification | 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. |



Appendices



Appendices

| | |
|--|----|
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Recommendations



Appendix I: Recommendations

Recommendations 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 |
|------------|---|---|---|
| GREEN | East Hertfordshire District Council has in place an IT Acceptable Use Policy which communicates information and cyber security responsibilities to staff. There is no clear version control applied to this policy, with no review dates or frequencies applied. This is also the case for the Data Protection Policy, which sets out responsibilities of staff with direct relevance to data protection. There is a risk that, without a predefined review cycle, policies may not be reviewed regularly or in a timely manner. This may lead to outdated guidance or misalignment with evolving threats and risks, regulatory requirements, and organisational changes. This may lead to gaps in the organisation's security posture and staff awareness of key responsibilities in maintaining confidentiality, integrity and availability of information. | East Hertfordshire District Council should establish a predefined review for all cyber related policies, including the IT Acceptable Use Policy and Data Protection Policy, to ensure they are assessed and updated at appropriate intervals. This will help maintain alignment with emerging risks, regulatory changes, and best practice, ensuring staff responsibilities for information and cyber security remain clear and up to date. | We have implemented a SharePoint review schedule (9/2/25) to track the review/approval dates for policies and standards, as well as their following scheduled review dates. A screenshot has been uploaded to Cozone (EHDC and SBC - Observations Log - SharePoint review site). Version control Action Plan: Agree on a version control standard and apply it to all ICT-generated policies and standards. Timeline: Implement by 31/10/25. |



Appendix I: Recommendations

| Assessment | Issue | Recommendation | Management response |
|------------|---|---|---|
| GREEN | The council has documented key roles and their related responsibilities with direct relevance to data protection within the Data Protection Policy. There is no wider, formal documentation of the responsibilities assigned to those in key roles, and the Council does not have an Information Security Policy in place. Without formal, approved and easily accessible documentation in place which communicates the responsibilities of staff with specialist/dedicated information and cyber security roles, there is a risk that individuals will not be aware of good practice and the responsibilities expected of them. This may impact upon their ability to successfully fulfil these roles, and on the awareness of general staff with regard to who can provide support in particular areas. | East Hertfordshire District Council should ensure that key information and cyber security roles at all levels of the organisation are documented within policy alongside their associated responsibilities. The Council may wish to consider implementing an overarching Information Security Policy in which this can be done. | ICT and the Leadership Team will consider this recommendation and will determine the most appropriate approach to best meet these recommendations. Timeline: Implement by 31/12/25 |
| GREEN | We could not confirm if the job schedule within Advanced is restricted to appropriate personnel. Excessive privileges/administrator rights increases the likelihood that IT general controls can be changed, suppressed or circumvented thus reducing the consistency of the control operation (this access could be to data files, database tables, configuration, job schedules, batch routines and/or system generated reports. | We recommend conducting a review of users with access to the job schedules to confirm that this access is appropriate and required to perform their job role. | From a Finance perspective only Administrators can see the job schedule list. This is not changed. We have no access to the servers, that is an IT function. |

Key: **Significant** effect on financial statements **Limited** effect on financial statements **Low** improvement point / best practice



Appendix I: Recommendations

| Assessment | Issue | Recommendation | Management response |
|------------|---|--|---|
| GREEN | East Hertfordshire District Council has in place a CIRP and Phishing Incident Response Playbook which, jointly, set out the organisation's approach to cyber incident response. The Council has evidenced consideration of the detection of, management of and response to cyber security incidents. It is noted that the CIRP is undated, with no version control applied. There is a risk that if incident response planning is not kept up-to-date, plans and procedures may not reflect current threats, technologies, or organisational changes. This could lead to delays or inadequate response during an actual incident. | The Council should establish a regular review and approval process for incident response planning. This should occur on an annual basis or in response to any significant changes. Requirements for review should be documented within procedure to ensure accountability. | We have implemented a SharePoint review schedule (9/2/25) to track the review/approval dates for policies and standards, as well as their following scheduled review dates. A screenshot has been uploaded to Cozone (EHDC and SBC - Observations Log - SharePoint review site). Version control Action Plan: Agree on a version control standard and apply it to all ICT-generated policies and standards. Timeline: Implement by 31/10/25. |
| GREEN | The Access Control, Acceptable Use and Backups Policy lack a version control, and we are unable to determine when the policies were last updated. An out-of-date policy is likely to drive an inconsistent approach to the design, implementation and/or operating effectiveness of the processes and controls | We recommend implementing a version control to all policies to enable the last changed date and approvals to be recorded. Policies should be kept up-to-date and relevant to the organisational processes. | We have implemented a SharePoint review schedule (9/2/25) to track the review/approval dates for policies and standards, as well as their following scheduled review dates. A screenshot has been uploaded to Cozone (EHDC and SBC - Observations Log - SharePoint review site). Version control Action Plan: Agree on a version control standard and apply it to all ICT-generated policies and standards. Timeline: Implement by 31/10/25. |



Appendix I: Recommendations

| Assessment | Issue | Recommendation | Management response |
|---|---|---|-------------------------------------|
| <p style="text-align: center; color: white; font-weight: bold; font-size: 1.2em;">GREEN</p> | <p>East Hertfordshire District Council has not formally documented planning to improve cyber security arrangements and comply with necessary requirements. Mitigation treatment plans are documented against some risks on the Cyber Risk Register however, a number of these have not been completed for tracking. Without formal, up-to-date planning for cyber security actions, improvements and strategy, there is a risk that cyber security initiative lack coordination, prioritisation and accountability. This may result in reliance on reactive, rather than proactive, responses to continuing threats and evolving environments. This, in turn, may result in an increase in the likelihood of non-compliance with regulatory or legislative requirements and leave the organisation vulnerable to cyber incidents.</p> | <p>East Hertfordshire District Council should continue the work to set out the cyber improvement plan for the Council. This should link back to the Cyber Risk Register, setting out the treatment plans, and current mitigations are documented.</p> <p>The cyber security strategy or action plan should clearly outline strategic objectives, key initiatives, timelines, and responsible owners. It should also include mechanisms for regular review and update, to ensure the Council can respond effectively to evolving cyber threats and meet relevant compliance obligations.</p> | <p>This work has been completed</p> |

Key: **Significant** effect on financial statements **Limited** effect on financial statements **Low** improvement point / best practice



Appendix I: Recommendations

| Assessment | Issue | Recommendation | Management response |
|------------|--|---|---|
| GREEN | <p>East Hertfordshire District Council has not undertaken any testing of cyber incident response planning materials during the reporting period.</p> <p>If regular, holistic testing and exercising of plans is not undertaken, there is a risk that individuals with incident response roles will be underprepared to act effectively during an incident. There is also a risk that plans may become inappropriate in nature, failing to take into account changes made within the organisation</p> | <p>East Hertfordshire District Council should ensure that requirements for testing/exercising and subsequent lessons learned activities are set out within the CIRP.</p> <p>Incident response plans should be subject to regular testing to assess the effectiveness of response and recovery procedures, with tests encompassing formats such as desktop scenarios and simulations. Testing should be documented, with lessons learned activities performed and used to inform planning going forward.</p> | <p>A joint incident-response tabletop exercise between East Hertfordshire District Council and Stevenage Borough Council was carried out on Friday, 12 September 2025. The session went as planned, and the Senior Leadership Team successfully completed the four-day ransomware attack simulation.</p> |
| AMBER | <p>The Advanced password configuration deviates from the password policy for minimum length, password history, account lockout threshold and duration. The configuration deviates from best practice guidance for minimum length, complexity, password history, account lockout threshold and duration as well as multi-factor authentication. Weak password management controls result in an increased likelihood of brute-force attack (i.e. a password cracking method used by cyber-criminals used to determine account credentials)</p> | <p>We recommend that the minimum length should be increased to 12 characters.</p> <p>The password policy should be reviewed and updated to align with NCSC best practice guidance which is as follows;</p> <ul style="list-style-type: none"> - User ID and Password required (unless SSO is used) - Minimum length: 12 characters - Complexity: Disabled - Password History: 8-24 passwords - Lockout Threshold: 5-10 attempts - Logout Duration: 2-15 minutes - Multi-factor Authentication: Enabled | <p>The current version of Advanced is quite old and does not give us the ability to change the password configuration. We will be moving to either the cloud or a newer version of Advanced within the next 12 months which should give us more flexibility around password rules and authentication.</p> |



Appendix I: Recommendations

| Assessment | Issue | Recommendation | Management response |
|------------|--|---|--|
| AMBER | <p>The Council does not undertake user access reviews of Active Directory and Advanced accounts.</p> <p>A lack of periodic review of user access could result in inappropriate, excessive or unauthorised access being available to users/leavers.</p> | <p>We recommend conducting a review of all users with access to the finance system on at least an annual basis to ensure access is appropriate and necessary.</p> | <p>An Active Directory (AD) hygiene check is currently underway, initially focusing on securing privileged accounts before progressing to service and user accounts. Considerable progress has been made in identifying the 127 generic accounts originally flagged; however, the full review remains ongoing to avoid disrupting legacy services. We are now deploying Silverfort to improve our visibility and control over the environment. This tool enables us to perform more in-depth analysis of generic and service account behaviour in real-time, facilitating a more efficient and automated "clean-up" compared to manual sampling. Accounts confirmed as necessary have been assigned expiry dates, and credentials are secured within 1Password to maintain an audit trail.</p> <p>Revised Timeline: Implement by 31/03/26.</p> |

Key: **Significant** effect on financial statements **Limited** effect on financial statements **Low** improvement point / best practice



Appendix I: Recommendations

| Assessment | Issue | Recommendation | Management response |
|------------|---|---|---|
| AMBER | As part of our value for money work we issued key recommendations relating to finance team capacity. We note these recommendations here for completeness but do not duplicate them. | See Auditor's Annual Report key recommendations | See Auditor's Annual Report key recommendations |
| AMBER | Journals below £5,000 are automatically posted to the General Ledger without any independent review or authorisation. This presents a control weakness, as transactions under the threshold bypass validation of supporting documentation. Consequently, there is an increased risk that inappropriate, erroneous, or potentially fraudulent entries could be recorded in the financial system without detection. | Management should introduce an authorisation control for all journal entries regardless of value to ensure that no transactions bypass review. This will help reduce the risk of inappropriate, erroneous, or fraudulent entries being recorded in the financial system. | While management considers the £5K threshold appropriate, compensating controls will be implemented. These include monthly independent post-posting reviews of all journals below the £5K with evidence of review retained. |
| AMBER | The listings provided for both current assets and current liabilities were not suitable for audit sampling. The schedules did not include transaction-level detail and showed only in-year movements rather than the full year-end balances. As a result, we were unable to select items for testing or complete the required audit procedures over these balances within the remaining time before the statutory backstop. | To enable the audit of balances, listings for all balances should include full transaction-level detail, and current asset and liability listings should comprise the complete year-end balances for each item. Providing this level of detail will enable appropriate sample selection and support the timely completion of the required audit procedures. | Accepted that the previous listings were not appropriate, the process for producing the listings has been reviewed during 2025/26 and the listings will be provided in line with expectation for 2025/26 audit and onwards. |

Appendix I: Recommendations

| Assessment | Issue | Recommendation | Management response |
|---|---|--|--|
| <p style="text-align: center; color: white; font-weight: bold; font-size: 1.2em;">AMBER</p> | <p>We identified that system administrators responsible for setting up and maintaining user accounts also retain the ability to post journals within the financial system. This creates a segregation-of-duties conflict, as the same individuals can both grant access and process financial transactions. This combination of responsibilities increases the risk that unauthorised or inappropriate journal postings may not be prevented or detected. An individual with such access could create or modify user accounts and subsequently use those accounts to post journals without independent oversight, increasing the potential for fraud, error, or manipulation of financial data.</p> <p>Whilst our work has not identified any instances of super-user access being used inappropriately, the risk of this taking place remains.</p> | <p>We recommend that management review system access rights to ensure an appropriate segregation of duties between user administration and journal-posting functions. Journal posting permissions should be removed from administrators responsible for creating and maintaining user accounts, and administrative access should be clearly defined and restricted solely to system management activities.</p> | <p>Management acknowledges the segregation of duties conflict arising from system administrators also holding journal posting access. Due to the size of the finance team, full segregation is not currently achievable. To mitigate this risk, a compensating control is in place whereby the Associate Director of Finance performs a monthly independent review of all journals, including those below £5,000 and those posted by users with administrative access. Evidence of review is retained. In addition, journal authorisation is enforced at batch type, and individual users cannot authorise their own journals. As part of the finance restructure, roles and access rights will be reviewed to determine whether further segregation can be implemented.</p> |

Key: **Significant** effect on financial statements **Limited** effect on financial statements **Low** improvement point / best practice



Appendix I: Recommendations

| Assessment | Issue | Recommendation | Management response |
|------------|---|---|--|
| AMBER | <p>We identified 65 generic accounts, some with unknown usage, passwords or access. We sampled 5 generic accounts to understand their use and access. 3 of these accounts had unknown usage and unknown passwords and were found to be not appropriate.</p> <p>Access to systems relevant to financial reporting processes is not attributable to individual users, thus reducing the ability to monitor appropriate and/or inappropriate activities in the system.</p> | <p>We recommend conducting a review of all users in Active Directory to ensure their access to the network is necessary and appropriate. Non-attributable (generic) accounts should be limited and restricted. The passwords to generic accounts should be stored in a password manager and only accessible by appropriate members of the team.</p> | <p>An Active Directory (AD) hygiene check is currently underway, initially focusing on securing privileged accounts before progressing to service and user accounts. Considerable progress has been made in identifying the 127 generic accounts originally flagged; however, the full review remains ongoing to avoid disrupting legacy services. We are now deploying Silverfort to improve our visibility and control over the environment. This tool enables us to perform more in-depth analysis of generic and service account behaviour in real-time, facilitating a more efficient and automated "clean-up" compared to manual sampling. Accounts confirmed as necessary have been assigned expiry dates, and credentials are secured within 1Password to maintain an audit trail.</p> <p>Revised Timeline: Implement by 31/03/26.</p> |
| AMBER | <p>We identified 14 domain administrator accounts which are under review for appropriateness. Excessive privileges/administrator rights increases the likelihood that IT general controls can be changed, suppressed or circumvented thus reducing the consistency of the control operation (this access could be to data files, database tables, configuration, job schedules, batch routines and/or system generated reports.</p> | <p>We recommend conducting a review of all users including those with elevated privileges such as domain, enterprise and global administrators to ensure their access is appropriate and necessary to perform their job role.</p> | <p>The review of the two domain administrator accounts and overall elevated privileges is currently underway as part of the broader AD hygiene project. The introduction of Silverfort has specifically addressed the risk of "excessive privileges" by providing granular MFA and monitoring for administrative access that was previously difficult to track. All privileged accounts are being documented with clear job-role justifications. We are enforcing complex password rotations managed via 1Password.</p> <p>Revised Timeline: Implement by 31/03/26.</p> |



Appendix I: Recommendations

| Assessment | Issue | Recommendation | Management response |
|---|---|---|---|
| <p style="text-align: center; color: white; font-weight: bold;">AMBER</p> | <p>East Hertfordshire District Council does not have in place a documented approach to risk management which sets out how the organisation manages, identified, assesses, reports, escalates and treats risk. Without a documented risk management approach, there is a risk of ineffective or inconsistent risk management being applied. This could lead to threats, risks and vulnerabilities going unidentified or being mismanaged, and may result in a lack of alignment across the organisation.</p> | <p>East Hertfordshire District Council should introduce an overarching risk management approach, such as a framework, policy or strategy, which sets out how risks within the organisation should be managed in line with defined risk appetite. This approach should include areas such as risk identification and assessment, risk reporting and escalation, and risk treatment.</p> <p>Once implemented, the Council should ensure that their approach is kept up-to-date and reviewed on a regular basis (e.g., annually) and in response to any significant organisational changes. The approach should be approved by an individual at a suitable level of management with responsibility and/or accountability for oversight of risk management.</p> | <p>From a Finance perspective only, Administrators can see the job schedule list. This is not changed. We have no access to the servers, that is an IT function</p> |

Key: **Significant** effect on financial statements **Limited** effect on financial statements **Low** improvement point / best practice



Appendix I: Internal control recommendations

Follow up of prior year recommendations

| Assessment 2023/24 | Issue | Recommendation | Auditor update 2024/25 | Outcome |
|--------------------|---|--|---|---|
| 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 | Action completed. Recommendation closed |
| 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 15 July 2025, the council appointed the Cyber Manager and an ICT Senior Cyber Technical Engineer who will oversee the results of scans and implement mitigation controls based on the action plan derived from these scans. | Action completed. Recommendation closed |



Appendix I: Internal control recommendations

Follow up of prior year recommendations

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| Assessment 2023/24 | Issue | Recommendation | Auditor update 2024/25 | Outcome |
|--------------------|---|---|--|---|
| 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, the council appointed a Cyber Manager and an ICT Senior Cyber Technical Engineer. They have assessed their third-party cloud providers against the NCSC's 14 Cloud Security Principles. Additionally, exploring the implementation of Risk Ledger to manage and enhance these processes | Action completed. Recommendation closed |
| 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). | Work is underway | Action in progress. Recommendation remains open |



Appendix I: Internal control recommendations

Follow up of prior year recommendations

| Assessment 2023/24 | Issue | Recommendation | Auditor update 2024/25 | Outcome |
|--------------------|---|--|--|--|
| 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> | <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.</p> | <p>This has been addressed with no further issues note.</p> | <p>Action completed. Recommendation closed</p> |
| AMBER | <p>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.</p> | <p>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.</p> | <p>This has been addressed; the council created an Information Asset Register along with an Information Management policy.</p> | <p>Action completed. Recommendation closed</p> |

Appendix I: Internal control recommendations

Follow up of prior year recommendations

Page 100

| Assessment 2023/24 | Issue | Recommendation | Auditor update 2024/25 | Outcome |
|--------------------|--|--|---|--|
| 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. | The council appointed a Cyber Manager and ICT Senior Cyber Technical Engineer who have addressed this issue | Action completed. Recommendation closed |
| 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. | Action completed. Recommendation closed |
| 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 | Action completed. Recommendation closed |



Appendix I: Internal control recommendations

Follow up of prior year recommendations

| Assessment 2023/24 | Issue | Recommendation | Auditor update 2024/25 | Outcome |
|--------------------|---|--|--|--|
| 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 has been addressed and is reviewed on an annual basis.</p> | <p>Action completed. Recommendation closed</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>This has been addressed and is reviewed on an annual basis.</p> | <p>Action completed. Recommendation closed</p> |



Appendix I: Internal control recommendations

Follow up of prior year recommendations

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| Assessment 2023/24 | Issue | Recommendation | Auditor update 2024/25 | Outcome |
|--------------------|---|---|---|--|
| 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>This has not yet been addressed. Management has noted that our current version of Advanced is outdated and does not provide the capability to modify password configuration settings. Hence the council plans to migrate to either to the cloud or to a newer version of Advanced within the next 12 months, which should offer greater flexibility with password rules and authentication options</p> | <p>Action in progress. Recommendation remains open</p> |



Fees



Appendix II: Fees

Our fees for the year ending 31 March 2025 are set out in the PSAA scale fees communication and are shown below and on the next page

| Audit fees | Proposed fee £ | Final fee £ |
|--|-------------------|------------------------------|
| <i>Scale fee – base fee for the audit of the Council (and Group’s) financial statements (as set out in the scale fees issued by PSAA)</i> | | |
| Core work: Undertaking work on balances that have not been subject to audit for several years necessarily means the audit on the current year balances takes longer than would ordinarily be the case. Additional time from within the scale fee was therefore focused on this in line with our build back plan. Our scale fee work in 2024/25 was focused on recovery of delays from the prior year to bring all of our planning and risk assessment procedures up to date, the work in response to the statutory recommendations raised in April 2025 as part of our wider value for money work, and conducting procedures over year end balance sheet positions, journals, fraud testing and in-year reserves movements and analysis. Our findings from this work, including challenges encountered, are set out throughout this report. This fee also includes all work relating to value for money and IT general controls. Our Auditor’s Annual Report was issued in November 2025, contained 15 recommendations and covered a wide breadth of risk areas. Our ITGC work is reported in this document and comprises 24 recommendations including follow up from the prior year. | 180,854 | 180,854 |
| In year quality and preparation issues: Management has been engaged and supportive. The matters reported in this report are not a reflection of a lack of engagement from management nor a reflection of poor quality in management’s processes or preparation. Rather they are unavoidable implications arising from a position wherein the Council’s accounts have not been audited for several years. | 0 | 0 |
| <i>Other fees</i> | | |
| IFRS16 Leases: work needed to audit the new standard. PSAA have confirmed this work is not included in the above scale fee. This work will take place in 2025/26 | TBC | 0 |
| VFM additional risks: Our value for money work included detailed consideration across a wide breadth of risks and resulted in 15 recommendations. The costs of this work has been absorbed within the above scale fee | TBC | Included in scale fee, above |
| Sub total | TBC | 180,854 |



Appendix II: Fees

Our fees for the year ending 31 March 2025 are set out in the PSAA scale fees communication and are shown below and on the next page

| Audit fees | Proposed fee £ | Final fee £ |
|--|-------------------|----------------|
| <i>Disclaimer reporting fees</i> | | |
| Disclaimer fees: in year disclaimer planning and reporting. Additional work required to issue the disclaimer of opinion. This includes the extended reporting contained in this report and the audit plan, additional review and consultation requirements and additional file documentation requirements. | TBC | 19,600 |
| <i>Build back fees</i> | | |
| LARRIG06 qualitative risk assessment: This includes all work to do on the LARRIG06 comprehensive build-back risk assessment, the identification of historic risk factors and the full consideration of the Council's complexity and control environment for all audit years back to 2021/21. This work will take place in full in 2025/26 | TBC | 0 |
| LARRIG06 quantitative risk assessment: Includes all work to date on MIRS movements, analysis and assessment over the disclaimed years, the identification of historic anomalies and an assessment of the position over the full disclaimed period. | TBC | 17,501 |
| PPE build back work to date to the last clean opinion over 3 disclaimed years: This includes all work over additions, disposals, reclassifications, other PPE movements and depreciation to date for each audit year back to 2020/21. This work will take place in 2025/26 | TBC | 0 |
| Work on prior year disclaimed years: This work includes work in disclaimed years including journals, trial balance agreement, control environment assessment and review of predecessor audit files. A small amount of work was undertaken this year and this has been included above in the quantitative and qualitative risk assessment fees above. Further work will be required as part of build back but, in line with our overarching build back plan, was not scheduled to take place in 2024/25. | 0 | 0 |
| Work on prior year disclaimed income and expenditure: This work will be required as part of build back but, in line with our overarching build back plan, was not scheduled to take place in 2024/25 | 0 | 0 |
| Sub total | TBC | 37,101 |



Appendix II: Fees

Our fees for the year ending 31 March 2025 are set out in the PSAA scale fees communication and are shown below and on the next page

| Audit fees | Proposed fee £ | Final fee £ |
|--|-------------------|----------------|
| <i>Build back fees</i> | | |
| <p>Quality and preparation issues: Management has been engaged and supportive. The matters reported in this report are not a reflection of a lack of engagement from management nor a reflection of poor quality in management’s processes or preparation. Rather they are unavoidable implications arising from a position wherein the Council’s accounts have not been audited for several years. This includes the additional time where disclaimed year working papers were prepared by members of finance who are no longer with the Council. These are factors beyond the Council’s control and are unavoidable costs of build-back. No avoidable costs have been identified.</p> | TBC | 0 |
| <p>VFM planning, undertaking and reporting: additional issues and risks arising from a prolonged period of disclaimed opinions have been included in the current scale fee.</p> | TBC | 0 |
| <p>Sub total</p> | TBC | 0 |
| <p>Sub-total carried forward from previous pages</p> | TBC | 217,955 |
| <p>Total audit fees</p> | TBC | 217,955 |



Appendix II: Fees

Analysis of build back fees

| Component | Description | Fee for build back work | Fee for build back quality and preparation | Total fee for build back work |
|-----------------|---|-------------------------|--|-------------------------------|
| Opinion | Fee for work on opinion planning, undertaking and reporting | 37,101 | 0 | 37,101 |
| Value for money | Fee for work on VFM planning, undertaking and reporting | Included above | 0 | Included above |
| Total | | 37,101 | 0 | 37,101 |

Total fees

| Non audit fees for other services | Proposed fee £ | Final fee £ |
|---|-------------------|----------------|
| Housing Benefit (HBAP) certification (work currently ongoing) | 28,000 | TBC |
| Total non audit fees | 28,000 | TBC |
| Fees brought forward for the core audit and build back, plus disclaimer reporting costs (see previous page) | 217,955 | TBC |
| Total fees charged | 299,955 | TBC |

The audit fees charged do not reconcile to the fees disclosed in the financial statements because the financial statements fee is not consistent with the scale fee set by PSAA.

As per PSAA's Scale Fees Consultation, the scale fees did not include the new requirements of IFRS16 Leases. Additional Fees charged are subject to the fees variation process as outlined by the PSAA. MHCLG has announced additional funding for councils to meet the cost of work undertaken to issue disclaimed opinions and recover (build back) assurance over prior disclaimed periods with a view to returning to unmodified opinions at a future date.



DRAFT STATEMENT OF ACCOUNTS 2024-25



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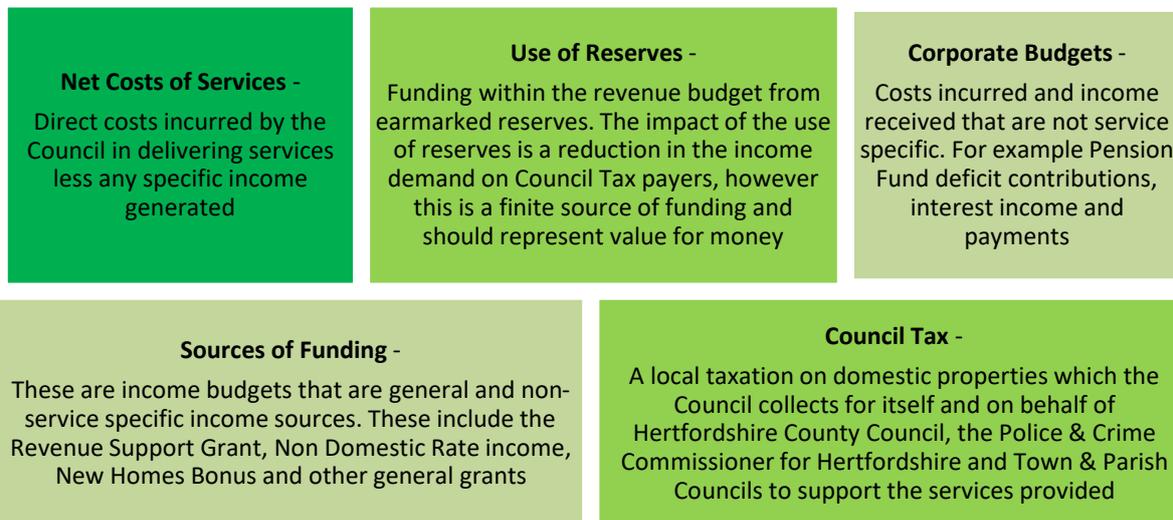
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The Annual Governance Statement 2024/25 is published alongside the draft Statement of Accounts at www.eastherts.gov.uk

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:



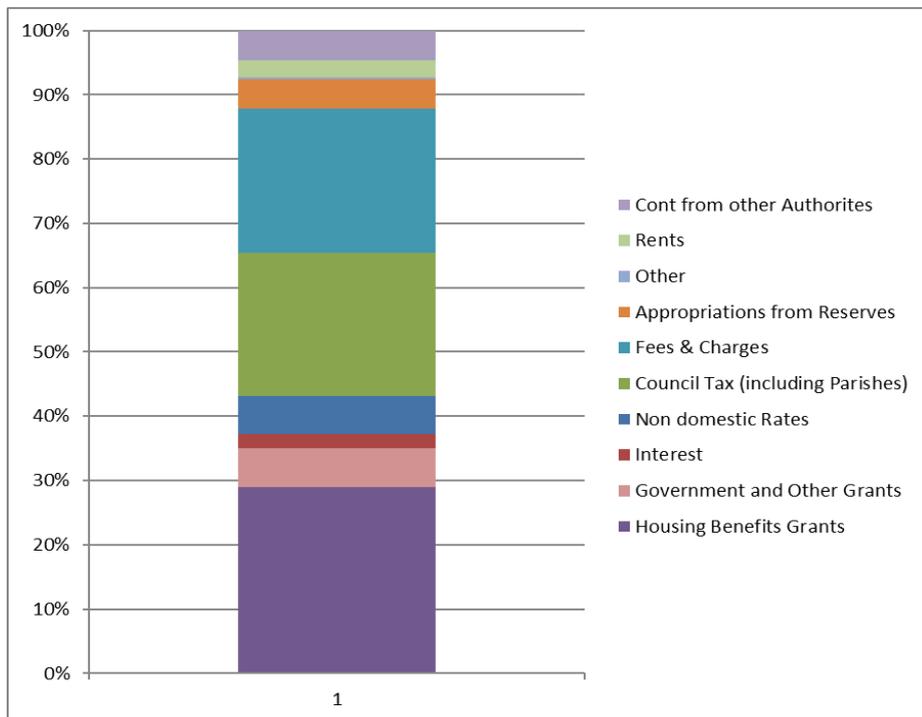
The table below details the Council's performance against the five major 'building blocks'. There was a £132K overspend in 2024/25, this has been funded from the General Reserve.

| | 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

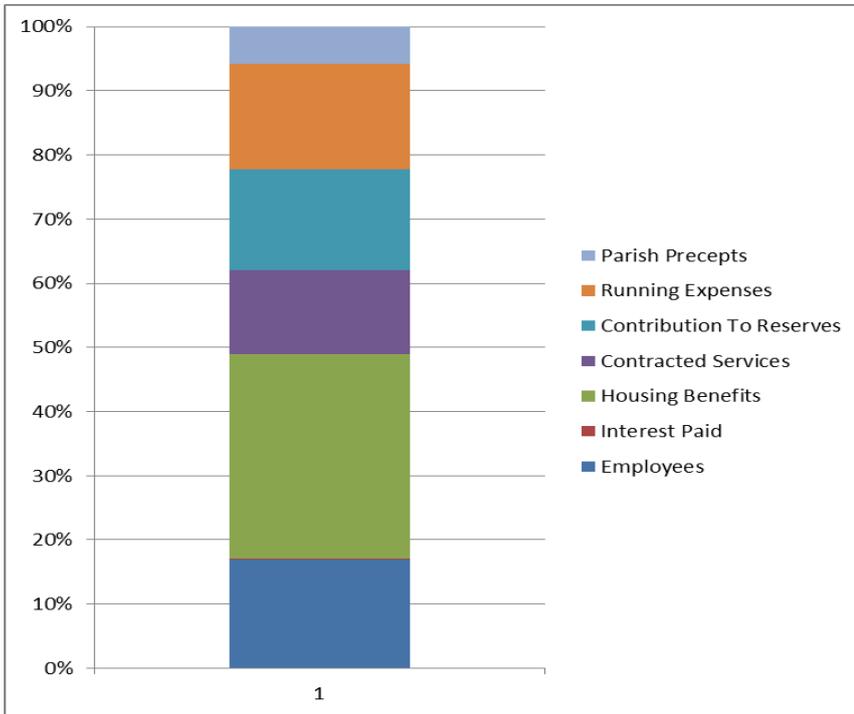
East Herts Council is the billing authority for Non Domestic Rates (Business Rates) collected from businesses across the district. This is then distributed to Central Government, East Herts Council and Hertfordshire County Council. After distribution the income attributable to East Herts including section 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

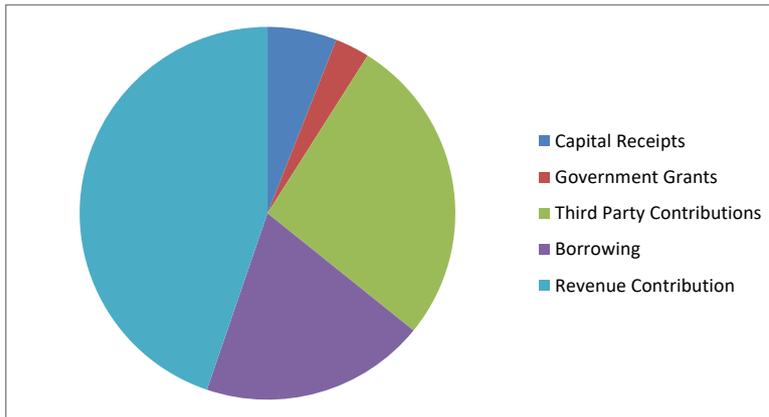
Capital

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 £7.064m 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 - Restated *1 | Capital Grants Unapplied | Total Usable Reserves | Total Unusable Reserves - Restated *2 | Total Reserves - Restated *3 |
|--|----------------------|---|--------------------------|-----------------------|---------------------------------------|------------------------------|
| | £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 |

*1 - The presentation changed from 2023/24 Statement of Accounts, the General Reserve column has been combined with the Earmarked General Fund Reserves to show all earmarked reserves in one place.

*2&3 - Prior year adjustment to reflect repayment of loan to Herefordshire LEP

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 | * Restated £000 |
| Property, Plant & Equipment | Note 7 | | | |
| - 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 | Note 10 | 4,292 | | 7,853 |
| Intangible Assets | Note 11 | 259 | 4,551 | 199 |
| | | | 131,326 | 143,769 |
| Long Term Investments | Note 12 | 11,524 | | 17,838 |
| Long Term Debtors | Note 15 | 3,530 | 15,054 | 5,188 |
| TOTAL LONG TERM ASSETS | | | 146,380 | 166,795 |
| Assets Held For Sale | Note 17 | 12,294 | | 4,441 |
| Short Term Investments | Note 12 | 2,942 | | 6,500 |
| Short Term Debtors | Note 15 | 16,575 | | 12,433 |
| Cash and Cash Equivalents | Note 16 | 21,294 | | 4,156 |
| CURRENT ASSETS | | | 53,105 | 27,530 |
| Provisions | Note 19 | (2,106) | | (249) |
| Short Term Creditors | Note 18 | (17,592) | | (18,200) |
| Short Term Borrowing | Note 12 | (63,000) | | (52,120) |
| Net Pension Asset | Note 33 | - | | 5,266 |
| CURRENT LIABILITIES | | | (82,698) | (65,303) |
| Provisions | Note 19 | (995) | | (997) |
| Long Term Borrowing | Note 12 | (1,500) | | (1,500) |
| Net Pension Liability | Note 33 | (9,111) | | - |
| Grant Receipts in Advance | Note 29 | (3,868) | | (2,066) |
| - Capital | | | | |
| - Revenue | | (6,193) | | (5,923) |
| LONG TERM LIABILITIES | | | (21,667) | (10,486) |
| NET ASSETS | | | 95,120 | 118,536 |
| USABLE RESERVES | | | | |
| - General Fund | Note 20 | 3,854 | | 3,854 |
| - Earmarked Reserves | Note 6 | 17,297 | | 22,015 |
| - Capital Receipts Reserve | Note 20 | 0 | | 0 |
| - Capital grants Unapplied | Note 20 | 189 | | 189 |
| | | | 21,340 | 26,058 |
| UNUSABLE RESERVES | | | | |
| - Revaluation Reserve | Note 21 | 32,128 | | 31,032 |
| - Financial Instrument Revaluation Reserve | Note 21 | (132) | | (2,160) |
| - Pensions Reserve | Note 21 | (9,111) | | 5,250 |
| - Capital Adjustment Account | Note 21 | 51,445 | | 57,999 |
| - Deferred Capital Receipts | Note 21 | 139 | | 142 |
| - Collection Fund Adjustment Account | Note 21 | (482) | | 491 |
| - Short-term Accumulating Compensated Absences Account | Note 21 | (207) | | (276) |
| | | | 73,780 | 92,478 |
| TOTAL RESERVES | | | 95,120 | 118,536 |

* Prior year adjustment - balance sheet restated to reflect repayment loan to Hertfordshire LEP

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 | (29,228) | | (18,365) |
| Interest received | (1,826) | | (1,774) |
| Cash inflows generated from operating activities | (96,059) | | (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 | | 40,117 |
| Precepts paid to other authorities | 6,045 | | 5,351 |
| Interest paid | 2,986 | | 1,306 |
| Cash outflows generated from operating activities | 77,576 | | 85,233 |
| Net Cash Inflow from operating activities | | (18,483) | 2,384 |
| 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 | (12,096) |
| Net increase in cash and cash equivalents | | (17,148) | 4,799 |
| Cash and cash equivalents at the beginning of the reporting period | | (4,146) | (8,944) |
| Cash and cash equivalents at the end of the reporting period | | (21,294) | (4,146) |

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% | Movement | 5% | |
|-------------------------------------|----------------|----------------|----------------|----------------|------------------|
| | £000 | Value £000 | £000 | Value £000 | Movement £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% | Movement | 5% | |
|-------------------------------------|---------------|---------------|----------------|---------------|------------------|
| | £000 | Value £000 | £000 | Value £000 | Movement £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:

| | | | | |
|---|---------|---|---|----------|
| 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 | - | - | - | - |

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 | (3,000) | - | - | 3,000 |

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 | (372) | 372 | - | - |
| Use of Capital Receipts Reserve to finance new capital expenditure | - | (372) | - | 372 |

Adjustments involving the Deferred Capital Receipts Reserve:

| | | | | |
|---|---|---|---|-----|
| Statutory adjustment relating to capital element of principal payment for finance lease | 2 | - | - | (2) |
|---|---|---|---|-----|

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) | 1,870 | - | - | (1,870) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (2,982) | - | - | 2,982 |

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 | 973 | - | - | (973) |
|--|-----|---|---|-------|

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 | (70) | - | - | 70 |
|---|------|---|---|----|

| | | | | |
|--------------------------|--------------|----------|----------|----------------|
| Total Adjustments | 7,653 | 0 | 0 | (7,653) |
|--------------------------|--------------|----------|----------|----------------|

| | Usable Reserves | | | |
|---|-------------------------|--------------------------------|-----------------------------|-------------------------------------|
| | General Fund balance | Capital Receipts Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
| | £000 | £000 | £000 | £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 |
| 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 | (1,615) | 1,615 | | - |
| Use of Capital Receipts Reserve to finance new capital expenditure | | (1,615) | | 1,615 |

Adjustments involving the Deferred Capital Receipts Reserve:

| | | | | |
|---|---|--|--|-----|
| Statutory adjustment relating to capital element of principal payment for finance lease | 2 | | | (2) |
|---|---|--|--|-----|

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) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (2,793) | | | 2,793 |

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) |
|--|-------|--|--|---------|

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) |
|---|----|--|--|------|

| | | | | |
|--------------------------|---------------|----------|-------------|-----------------|
| 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 | Transfers Out/(In) | Balance 31 March 2024 - Restated | Transfers Out | Transfers In | Balance 31 March |
|---|--------------------|-----------------------|---|------------------|-----------------|---------------------|
| | 2023 | 2023/24 | * | 2024/25 | 2024/25 | 2025 |
| | £000 | £000 | £000 | £000 | £000 | £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 IER | (64) | (111) | (175) | - | - | (175) |
| | (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. 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. |
| Sinking Fund – Leisure Utilities and Pension | 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 | 2024/25 Other Intangible | Total | Software | 2023/24 Other Intangible | Total |
|---|------------|--------------------------------|------------|------------|--------------------------------|------------|
| | £000 | £000 | £000 | £000 | £000 | £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 | (1,500) | (1,485) | (63,000) | (48,500) |
| At amortised cost - accrued interest | - | (15) | - | - |
| Creditors | - | - | (17,592) | (18,200) |
| Non Financial instruments Liabilities | - | - | 4,443 | 5,052 |
| Total Financial liabilities | (1,500) | (1,500) | (76,149) | (61,648) |

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 | 31 March '24 |
|---|---------------|---------------|
| | £000 | £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 | 31 March '24 |
|---|--------------|--------------|
| | £000 | £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 | 31 March '24 |
|--|---------------|--------------|
| | £000 | £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 |
| 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 | IT Services | Revenues & Benefits Service | Waste and Street Cleansing Service | IT Services | Revenues & Benefits Service |
| | £000 | £000 | £000 | £000 | £000 | £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 (£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 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 | 181 | 165 |
| Fees payable to Azets for the certification of grant claims and returns | 28 | 28 |
| Prior Year additional fees | - | 0 |
| | 209 | 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 - Restated* £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) |

* 2023/24 figures restated to include capitalisation of interest and Minimum Revenue Provision

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 2025), 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 next full valuation is being undertaken in 2025.

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 instuments 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 | | Note 1 | (703) | (763) |
| Direct expenditure incurred on investment properties | | Note 1 | 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 | 10,058 | 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.

Curtailement

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

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 2025, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, Collection Fund Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves 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 2024/25.

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

The Accounts and Audit (Amendment) Regulations 2024 (the "Amendment Regulations") require the Council to publish its financial statements and our opinion thereon for the year ended 31 March 2025 by 27 February 2026 (the "Backstop Date"). This date has been put in law with the purpose of clearing the backlog of historical financial statements in English local government.

We have been unable to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Council's and group's financial statements for the year ended 31 March 2025 as a whole are free from material misstatement. In addition, we have been unable to obtain sufficient appropriate evidence over the disclosed comparative figures for the year ended 31 March 2024 by the backstop date as a result of disclaimed opinions in previous financial years. Therefore, we were unable to determine whether any adjustments were necessary to the opening balances as at 1 April 2024 or whether there were any consequential effects on the Council's and group's income and expenditure for the year ended 31 March 2025. Any adjustments from the above matters would have a consequential effect on the Council's and group's net assets and the split between usable reserves and unusable reserves as at 31 March 2025 and 31 March 2024 and on the Council and group income and expenditure and cash flows for the years then ended.

We have concluded that the possible effects on the financial statements of undetected misstatements arising from these matters could be both material and pervasive. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Council to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2025 by 27 February 2026.

Opinion on other matters required by the Code of Audit Practice

The Council are responsible for the other information. The other information comprises the information included in the Annual Governance Statement and the Statement of Accounts 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.

We have nothing to report in respect of the above matter.

Responsibilities of the Council and the Director of Finance, Risk and Performance

As explained in the Statement of responsibilities set out on page 84, 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 Director Finance, Risk and Performance. The Director of Finance, Risk and Performance 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 2024/25, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance, Risk and Performance 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 Director of Finance, Risk and Performance 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 Director of Finance, Risk and Performance is required to comply with the requirements set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25.

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 2025.

In this context, there are significant weaknesses in the Council's arrangements for the preparation and publication of financial statements. Specifically, 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. Although the Council has started responding to the statutory recommendations made in April 2025 by the previous auditor in respect of the significant weaknesses, there has, to date, been insufficient time for these to have been developed, actioned, and implemented in full.

Accordingly, we have recommended 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. In turn, the findings should be used to redefine roles and responsibilities within the finance team, ensuring an equitable distribution of workload and preventing any single individual from being overburdened. Furthermore, the Council should implement a thorough review of the quality assurance process for draft accounts and underlying workpapers. In addition, clear timelines should be established for the closedown process, ensuring appropriate segregation of duties between those preparing and those reviewing the draft accounts and workpapers. As part of this, adherence to this process should be monitored, and performance reported to the Audit and Governance Committee.

Lastly, 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. In parallel, 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.

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.

Delayed certificate

We cannot formally conclude the audit and issue an audit certificate for East Hertfordshire District Council for the year ended 31 March 2025 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice (the "Code") until we have completed all our responsibilities mandated by the Code.

- Our Whole of Government Accounts work for the year ended 31 March 2025, as mandated under the National Audit Office's group instructions, is currently outstanding and confirmation has not yet been received from the National Audit Office that the Whole of Government Accounts audit for 2024-25 has been certified by the Comptroller and Auditor General.

We are satisfied that this work does not have a material effect on the financial statements, or on our conclusion on the Council's arrangements for securing economy, efficiency, and effectiveness in its use of resources for the year ended 31 March 2025.

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.

Name, Key Audit Partner

for and on behalf of Azets Audit Services, Local Auditor
London

Date



-  EastHertsDC
-  EastHerts
-  easthertscouncil
-  eastherts.gov.uk

Azets Audit Services
Regis House
45 King William Street
London
EC4R 9AN

25 February 2026

Dear Sirs/Madam

**East Hertfordshire District Council
Financial Statements for the year ended 31 March 2025**

This representation letter is provided in connection with the audit of the financial statements of East Hertfordshire District Council (the "Council") for the year ended 31 March 2025.

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 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 2024/25 (the 2024/25 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 of material misstatements and misclassifications including omissions.
- iv. 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 2024/25 Code A summary of the main disclosure changes is at appendix 1.

v. 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.

vi. 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.

vii. 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.

viii. 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 2025 reflected in the financial statements.

ix. 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 nonrecurring items requiring separate disclosure.

x. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of applicable law and accounting standards.

xi. All events subsequent to the date of the financial statements and which require adjustment or disclosure have been adjusted or disclosed.

xii. 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.

xiii. 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

xiv. 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.

xv. 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 2024/25 of 27 February 2026. The National Audit Office Code of Practice 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. It has not been possible to provide you with the all the required information for you to complete your audit for the year ending 31 March 2025 by the statutory backstop date.

This includes providing you with:

- a. access to all information of which I am aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
- b. all additional information that you might have requested for the purpose of your audit; and
- c. access to all persons within the Council from whom you determined it necessary to obtain audit evidence.

xvi. I have communicated to you all deficiencies in internal control of which management is aware.

xvii. 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.

xviii. 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.

xix. 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.

xx. I have disclosed to you all known instances of non-compliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

xxi. 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.

xxii. I have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

xxiii. All transactions undertaken by the Council have been recorded in the accounting records and are properly reflected in the financial statements.

Narrative Report

xxiv. 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.

Annual Governance Statement

xxv. I am satisfied that the Annual 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: Director of Finance, Risk and Performance

Date.....



East Herts Council

Audit & Governance Committee

February 2026

Anti-Fraud Progress Report 2025/2026

Purpose

1. This 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 Plan for 2025/26.
2. A final report covering all anti-fraud work in 2025/26 will be provided to this Committee in the summer of 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 review to ensure compliance with current best practice and the impact of any changes required by legislation. These policies are undergoing review by SAFS and Council officers at present with new versions planned for publication by the summer of 2026.
5. SAFS provides 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 December 2025 SAFS issued 4 Fraud Alerts including a reminder about fake documents, email spoofing, false ID and guidance on the 'Failure to Prevent Fraud' offence. SAFS also provide regular Fraud Threat Reports that summarise new and emerging risks and provide officers with guidance to assist with prevention and reporting. SAFS has issued 25 such reports this year including areas such as multiple employment, housing applications, blue badge misuse, mandate fraud, purchase cards, discretionary payments, grants and council tax liability.
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. Nine training sessions have been delivered to the end of December, including one for member of this Committee, with one further session planned for Q4.

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 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* took effect from September this year. SAFS published a briefing paper for senior leadership teams across all SAFS Partners to advise on the impact of this legislation and ensure appropriate action plans are in place. We met with senior management at the Council to discuss the Councils compliance with the Act and the new risks this creates in December 2025, a gap analysis and action plan has been implemented along with the Councils anti-fraud policy review.

Reactive Work

10. Between April and December this year, 95 allegations of fraud had been received affecting service areas such as housing, council tax, and Blue Badge misuse (35 referrals were made by Council officers). At the mid-year, and prior to a large part of the internal training plan being delivered, we had received 50 referrals in total and this reflects the impact of training and awareness for Council staff.
11. SAFS currently have 27 cases under investigation, or at referral stage (14), with estimated losses of **£154K** reported in this caseload. Of 10 investigations closed so far 7 identified fraud with **£56k** in fraud loss identified for recovery, with a further **£34k** loss prevented. Several cases are under investigation from previous years, and these have reported fraud loss/savings combined of **£122k**. SAFS have also conducted compliance reviews of 16 low value cases, identifying **£40k** of additional revenue in council tax.
12. Our work with the Department for Work and Pensions to investigate fraud linked to awards of national benefits such as Universal Credit has identified **£47k** in loss that the DWP are recovering. This work has also resulted in two cases where the DWP and Crown Prosecution Service are considering criminal prosecution which will include charges for fraud committed against the Council for offences related to Council Tax and/or Housing Benefit.
13. SAFS continues to work closely across the Councils 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.

14. SAFS also works with housing providers across the district and one property, that was being illegally sub-let, has been secured and been made available to family from the Councils housing register.

Proactive Work

15. 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 **£56k** reported so far.
16. 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 had suspended activity on the FH until Q3 to focus on clearing the matches from the main NFI exercise, but 185 matches have been identified for review that are still outstanding.
17. SAFS manages the Hertfordshire County 'Council Tax Review' Framework for all borough/district councils across the County enabling each to identify fraud and error in applications for council tax discounts/exemptions. The Councils Shared Revenue and Benefit Service made use of the framework in 2025/26 identifying **£519,785** in additional council tax liability, with 1,064 (approx. 5%) discounts being removed as part of this exercise.
18. The Shared Revenue and Benefit Service, hosted by the Council, also makes use of the AnalyseLocal contract that identifies fraud and error in its Business Rates (NDR) data. This project has identified 24 matters for review by Council officers, and this work is still ongoing at present.
19. SAFS KPIs were agreed in the Anti-Fraud Plan and progress is reported below.

Key

| Met/ Complete | | On Target | Part Met | Not Met |
|---------------|---|--|----------|--|
| KPI | Measure | Objectives | | Performance to December 2025 |
| 1 | Return on investment from SAFS Partnership. | Demonstrate that the Council is receiving a financial return on investment from membership of SAFS and that this equates to its financial contribution. A. Regular meetings to take place with the Councils Head of Strategic Finance and Property at least quarterly or as required by Council officers. B. Head of Strategic Finance and Property will be the SAFS Board representative for the Council and attend its quarterly meetings. | | A. Meetings have been planned with the Head of Strategic Finance and Property B. Head of Strategic Finance and Property is a member of the SAFS Board and is invited to its quarterly meetings. SAFS meet with other service leads across the Council as and when required with a focus on the highest risk areas. |

| | | | |
|---|--|---|---|
| 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 Audit and Governance Committee. (Annual Report, Updates, 25/26 AF Plan)</p> | <p>A. To the end of December 2025 SAFS had provided 204 days (68%) of those planned for the year. We are monitoring performance against this KPI in Q4.</p> <p>B. SAFS reports agreed for September/ November / February Committees as part of the Fwd Plan.</p> |
| 3 | Action on reported fraud. | A. All cases to be reviewed within 2 Days of receipt, on Average. | A. In Q1-Q3 referrals were triaged within 0.6 days on average. |
| 4 | Allegations of fraud received. & Success rates for cases investigated. | <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, including loss/recovery/ savings of each will be reported to officers.</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> <p>Reports on referrals and investigations including status/source/value/outcomes are available.</p> |
| 5 | Making better use of data to prevent/identify fraud. | <p>A. Ensure output from NFI 2024/25 is resolved as required by legislation.</p> <p>B. Ensure membership of the Herts FraudHub in 2025/26 and that the ROI from this is reported to Council officers.</p> | <p>A. The NFI reports/matches have been reviewed with SAFS support, and this project is now closed.</p> <p>B. The Council has a contract in place for the FHUB and data is being uploaded and output commenced in Q3.</p> |
| 6 | Added value of SAFS membership. | <p>A. Membership of NAFN & PNLD for 2025/26</p> <p>B. 5 fraud awareness/prevention sessions for staff/Members in year. (To be agreed with Service leads and HR)</p> | <p>A. The Council is a member of both NAFN and PNLD via SAFS licences. Council officers have access and SAFS provide training/awareness.</p> <p>B. We have delivered 9 training sessions by the end of Q3.</p> |

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)*

Agenda Item 7



East Herts Council

Audit & Governance Committee

Anti-Fraud Plan 2026/27

Purpose

- 1 This report provides members with an introduction to the Councils Anti-Fraud Plan for the next 12 months

Recommendations

- 2 **The Committee is RECOMMENDED to:**
 - I. **Review and approve the Anti-Fraud Plan 2026/27.**

Background

- 3 The Cabinet Office, Ministry for Housing Communities and Local Government (MHCLG), National Audit Office (NAO), Chartered Institute for Public Finance and Accountancy (CIPFA) have issued advice, and best practice, to support local councils in the fight to reduce the risk of fraud and prevent loss to the public purse. This advice includes the need for vigilance in recognising fraud risks and the investment of sufficient resources in counter fraud activities.

Fighting Fraud and Corruption Locally a Strategy for the 2020's. The strategy focuses on the governance and 'ownership' of anti-fraud and corruption arrangements. The Strategy also identifies areas of best practice and includes a 'Checklist' to compare against actions taken by the Council to deter/prevent/investigate fraud. The checklist is maintained and reviewed by SAFS and officers.

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".

CIFAS Annual Fraudscape Report 2025- Fraud is as prevalent as ever. It accounts for almost 40% of all crime reported in England and Wales and is estimated to cost the UK economy £219 billion each year, money that is stolen and used to fund other forms of crime. Losses to the public sector are estimated to be as much as £81 billion. This is money that could otherwise be used to fund our public services.

Cross Government Counter Fraud Functional Strategy 2024-2027 states that "Prevention is the most effective way to address fraud and corruption - preventing fraud through effective counter fraud practices reduces loss and reputational damage".

4. It is essential that the Council has in place a robust framework to prevent and deter fraud, including effective strategies and policies, as well as plans to deal with the investigation and prosecution of identified fraud.
5. Members of this committee have received reports about how SAFS works closely with the Councils Internal Audit Service dealing with all aspects of fraud from prevention and deterrence to investigation and prosecution, working with services and Council officers at all levels.

Report

Anti-Fraud Plan 2026/27

6. The reports and papers mentioned at section 3 above and guidance from the NAO, CIPFA, MHCLG and the Local Government Association (LGA) recommend that local authorities have effective and robust counter fraud and corruption arrangements in place. These arrangements require the acknowledgement of fraud as a tangible risk, policies, and procedures to deter and prevent fraud occurring and the provision of sufficient resources to investigate and recover losses caused by fraud. Above all local authorities should have a plan to protect themselves and the public funds they administer against fraud.
7. Council officers and SAFS management develop and agree an **Anti-Fraud Plan** each year and the proposed plan for 2026/27 is presented at **Appendix A**

The Plan and Fighting Fraud and Corruption Locally

8. The Anti-Fraud Plan has been developed over several years to meet the recommendations of the [Fighting Fraud Corruption Locally Strategy 2020s | Cifas](#) (FFCL) adopting the 'pillars' of Protect, Govern, Acknowledge, Prevent and Pursue.
9. The Plan identifies officers/members who will have a role in delivering it, and SAFS will work with all concerned to ensure they understand their role both in delivering the Plan and supporting the FFCL strategy.
10. Members will note that this Committee has a role in ensuring key elements in the Plan are implemented and in continual monitoring the Councils anti-fraud work.

Counter Fraud 2026/27

11. The proposed Anti-Fraud Plan can be found at **Appendix A**.
12. The Plan includes reference to the SAFS KPIs and Standards of Service. All SAFS staff are appropriately trained and accredited and the service has access to the resources of the Public Sector Fraud Authority and Government Counter Fraud Profession.
13. SAFS will maintain its relationship with specialist third party providers and national networks to keep the Council informed of new and emerging fraud threats or changes to best practice that assist in deterring/preventing fraud and corruption.

- 14 SAFS will continue to work closely with Council officers working in those services mentioned in the Plan.
- 15 SAFS has engaged with the Senior Leadership of the Council to ensure compliance with current best practice regarding the *Economic Crime and Corporate Transparency Act 2023*.
- 16 Regular reports will be provided to senior management and this Committee on progress delivering the Plan for 2026/27.

Appendices

Appendix A - East Herts Council - Anti-Fraud Plan 2026/27.

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/CIFAS/LGA 2020)***
- (c) ***Tackling Fraud in the Public Sector (CIPFA 2020)***
- (d) ***NAFN Local Authority Counter Fraud Survey- (National Report 2025)***

**East Herts Council
Anti-Fraud Plan 2026-2027**

In partnership with

The Hertfordshire Shared Anti-Fraud Service



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Introduction

This plan supports the Councils [Anti-Fraud Corruption Strategy 2021 - accessible.pdf](#) by ensuring that East Herts Council, working in partnership with the Hertfordshire Shared Anti-Fraud Service and others, has in place effective resources and controls to prevent and deter fraud as well as detect and investigate fraud that occurs.

The Council's policy statement on fraud and corruption states it aims are:

- **Be clear that the council will not tolerate fraudulent or corrupt acts and will take firm action against those who defraud the authority, who are corrupt or engage in financial malpractice.**
- **Provide a consistent framework for managers and Members, which enables effective deterrence, prevention, detection and investigation of fraud and corruption.**
- **Detail the responsibilities of employees, management and Members with regards to fraud and corruption.**
- **Assist the Head of Strategic Finance and Property in the fulfilment of the role as the council's Section 151 Officer and the Head of Legal and Democratic Services in the role as the council's Monitoring officer.**
- **Explain the role of council officers in relation to the prevention of fraud and actively promote a culture of openness and honesty in all dealings. (The council has Codes of Conduct for Members and officers.)**

This plan includes objectives and key performance indicators that support the Councils Policy and follows the latest best practice/guidance/directives from the Ministry for Housing and Local Government (MHCLG), National Audit Office (NAO), Local Government Association (LGA) and the Chartered Institute for Public Finance and Accountancy (CIPFA).

National Context.

In 2013 the National Fraud Authority stated that the scale of fraud against local government “is large, but difficult to quantify with precision”. Since 2013 a number of reports have been published including by CIPFA, NAO and Fraud Advisory Panel indicating that the threat of fraud against local government is both real, causing substantial impact (including reputational, service as well as financial) and should be prevented wherever possible.

In its Delivery Plan for 2024-2025 the Chief Executive of the Public Sector Fraud Authority stated that “*Our estimate, released in the Fraud Landscape Report in March 2024, indicates the challenge for the government in taking action on fraud against the public sector remains significant. Our estimate (including tax and welfare) is that every year between £39.8bn and £58.5bn of public money is subject to fraud and error. The more public bodies can take action on this, the more we can protect the public sector and the more money will be available for the delivery of public services*”. There are no accurate statistics for fraud loss/prevention in local government but, based on SAFS work over 10 years, it safe to say that fraud still presents a significant financial/delivery/reputational risk for all councils.

The *Fighting Fraud and Corruption Locally, A Strategy for the 2020’s*, published in March 2020 and supported by CIPFA, the LGA, SOLCACE and External Auditors provides a framework for the Council to adopt in developing its counter fraud activity and this Anti-Fraud Plan follows the guidance and recommendations of the *Strategy*. A copy of the *Strategy* can be found at <https://www.cipfa.org/services/cipfa-solutions/fraud-and-corruption/fighting-fraud-and-corruption-locally>

The *Strategy* compliments work undertaken in by CIPFA, NAO and Cabinet Office as well as the *Code of practice on managing the risk of fraud and corruption* CIPFA 2015 including the four ‘Pillars’ of **Govern Acknowledge, Prevent, Pursue** with an overarching aim of **Protect**:

For the Council this includes protecting the public funds it administers and protecting the Council and its residents against fraud and corruption including internal fraud and fraud committed by associated parties.



Anti-Fraud Plan 2026-2027

The Councils Anti-Fraud Plan will be managed by the Hertfordshire Shared Anti-Fraud Service (SAFS), but officers at all levels across the Council will have responsibility for ensuring that the plan is delivered and the Council protected against acts of fraud and corruption.

The Anti-Fraud Plan highlights specific areas of work to protect the Council against fraud and corruption. The Council also has a duty to protect the public and it does this through its work across all services and in particular by sharing information and knowledge. The Council has frameworks and procedures in place to prevent fraud and encourage staff and the public to report suspicions of fraud.

The Anti-Fraud Plan for 2025-2026 follows the guidelines and checklists contained in the *Fighting Fraud and Corruption Locally Strategy* and progress against this will be reported to senior management and the Councils Audit Committee. A break-down of work included in the Plan can be found at **Appendix A** along with the officers with responsibility for ensuring the plan is delivered.

SAFS Resources 2026-2027

Anti-Fraud Arrangements

Hertsmere Borough Council is a founding member of the Hertfordshire Shared Anti-Fraud Service (SAFS) and this service has provided the majority of the anti-fraud arrangements for the Council since April 2015. The SAFS Partnership, as well as Hertsmere Borough Council, includes Stevenage Borough Council, Broxbourne Borough Council, Hertfordshire County Council, Luton Borough Council, North Herts Council, East Herts Council and Welwyn and Hatfield Council. The SAFS Team also provides services to other public sector bodies across Hertfordshire.

The SAFS Core Service is made up of 22.5 FTE staff for 2026/27. All staff are trained and accredited specialising in fraud prevention, fraud investigation, fraud awareness, fraud risk assessment as well as proceeds of crime, anti-bribery and anti-money laundering. All staff are required to members of the Counter Fraud Profession- or working toward this via professional qualification or apprenticeships.

The SAFS Team has been nominated for and/or won awards for the services it provides including the ***Tackling Economic Crime Awards*** (TECAS), the ***Institute of Revenue Rating and Valuation Awards*** (IRRV), the ***Public Finance Awards*** (PFA), and ***Public Sector Counter Fraud Awards***.

In 2024 SAFS underwent an external Peer Review with a final report provided to the SAFS Board in March 2025. This report commended the service provide to the SAFS Partners and the work of the SAFS Team. In 2025 SAFS underwent an external Peer Review to ensure compliance for its membership of the Local Authority Collective as part of the Governments Counter Fraud Profession.

SAFS is a Partnership with each organisation paying an annual fee to Hertfordshire County Council for a contracted service for all Partners. SAFS, as a service, has a number of key objectives developed by its Management Board (the Board) and every Partner has a seat on that Board. For the East Herts Council the **Head of Strategic Finance and Property** is the Board representative.

Although SAFS will provide much of the Councils operational counter fraud work Council officers are responsible for ensuring the policies, procedures, training and appropriate resources are in place to protect the Council from fraud, corruption and bribery.

Budget

In October 2025 the SAFS Board agreed fees for all Partners from April 2026. The Board also received assurance from financial modelling that the service would be sustainable, in its current form, until at least 2028.

Fees for Hertsmere Borough Council for 2026-2027 have been agreed at £102,243+ VAT- this is an increase of 4% from 2025-2026.

Staffing

The full complement for SAFS in 2026-2027 is planned to be 22.5 FTE for its Core Service.

SAFS will provide 288 days (an decrease from the 298 days in 25/26) of counter fraud work, access to intelligence functions of the service, all data-matching services being offered through the SAFS Data-Hub and Herts *FraudHub* (hosted by Cabinet Office) and can call on SAFS management for liaison meetings, management meetings and three reports per annum to the Audit Committee. An Accredited Financial Investigator is available to assist in money laundering or proceeds of crime investigations.

SAFS has access to specialist IT forensics, covert surveillance and national counter fraud intelligence services provided via third parties and criminal litigation services to support the Councils legal team.

SAFS will provide fraud alerts/updates (local and national) to Council officers and senior management of all new and emerging fraud risks through its membership of anti-fraud forums and specialist providers including the Fighting Fraud and Corruption Locally Board (FFCLB) the Credit Industry Fraud Avoidance Service (CIFAS), Certified Institute of Public Finance and Accountancy (CIPFA) Finance, National Fraud Intelligence Bureau (NFIB), Fraud Advisory Panel (FAP), National Anti-Fraud Network (NAFN) and the Public Sector Fraud Authority (PFSA).

Workplans & Projects 2026-2027

As well as an agreed programme of work (see **Appendix A**) SAFS will work in the following areas delivering specific activity agreed with service managers. Progress with this work will be reported to the relevant head of service/managers on a quarterly basis.

| Service Area | Agreed Projects |
|--|---|
| Cross Cutting Corporate Initiatives | <p>General Support. Three Reports to Audit Committee (Summer/Autumn/Spring). SAFS management meetings with Senior Managers and Corp Governance Group. Assist with the review of the Councils existing anti-fraud policies including the impact of the <i>Economic Crime and Corporate Transparency Act 2023</i>. Money Laundering Reporting Officer (MLRO) role. Assist with NFI 2026 Upload and 2027 Output, and the Herts FraudHub. Assisting with Payroll fraud matters including disciplinary investigations. Identify new fraud risks and fraud alerts across all Council services and providing a resource to support any investigation, reporting or risk assessment required from any emerging fraud or corruption.</p> <p>Training. Provide fraud training/awareness events for staff/members in year delivered face to face/virtually/hybrid. This will include review of the new anti-fraud and corruption policies from 2025. Review and re-release of SAFS I-Learn training package on fraud/bribery/money laundering – accessible via the Councils intranet. Roll out of NAFN training and registration for appropriate services/officers.</p> <p>Policy Review. Complete the 2025 review of the Councils anti-fraud and corruption policies to comply with relevant legislation.</p> |
| Revenues and Benefits | <p>This work will be arranged with the Shared R&B Service hosted by the Council. Proactive training and awareness for management and front-line staff. Reactive investigations for council tax support/discount and business rate fraud. Support for single person discount review utilising 3rd party framework. Identify systems/processes/new developments to assist in recovery of debt created by fraud. Use of data-analytics to identify fraud/evasion of business rate liability and collection. Joint working with DWP where council tax support and other ‘national’ benefits are in payment- where this benefits the Council.</p> |
| Housing Services | <p>This work will be arranged with the Councils housing services and in partnership with housing providers owning stock within the Councils boundaries. Proactive training and awareness for management and front-line staff. Reactive investigations for Housing Application or fraud linked to Homelessness/Temporary Accommodation.</p> |
| Blue Badge | <p>Proactive training and awareness for front-line staff. SAFS attendance at CEO Teams meeting during 2026/27. Investigation into alleged misuse of BB by CEO’s. Responding to allegations of misuse from the public. BB Action Days- proactive work with CEOs in hot-spot areas agreed with LBC. Support the use of the FraudHub/NFI by the Blue Badge Team to remove cancelled badges. Publicity following campaigns or sanctions to aid deterrence in future.</p> |

SAFS Key Performance Indicators (KPI) & Standards of Service.

SAFS will work to a set of KPIs agreed with senior officers and these targets will assist in delivering the Councils Anti-Fraud Plan. The KPI's can be found at **Appendix B** and will be reported to senior officers and Audit and Standards Committee throughout the year.

SAFS - Standards of Service.

SAFS will provide the Council with the following anti-fraud services.

1. 24/7 Access to a fraud hotline, email and online solution for public reporting.
2. Process for Council staff to report suspected fraud to SAFS via email/phone/weblinks.
3. Training in: Fraud Awareness (management/staff/members), Fraud Prevention and Money Laundering.
4. A Money Laundering Reporting Officer service as laid out in the relevant Council policies.
5. Assistance in the review of Council policies, processes, and documents to deter/prevent fraud.
6. SAFS will review all anti-fraud strategies and related policies or templates used by the Council.
7. SAFS will continue to develop a data-matching solution (Herts *FraudHub*) to assist in the early identification of fraud.
 - The FraudHub will be funded by the Council.
 - The FraudHub will be secure and accessible only by nominated SAFS and Council Staff.
 - Data will be collected and loaded in a secure manner.
 - SAFS will maintain a data-sharing protocol for all SAFS Partners to review and agree annually.
 - SAFS will work with Council officers to identify datasets (and frequency) of the upload of these.
8. All SAFS Staff will be qualified, trained and/or accredited to undertake their duties lawfully.
9. All SAFS investigations will comply with legislation including DPA, GDPR, PACE, CPIA, HRA, RIPA* and relevant Council policies.
10. Reactive fraud investigations.
 - Any high profile, high value, high risk cases or matters reported by senior managers will receive a response from SAFS Mgt and be added to the Management Tracker so they are prioritised appropriately.
 - All cases reported to SAFS will be reviewed within 2 days of receipt and decision made on immediate action including selection of cases for further review, no action, investigation, or referral to 3rd parties including police, DWP, Action Fraud.
 - The Council will be informed of all reported fraud affecting its services.
 - SAFS will allocate an officer to each case.
 - SAFS officers will liaise with nominated officers at the Council to access data/systems to undertake investigations.
 - SAFS officers will provide updates on cases and a summary of facts and supporting evidence on conclusion of the investigation for Council officers to review and make any decisions.
 - Where criminal offences are identified SAFS will draft a report for Council officers to decide on any further sanctions/prosecutions.
11. Where sanctions, penalties or prosecutions are sought SAFS will work with the Council to determine the appropriate disposal in line with the Council's policies.
12. Where any investigation or review identifies any system/process weakness SAFS will provide a confidential report to the relevant head of service of director with recommendations on management/mitigation.
13. SAFS will provide Alerts to the Council, of suspected fraud trends or reports/guidance from government and public organisations that are relevant to fraud
14. SAFS will provide reports to senior management on the progress with delivery of this Plan and any other relevant activity planned or otherwise.
15. SAFS will provide reports through the SAFS Board and to the Council's Audit Committee as agreed in the SAFS Partnership Contract.

**Data Protection Act , General Data Protection Regulation, Police and Criminal Evidence Act, Criminal Procedures and Investigations Act, Human Rights Act, Regulation of Investigatory Powers Act, Investigatory Powers Act.*

Appendix A.

| EHC / SAFS Action Plan 2026/2027 | | | |
|----------------------------------|---|--|--|
| FFCL Pillars | Objectives | Activities | Responsible Officer |
| Governance | Having robust arrangements and executive support to ensure anti fraud, bribery and corruption measures are embedded throughout the organisation. | Ensure the Councils Anti-Fraud and Corruption Strategy & Fraud Response Plan and associated policies to deter, prevent, investigate and punish acts of fraud or corruption are reviewed against latest best practice including the Economic Crime and Corporate Transparency Act 2023. | Chief Executive / Monitoring Officer / S.151 Officer |
| | | The Councils Audit & Governance Committee will receive reports during the year about the arrangements in place to protect the Council against fraud and the effectiveness of these. | Head of SIAS /Head of SAFS |
| | | The Audit & Governance Committee and its Chairman, along with the senior management team, will ensure compliance with the latest best practice in the Councils anti-fraud arrangements. | A&G Committee Chairman/ S.151 Officer / Monitoring Officer |
| | | System/process weaknesses or risks revealed by instances of actual fraud will be fed back to departments/services with recommendations to manage/mitigate these risks. Reports will be shared with senior management and SIAS. | Head of SIAS / Head of SAFS |
| | | SAFS will assist the Council in providing its Fraud Data for the Transparency Code annually | Head of SAFS |
| | | The Council will make it clear through its policies and codes of conduct for staff and Members that fraud and corruption is not tolerated. | Monitoring Officer / Head of Human Resources |
| ACKNOWLEDGE | Accessing and understanding fraud risks. Committing the right support and tackling fraud and corruption. Demonstrating that it has a robust anti-fraud response. | Inclusion of Fraud Risks and actions to manage/mitigate/reduce these for part of the Councils Annual Governance Statement. | Head of SIAS/ S.151 Officer |
| | | The Councils Communication Team will publicise anti-fraud campaigns and provide internal communications to staff on fraud awareness/prevention | Head of SAFS/ Communications Mgr |
| | | The Council and SAFS will provide fraud awareness & specific anti-fraud training across all Council services and monitor mandatory E-Learning modules available for staff. | Head of HR / Head of SAFS |
| | | The Council is a member of the Hertfordshire Fraud-Hub. Council Officers will ensure that the contract with the Cabinet Office is in place for 2026/27 and the data required uploaded to the FraudHub at least once each quarter. | S.151 Officer |
| | | SAFS will take account known or emerging fraud risks provided by SAFS or others when audit planning takes place. SIAS will share the details of all suspected fraud to senior management and SAFS for review. | Head of SIAS / SIAS Manager |
| | | All SAFS staff will be fully trained and accredited. SAFS will continue to work with the Cabinet Office to support the Government Counter-Fraud Profession. | Head of SAFS |
| PREVENT | Making the best use of information and technology. Enhancing fraud controls and processes. Developing a more effective anti-fraud culture. Communicating its' activity and successes. | SAFS will provide alerts of new and emerging fraud threats to be disseminated to appropriate officers/staff/services including the S.151 Officer and Corporate Governance Group. | Head of SAFS |
| | | SAFS will work with all Council services to make best use of 3rd party providers such as NAFN, PNLD & CIFAS. | Head of SAFS |
| | | SAFS will continue to develop the Councils use of the Herts FraudHub and support Council officers with the output from NFI 2026/2027 Exercise | Head of SAFS/ S.151 Officer |
| | | The Council and SAFS will work with other organisations, including private sector, to improve access to data and data-services that will assist in the detection or prevention of fraud. | Head of SAFS/ S.151 Officer |
| | | The SAFS Mgt will provide reports to the SAFS Board quarterly on anti-fraud activity across the Partnership and any learning to be shared with all Partners | Head of SAFS |
| | | The Council will review data sharing agreements/protocols to ensure compliance with DPA & GDPR(UK) to maximise the use of sharing data with others to help prevent/identify fraud. | Monitoring Officer |
| PURSUE | Prioritising fraud recovery and use of civil sanctions. Developing capability and capacity to punish offenders. Collaborating across geographical and sectoral boundaries. | All fraud reported to the Council will be captured by SAFS reporting tools (web/phone/email) for staff, public and elected Members. SAFS will work with officers to promote the reporting of suspected fraud by officers and the public. | Head of SAFS |
| | | All investigations will comply with relevant legislation and Council Policies. Investigations may include civil, criminal and disciplinary disposals dependent on their nature. | Head of SAFS |
| | | SAFS will use its case management system to record and report on all fraud referred, investigated and identified. | Head of SAFS |
| | | Legal Service and debt recovery teams will seek to 'prosecute' offenders, apply sanctions and recover financial losses- supported by relevant policies. | Monitoring Officer/ S.151 Officer |
| | | SAFS and the Councils Revenue and Benefit Service will work with DWP to deliver joint investigations where fraud affects both council tax and housing benefit and/or other 'national' 'benefits' | Head of SAFS/ Head of R&B Service |
| | | SAFS will use its in-house expertise as well as external partners when considering the use of POCA, NAFN services, Surveillance or IT Forensics. | Head of SAFS |
| PROTECT | Recognising the harm that fraud can cause in the community. Protecting itself and its' residents from fraud. | SAFS will provide reports and data to 'Fraud Champions' on all anti-fraud activity as required by Council officers. | Head of SAFS |
| | | Council officers and SAFS will provide reports for Audit * Governance Committee on all Counter Fraud activity at the Council 3 times in 2026-2027. | Head of SAFS / S.151 Officer |
| | | The Council has in place measures to protect itself against cyber crime, malware and other potential attacks aimed at its IT infrastructure, with training for staff and elected members. | S.151 Officer/ Head of IT |
| | | SAFS will work with bodies including Ministry of Housing and Local Government/ Local Government Association/ Fighting Fraud Locally Board/Fraud Advisory Board/ Tenancy Fraud Forum/ Fraud Research Group (Aston University)/Public Sector Fraud Authority to develop anti-fraud strategies at a national level that support fraud prevention in local government. | Head of SAFS |

Appendix B.

SAFS KPIs - 2026/ 2027- EHC

| KPI | Measure | Objectives | Reason for KPI |
|-----|--|--|---|
| 1 | Return on investment from SAFS Partnership. | Demonstrate that the Council is receiving a financial return on investment from membership of SAFS and that this equates to its financial contribution. A. Regular meetings to take place with the Councils Head of Strategic Finance and Property , quarterly. B. Head of Strategic Finance and Property will sit on the SAFS Board that meets quarterly. | Transparent evidence to Senior Management that the Council is receiving a service matching its contribution. |
| 2 | Provide an investigation service. | A. Target to deliver at least 95% (274) of the funded 288 Days agreed counter fraud activity including proactive and reactive investigations, data-analytics, staff training and fraud risk management. (Supported by SAFS Intel/Management). B. 3 Reports to Audit Committee. (Report/Update/Plan) | Ensure ongoing effectiveness and resilience of the Councils anti-fraud arrangements. |
| 3 | Action on reported fraud. | A. 95% referrals into SAFS to be reviewed within 2 Days of receipt, on Average. 100% of urgent/high risk referrals to be triaged through SAFS Management Team and details shared with Assistant Director Resources or Head of Audit | Ensure that all cases of reported fraud are triaged within agreed timescales. |
| 4 | Allegations of fraud received. & Success rates for cases investigated. | A. 100% of all reported fraud (referrals) will be logged by type & source. B. 100% of all cases investigated will be recorded and the financial value, including loss/recovery/ savings of each will be reported to officers. | This target will measure the effectiveness of the service in promoting the reporting of fraud & measure the effectiveness in identifying cases worthy of investigation. |
| 5 | Making better use of data to prevent/identify fraud. | A. Ensure Upload of data for NFI 2026/27 and the output from it is resolved as required by legislation. B. Ensure membership of the Herts FraudHub in 2026/27. | Build a data hub that will allow the Council to access and share data to assist in the prevention/detection of fraud. |
| 6 | Added value of SAFS membership. | A. Membership of NAFN & PNLD for 2026/27 B. 5 fraud awareness/prevention sessions for staff/Members in year. C. To identify an ROI of £102k (SAFS Fee) based on savings through prevention/detection, or financial values for recovery from reactive and proactive work. | Deliver additional services that will assist in the Council in preventing fraud across all services and in the recovery of fraud losses. |



INTERNAL AUDIT PLAN REPORT 2026/27

EAST HERTS COUNCIL
AUDIT & GOVERNANCE COMMITTEE
24 FEBRUARY 2026

RECOMMENDATION:

Members are recommended to approve the proposed East Herts Council Internal Audit Plan for 2026/27

Members are requested to note the SIAS Internal Audit Strategy & Service Plan and invited to provide any comments

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Appendices

A Proposed East Herts Council Internal Audit Plan 2026/27

B Risk Register Mapping to Internal Audit Plan

C Glossary of Terms

D SIAS Internal Audit Strategy & Service Plan 2026/27

1. Introduction and Background

- 1.1 The purpose of internal audit is to strengthen the Council’s ability to create, protect, and sustain value by providing Members and management with independent, risk-based, and objective assurance, advice, insight, and foresight.
- 1.2 The Global Internal Audit Standards (GIAS), Application Note: Global Internal Audit Standards in the UK Public Sector and CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government, taken together, form the basis of UK public sector internal audit standards, which became effective from 1 April 2025. The Application Note states that a professional, independent, and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector.
- 1.3 The SIAS Board reviewed the SIAS Internal Audit Strategy in December 2025, and this strategy outlines how SIAS will achieve the purpose of internal audit and ensure ongoing compliance with the GIAS (UK public sector). The following report outlines the key principles related to Audit Planning and Resourcing, with the Internal Audit Strategy itself attached as an appendix. The GIAS (UK public sector) includes setting out how SIAS must approach internal audit planning. The specific requirements that SIAS must adhere to are set out below:

| Standard | Description |
|-------------------|---|
| Domain III 6.3 | Board and Senior Management Support It is an essential condition for Senior Management and the Audit Committee to approve the internal audit plan. |
| Domain III 8.1 | Board Interaction The Chief Audit Executive (CAE) must provide the Audit Committee with the information needed to conduct its oversight responsibilities. This includes the internal audit plan and subsequent significant revisions. |
| Domain III 8.2 | Resources The CAE, Audit Committee and Senior Management must collaborate to ensure that internal audit has sufficient resources to fulfil the internal audit mandate and achieve the internal audit plan. This should be at least annually, and cover numbers and capability, as well as the impact and remedy of insufficient resources on the internal audit mandate and plan (if applicable). |
| Domain III 8.3 | Quality Amongst the essential conditions in this Standard is a requirement for the Audit Committee to review and approve the internal audit functions performance objectives at least annually. This includes its conformance with the Standards, laws and regulations, ability to meet the internal audit mandate, and progress towards completion of the internal audit plan. |

| | |
|--------------------------|---|
| <p>Domain IV 9.3</p> | <p>Methodologies</p> <p>The CAE must establish methodologies to guide the internal audit function in a systemic and disciplined manner to implement the internal audit strategy, develop the internal audit plan, and conform with the Standards.</p> |
| <p>Domain IV 9.4</p> | <p>Internal Audit Plan</p> <p>The CAE must create an internal audit plan that supports the achievement of the council’s objectives. The CAE must base the internal audit plan on a documented assessment of the organisation’s strategies, objectives, and risks. The assessment must be informed by input from the Audit Committee and Senior Management as well as the CAE’s understanding of the organisation’s governance, risk management, and control processes. The assessment must be performed at least annually.</p> <p>The internal audit plan must:</p> <ul style="list-style-type: none"> • Consider the internal audit mandate and the full range of internal audit services. • Specify internal audit services that support the evaluation and improvement of the council’s governance, risk management, and control processes. • Consider coverage of information technology governance, fraud risk, the effectiveness of the council’s compliance and ethics programs and other high-risk areas. • Identify the necessary human, financial, and technological resources necessary to complete the plan. • Be dynamic and updated timely in response to changes in the council’s business, risk operations, programs systems, controls, and organisational culture. <p>The CAE must review and revise the internal audit plan as necessary and communicate timely to the Audit Committee and Senior Management:</p> <ul style="list-style-type: none"> • The impact of any resource limitations on internal audit coverage. • The rationale for not including an assurance engagement in a high-risk area or activity in the plan. • Conflicting demands for services between major stakeholders, such as high priority requests based upon emerging risks and requests to replace planned assurance engagements with advisory engagements. • Limitations on scope or restrictions on access to information. <p>The CAE must discuss the internal audit plan, including significant interim changes, with the Audit Committee and</p> |

| | |
|------------------------------|---|
| | Senior Management. The plan and significant changes to the plan must be approved by the Audit Committee. |
| Domain IV 10.1 to 10.3 | <p>Financial, Human and Technological Resources Management</p> <p>The CAE must ensure that financial, human, and technological resources are appropriate, sufficient, and effectively deployed to achieve the approved internal audit plan.</p> <p>The CAE must communicate with the Audit Committee and Senior Management regarding the appropriateness and sufficiency of the internal audit function’s resources. If the function lacks appropriate and sufficient resources to achieve the internal audit plan, the CAE must determine how to obtain the resources or communicate timely to the Audit Committee and Senior Management the impact of the limitations.</p> |
| Domain V 13.2 | <p>Engagement Risk Assessment</p> <p>To develop an adequate understanding, internal auditors must identify and gather reliable, relevant, and sufficient information regarding the risk assessment supporting the internal audit plan.</p> |

- 1.4 Topical Requirements are a mandatory component of the International Professional Practices Framework (IPPF). Topical Requirements enhance the consistency and quality of internal audit services related to specific audit subjects. Each Topical Requirement supports internal auditors performing engagements in a specific risk area. All internal audit functions must apply Topical Requirements in conformance with the Global Internal Audit Standards when providing assurance services on that topic.
- 1.5 The Topical Requirement is applicable when the topic is one of the following:
- a) The subject of an engagement in the internal audit plan.
 - b) Identified while performing an engagement.
 - c) The subject of an engagement request not on the original internal audit plan.
- 1.6 The existence of a topical requirement does not mean that it is mandatory to provide assurance on this risk. The decision to audit the risk is still based on risk assessment of the audit universe for the organisation. Issued Topical Requirements relevant to the 2026/27 planning cycle include Cybersecurity, effective 5 February 2026 and Third-Party, effective 15 September 2026.
- 1.7 The Council’s Internal Audit Plan sets out the programme of internal audit work for the year ahead, and forms part of the Council’s wider assurance framework. It supports the requirement to produce an overall audit opinion or conclusion on the internal control environment of the Council, as well as a

judgement on the robustness of risk management and governance arrangements, contained in the Chief Audit Executive's Annual Opinion Report.

- 1.8 The Shared Internal Audit Service's (SIAS) Internal Audit Charter was presented to the May 2025 meeting of this Committee, and it shows how the Council and SIAS work together to provide a modern and effective internal audit service. This approach conforms with the requirements of the GIAS (UK public sector). An updated version of the SIAS Internal Audit Charter will be brought to the May 2026 Audit & Governance Committee meeting for Member approval.
- 1.9 Section 2 of this report details how SIAS complies with these requirements.

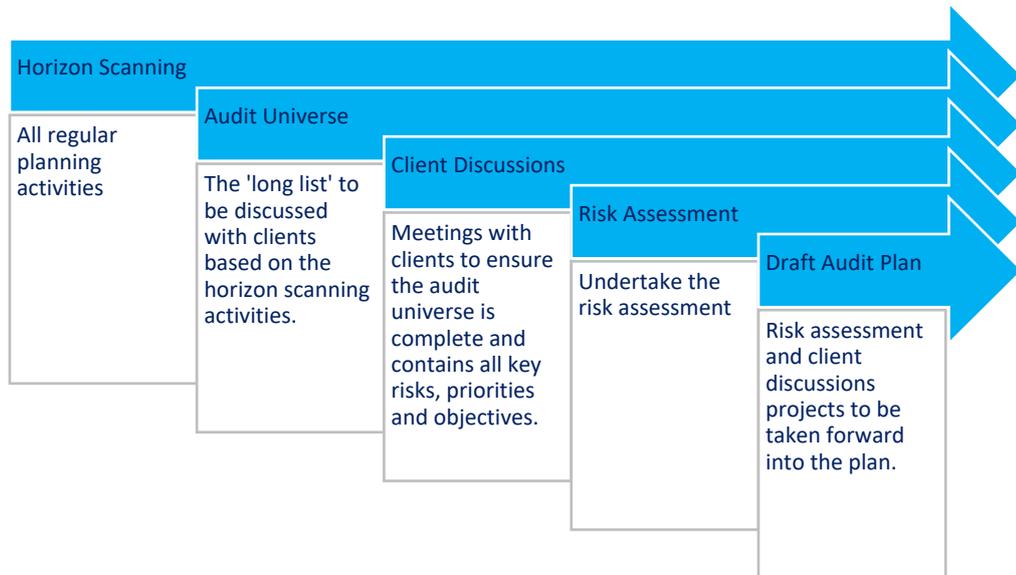
2. Audit Planning Process

Planning Principles

- 2.1 SIAS audit planning is underpinned by the following principles:
- a) Focus of assurance effort on the Council's obligations, outcomes and objectives, critical business processes and projects and principal risks. This approach ensures coverage of both strategic and key operational issues.
 - b) Maintenance of an up-to-date awareness of the impact of the external and internal environment on the Council's control arrangements.
 - c) Use of a risk assessment methodology to determine priorities for audit coverage based, as far as possible, on management's view of risk and consideration of topical requirements.
 - d) Dialogue and consultation with key stakeholders to ensure an appropriate balance of assurance needs. This approach includes recognition that in a resource-constrained environment, all needs cannot be met.
 - e) Identification of responsibilities where services are delivered in partnership.
 - f) In-built flexibility to ensure that new risks and issues are accommodated as they emerge.
 - g) Capacity to deliver key commitments including governance work.
 - h) Capacity to respond to management requests for assistance with special investigations, consultancy, and other forms of advice.

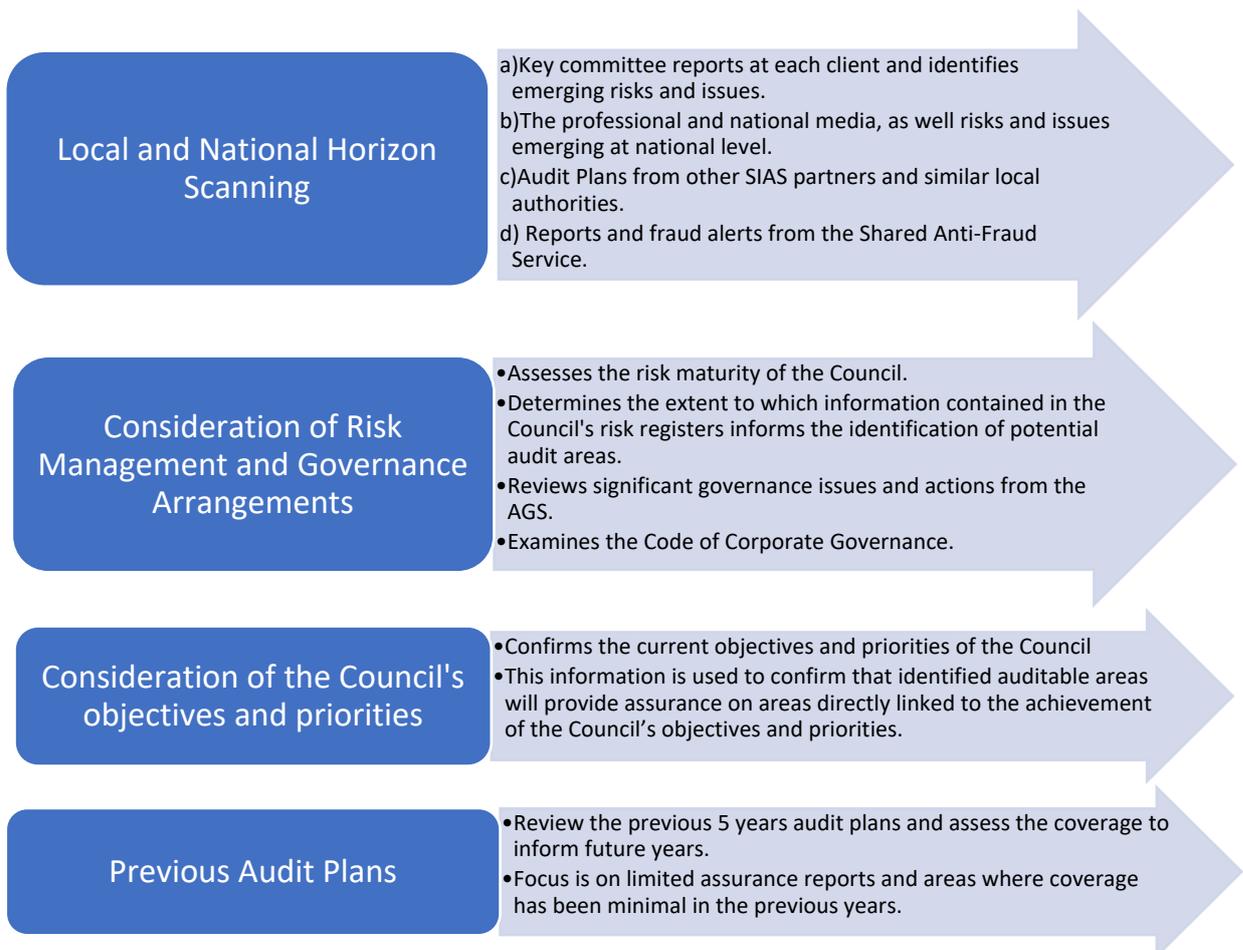
Approach to Planning

- 2.2 SIAS has developed an approach to annual planning that ensures conformance with the requirements of the GIAS (UK public sector). SIAS applies the following methodology at its partners:



Horizon Scanning and Audit Universe

2.3 SIAS conducts horizon scanning to ensure that it is aware of the key issues and risks locally and nationally as well as the corporate and service objectives of the Council. To do this, SIAS undertakes the following activities:



- 2.4 Following the horizon scanning work, SIAS creates an Audit Universe based on all auditable areas and entities. The Audit Universe forms the basis of discussions with Senior Managers.

Client Discussions

- 2.5 SIAS undertook discussions with senior managers and other key officers within the Council to confirm auditable areas and elicit high level detail of the scope of audits. This process incorporates the following steps to assist in the prioritisation of proposed internal audit projects:

Risk Assessment

Senior Managers and SIAS identify potentially auditable areas and associated risks and prioritise these accordingly.

Assurance Mapping / Other sources of Assurance

The results of any assurance mapping are consulted upon and discussed with Senior Managers to determine whether assurance in the auditable area is obtained from other assurance providers e.g., external audit or the Health and Safety Executive. This approach ensures that provision of assurance is not duplicated.

Significance

Senior Managers and SIAS assess how significant the auditable area is in terms of the achievement of corporate or service objectives and priorities.

Timings

Senior Managers and SIAS identify when an audit should be undertaken to add most value.

Risk Assessment

- 2.6 The overarching risk that SIAS bases planning against is the risk that audit work completed does not provide sufficient coverage and significance for SIAS to provide a robust annual assurance opinion. Therefore, SIAS risk assesses each auditable area to ensure that their resources are directed appropriately.
- 2.7 The risk assessment behind the development of the 2026/27 Internal Audit Plan was strongly correlated to the Council's Delivery Plan and associated Council monitoring through risk assessments, KPI's and project progress.
- 2.8 SIAS also include considerations of financial materiality, corporate significance, vulnerability, change and management concerns, as part of the risk assessment. This will also incorporate topical requirements considered by the Internal Audit Standards Advisory Board e.g. cyber security and failure of supply chain. The overall approach provides a baseline for the provision of assurance on identified high risk areas.

Draft Audit Plan

- 2.9 The results of the risk assessment and discussions with Senior Mangers provides a draft Internal Audit Plan. SIAS has presented this draft plan to the Senior Leadership Team to seek their views on the assessments completed and to provide any further updates or comments. The outcome is now presented to Members as part of this report for their approval of the Draft Internal Audit Plan 2026/27.

The Planning Context

- 2.10 The context within which local authorities provide their services remains challenging:
- Demand for services is still rising, driven by a range of factors including the growing and ageing population, and challenges in the healthcare system. Combined with the cost of living, local authorities will have to continue to be more innovative and commercially minded.
 - Macro-economic uncertainty continues, driven by factors such as inflation, interest rates, energy costs and a range of geo-political tensions. Resulting significant cost pressures and limited government funding make financial planning a key component of managing local government finance challenges.
 - Cyber and data security remains a consistent threat to organisations and there are a growing number of local authorities that have been subjected to successful cyber-attacks. Continued vigilance and risk management remain key to protecting local authority assets and services.
 - Local authorities are facing significant challenges in relation to human resources and talent management, both in terms of vacancy management, recruitment and retaining staff meaning ability to remain resilient and deliver high quality services may continue to be an increasing concern.
 - The expectation to promote growth that improves people's lives and goes hand in hand with protecting the environment by developing prosperous, sustainable, resilient and green communities for future generations.
 - Proposals around local government reorganisation and devolution provide both significant challenges and opportunities for local authorities.
- 2.11 The resultant efficiency and transformation programme that councils are in the process of implementing and developing continues to profoundly alter each organisation's nature. Such developments are accompanied by potentially significant governance, risk management and internal control change.

2.12 The challenge of giving value in this context, means that Internal Audit needs to:

- Meet its core responsibilities, which are to provide appropriate assurance to Members and senior management on the effectiveness of governance, risk management and control arrangements in delivering the achievement of Council objectives.
- Identify and focus its effort on areas of significance and risk, assisting the organisation in managing change effectively, and ensuring that core controls remain effective.
- Give assurance which covers the control environment in relation to new developments, using leading edge audit approaches such as use of technology to achieve 'whole population testing' and new insights over sampling or 'continuous assurance' where appropriate.
- Retain flexibility in the audit plan and ensure the plan remains current and relevant as the financial year progresses, this is particularly key given the current challenges and risks and the impact this has had on audit activity.

Internal Audit Plan 2026/27

2.13 The draft plan for 2026/27 is included at Appendix A and contains a high-level proposed outline scope for each audit and the delivery quarter. The number of days commissioned in 2026/27 is confirmed as 250 days.

2.14 The table shows the estimated allocation of the total annual number of purchased audit days for the year.

| Coverage | 2026/27 Days | % |
|--------------------------------|-------------------------|-------------|
| Key Financial Systems | 61 | 24 |
| Corporate Themes | 58 | 23 |
| Operational Areas | 61 | 24 |
| Information Technology | 16 | 6 |
| Strategic Support* | 46 | 18 |
| Contingency | 2 | 1 |
| Completion of 2026/27 Projects | 6 | 4 |
| Total allocated days | 250 | 100% |

* This covers supporting the Audit & Governance Committee, monitoring delivery of the audit plan, client liaison and planning for 2027/28

2.15 Any significant audit plan changes agreed between Management and SIAS will be brought before this committee for noting through the usual plan

update reporting cycle. The postponement or cancellation of any audits will require approval from the Director – Finance, Risk & Performance. It should be noted that the Internal Audit Plan is intended to be dynamic and responsive to changing risks and matters arising during the year.

- 2.16 Members will note the inclusion of a provision for the completion of projects that relate to 2025/26. The structure of Internal Audit's programme of work is such that full completion of every aspect of the work in an annual plan is not always possible, especially given the high dependence on client officers during a period where local government faces significant change.
- 2.17 The nature of assurance work is such that enough activity must have been completed in the financial year, for the Chief Audit Executive to give an overall opinion on the Authority's internal control, governance, and risk management framework. In general, the tasks associated with the total completion of the Plan, which includes the finalisation of all reports and negotiation of the appropriate level of agreed mitigations, is not something that adversely affects delivery of the overall opinion. The impact of any outstanding work is monitored closely during the final quarter by SIAS in conjunction with the Director – Finance, Risk & Performance.

Resources

- 2.18 Standard 8.2 and 10.1 to 10.3 requires SIAS to ensure that financial, human, and technological resources are appropriate, sufficient, and effectively deployed to achieve the approved internal audit plan, as well as any limitations of the adequacy of resources.
- 2.19 Achievement of our role and objectives is predicated on the matching of audit needs to available resources through our work allocation processes. This is accomplished through the delivery of internal audit activities by a range of suitably qualified and experienced team members working flexibly in a matrix structure to maximise the value to all our partners and clients. SIAS resources are calculated based on the chargeability of each member of the team and the structure was designed to ensure sufficient chargeability to deliver all plans.
- 2.20 SIAS will utilise our internal audit delivery partner to provide service resilience and access to specialist skills not currently available within the service, or which are not economically viable to recruit and retain on a permanent basis.
- 2.21 SIAS staff are provided training and development across the year to support service delivery at our partners. In addition, SIAS provides funding for professional qualifications and currently has nine team members studying towards their professional qualifications.
- 2.22 Technology is often used in support of internal audit delivery. Examples include time recording software being used for internal performance management and as an aid for reporting to SIAS partners. The suite of MS

Office tools is routinely used for producing standard documents, working papers, data analysis, resource management and work allocation. The use of artificial intelligence is in its early stages, with expectations that its use be expanded through networking opportunities.

- 2.23 The service will be adequately resourced to deliver the number of planned internal audit days commissioned by East Herts Council. There are currently no limitations on the adequacy of resources in place to deliver the East Herts Council Internal Audit Plan 2026/27.
- 2.24 The SIAS Internal Audit Strategy is set out at Appendix D.

3. Performance Management

Update Reporting

- 3.1 SIAS is required to report its work to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. Progress against the agreed plan for 2026/27 and any proposed changes will be reported to this Committee four times in the 2026/27 civic year.
- 3.2 SIAS will report on the implementation of agreed critical and high priority recommendations as part of the update reporting process.

Performance Indicators

- 3.3 Annual performance indicators were approved at the SIAS Board and are reviewed annually by the Board. Details of the targets set for 2026/27 are shown in the table below. Actual performance against target will be included in the regular update reports to this Committee.

| Performance Indicator | Performance Target | Reporting Frequency |
|--|--------------------|---------------------|
| 1. Conformance with GIAS (UK public sector) – annual self-assessment or five-yearly external assessment; including areas of non-conformance | Yes | Annually |
| 2. Internal Audit Annual Plan Report – approved by the March Audit Committee or the first meeting of the financial year should a March committee not meet | Yes | Annually |
| 3. Annual Internal Audit Plan Delivery – the percentage of the Annual Internal Audit Plan delivered (measured in audit days, excluding contingency) | 95% | Quarterly |

| | | |
|---|--|---|
| 4. Project Delivery – the number of projects delivered to draft report stage against projects in the approved Annual Internal Audit Plan | 90% | Quarterly |
| 5. Project Completion – delivery of all planned projects to final report stage prior to the publication of the CAE annual assurance statement and opinion. | 100% | Quarterly |
| 6. Client Satisfaction* – percentage of client satisfaction questionnaires returned at ‘satisfactory’ level | 90% | Quarterly |
| 7. Chief Audit Executive’s Annual Assurance Opinion and Report – presented at the first Audit Committee meeting of the financial year | Yes | Annually |
| 8. Staff and Training – percentage of our staff that are actively studying towards, or have obtained, a relevant professional qualification | Head of Service and Client Audit Managers (Chief Audit Executives) – 100% All Staff – 80% | Annually |
| 9. Implementation of critical, high, and medium priority (where relevant to partner) recommendations | Yes | Presented as part of regular internal audit progress updates to Audit Committee |

APPENDIX A – PROPOSED EAST HERTS COUNCIL INTERNAL AUDIT PLAN 2026/27

Coverage of Key Financial Systems (61 days)

| <u>Audit Title</u> | <u>Purpose of the Audit</u> | <u>Days</u> | <u>Delivery Quarter</u> | <u>Audit Sponsor</u> |
|---------------------|---|-------------|-------------------------|--|
| Council Tax | An in-depth audit covering one or more aspects of council tax administration e.g. determining liability, the application of discounts/exemptions, billing arrangements, the collection of payments, recovering outstanding debt and approving refunds. A joint audit reflecting the shared service with Stevenage Borough Council. | 6 | 3 | Director - Finance, Risk & Performance |
| Business Rates | An in-depth audit covering one or more aspects of business rates administration e.g. determining liability, the application of discounts/exemptions, billing arrangements, the collection of payments, recovering outstanding debt and approving refunds. A joint audit reflecting the shared service with Stevenage Borough Council. | 6 | 3 | Director - Finance, Risk & Performance |
| Housing Benefits | An in-depth audit covering one or more aspects of Housing Benefits administration e.g. claims verification and processing, payment arrangements, fraud prevention and detection. A joint audit reflecting the shared service with Stevenage Borough Council. | 6 | 3 | Director - Finance, Risk & Performance |
| Accounts Receivable | An audit covering invoicing customers for works, goods, or services. The collection and recovery of outstanding sums. Denial of service when payment is not forthcoming. | 8 | 4 | Director - Finance, Risk & Performance |
| Accounts Payable | An audit covering the payment of invoices received. Use of purchase orders, supplier onboarding, receipt and verification of invoices, payment arrangements and credit notes. | 8 | 4 | Director - Finance, Risk & Performance |

APPENDIX A – PROPOSED EAST HERTS COUNCIL INTERNAL AUDIT PLAN 2026/27

| | | | | |
|------------------------------|--|----|---|--|
| Payroll | An in-depth audit covering one or more aspects of Payroll administration, e.g. verification of starters and leavers, verifying that additions / amendments / deductions from pay are appropriate, payments to employees are correct. | 10 | 4 | Director - Finance, Risk & Performance |
| Treasury Management | An audit covering governance and reporting, cash flow and risk management, record keeping and completion of reconciliations. | 7 | 3 | Director - Finance, Risk & Performance |
| Payment Card & Data Security | An audit covering compliance with PCIDSS. Scope may include self- assessment, standards management, roles & responsibilities, change control, infrastructure records and protection. | 10 | 2 | Director - Finance, Risk & Performance |

Coverage of Corporate Themes (58 days)

| <u>Audit Title</u> | <u>Purpose of the Audit</u> | <u>Days</u> | <u>Quarter</u> | <u>Audit Sponsor</u> |
|---|--|-------------|----------------|---|
| Local Government Reorganisation | Provision for assurance and advice across workstreams as required during the year. Multiple areas to consider have been identified. These include technology assets, procurement and contracts, workforce and human resource management, finance and local taxation, property assets, and project management. Days not used will be reallocated to audits in the Reserve List below. | 15 | 1-4 | Various |
| Third Party Data Security | An audit providing control assurance over third parties who support delivery of services and where it increases exposure to loss, theft and misuse of data. | 10 | 1 | Assistant Director, Chief Technology Officer, and Senior Information Risk Owner |
| Outsourced Services / Supplier Resilience | An audit covering arrangements should a key supplier or partner be lost, impacting upon the | 10 | 2 | Various |

APPENDIX A – PROPOSED EAST HERTS COUNCIL INTERNAL AUDIT PLAN 2026/27

| | | | | |
|------------------------|--|---|---|---|
| | availability of works, goods and services to the Council and or its customers. | | | |
| Corporate Governance | An audit covering governance structures e.g. compliance with the Code of Corporate Governance, and associated policies and procedures that influence council operations. | 7 | 3 | Director - Legal, Policy and Governance |
| Performance Management | An audit covering frameworks for managing performance, associated reporting and interventions if outcomes are below target. | 8 | 1 | Director - Finance, Risk & Performance |
| Fraud Risk Management | An audit of arrangements for managing rising fraud risks. A new criminal offence, “failure to prevent fraud”, came into effect on 1 September 2025 under the Economic Crime and Corporate Transparency Act (2023). | 8 | 1 | Director - Finance, Risk & Performance |

Coverage of Operational Areas (61 days)

| <u>Audit Title</u> | <u>Purpose of the Audit</u> | <u>Days</u> | <u>Quarter</u> | <u>Audit Sponsor</u> |
|---|--|-------------|----------------|--|
| BEAM | An audit covering one or more operational aspects of the theatre in Hertford e.g. budget forecasting and control. | 10 | 2 | Director - Commercial, Customer & Regeneration |
| Facilities Management | A review of arrangements for managing Council buildings and other infrastructure that is critical to service delivery e.g. building security and fire safety. | 10 | 1 | Director - Communities |
| Pre-Employment Screening | An audit of the processes and procedures relating to background/pre-employment checks that should be carried out when looking to appoint new members of staff. | 10 | 3 | Director - Place |
| Anti-Money Laundering & Counter Terrorist Financing | An audit covering the management of existing and emerging risks across a changing | 10 | 1 | Director - Finance, Risk & Performance |

APPENDIX A – PROPOSED EAST HERTS COUNCIL INTERNAL AUDIT PLAN 2026/27

| | | | | |
|--------------------------------|---|----|-----|------------------------|
| | landscape, combating associated activities, compliance with regulations and legislation. | | | |
| Asset Management / Devolution | An audit covering the maintenance of accurate records, and the acquisition, development and disposal of land and property. | 10 | 2 | Director - Communities |
| On Demand Grant Audits | Provision for auditing grant claims in accordance with the providers terms and conditions. Such requests are typically made on an adhoc basis. | 3 | 1-4 | Various |
| Follow Up Audit Provision (x2) | Provision for up to follow up 2 Limited Assurance audits from prior years. In addition, following up any recommendations made by the Shared Anti-Fraud Service. | 8 | 2&4 | Various |

Coverage of Information Technology (16 days)

| <u>Audit Title</u> | <u>Purpose of the Audit</u> | <u>Days</u> | <u>Quarter</u> | <u>Audit Sponsor</u> |
|--|--|-------------|----------------|---|
| Cyber Security - Reliance on Alternative Assurance | An audit of assurance provided by third parties, relating to cyber security risks. | 6 | 4 | Assistant Director, Chief Technology Officer, and Senior Information Risk Owner |
| Accessibility Regulations (Digital) | An audit to provide assurance over the steps taken to help ensure compliance with the digital accessibility regulations. | 10 | 2 | Director - Commercial, Customer & Regeneration |

Contingency – 2 days (capacity to respond to management requests and to accommodate new risks and issues)

Available time for unplanned work as required.

APPENDIX A – PROPOSED EAST HERTS COUNCIL INTERNAL AUDIT PLAN 2026/27

Strategic Support (46 days)

| <u>Title</u> | <u>Purpose</u> | <u>Days</u> |
|---|---|-------------|
| Chief Audit Executive Annual Opinion Report | To prepare the Chief Audit Executive Opinion for 2025/26. | 3 |
| Audit Committee | To provide services linked with the preparation, agreement, and presentation of Audit & Governance Committee reports, as well as any training requirements. | 12 |
| Performance Monitoring | Audit Plan monitoring against agreed KPIs. | 12 |
| Client Liaison | Meetings with the S151 Officer, preparation and attendance at the Risk Management and Corporate Governance Groups, and other groups or meetings as required. | 8 |
| Audit Planning 2027/28 | Provision of services to prepare, agree and report the 2027/28 Annual Audit Plan. | 6 |
| SIAS Development | Included to reflect the Council's contribution to developing the shared service. In 2026/27 this provision includes supporting the services External Quality Assessment | 5 |

2025/26 Carry Forward (6 days)

Available time for completion of 2025/26 audits which did not commence or complete as scheduled. Days not used will be reallocated to audits in the Reserve List below.

Reserve List

| <u>Title</u> | <u>Purpose</u> |
|---------------------------------------|---|
| EV Charging | An audit of EV charger rollout across the district and associated contract risks. |
| Climate Change & Environmental Impact | An audit of managing risks associated with climate change and its impact upon the delivery of works, goods and services. |
| Use of Artificial Intelligence (AI) | An audit covering the framework for the adoption of AI technology, links to organisational objectives and adequate control and oversight. |

APPENDIX A – PROPOSED EAST HERTS COUNCIL INTERNAL AUDIT PLAN 2026/27

| | |
|-------------------------------|--|
| Cloud Computing | An audit of cloud provision and the associated benefits and risks e.g. data security and infrastructure, service management and maintenance. |
| Staff Welfare & Wellbeing | An audit covering means of managing positive employee welfare and wellbeing, such as employee engagement, motivation, sickness absence and an employee assistance programme. |
| Budget Forecasting & Control | An audit covering the oversight and governance of budget forecasting, subsequent variance analysis and reporting. |
| Income Generation | The development of a commercial strategy, action planning and implementation, benefits realisation, ongoing monitoring and reporting. |
| Temporary Staffing | An audit of the control framework relating to the use of temporary staff, including needs assessment, business case approval, budgetary control and performance management. |
| Whistleblowing Arrangements | An audit of policies and procedures relating to confidential reporting arrangements, including awareness, reporting mechanisms, the investigation of reported concerns, and maintaining confidentiality. |
| Licensing | An audit of application processes and income streams relating to one or more aspects of licensing e.g. taxis and market traders. |
| Fly Tipping | An audit of arrangements for managing the illegal dumping of waste on unauthorised land, such as policy, prevention, operational response, enforcement and partner coordination. |
| Renters Rights Act (RRA) 2025 | An audit covering the mandatory duty to enforce landlord legislation in the private rented sector, such as rental discrimination, bidding, rents in advance, reporting obligations and civil penalties. |

APPENDIX B – RISK REGISTER MAPPING TO INTERNAL AUDIT PLAN

| Council Corporate Risks - Risk Register | Internal Audit Coverage 2022/23 – 2025/26 | Internal Audit Coverage 2026/27 | Assurance Mapping and Other Assurance |
|---|---|--|--|
| Insufficient Financial Resources | Revenues Housing Benefits Accounts Payable/Receivable Payroll Treasury Management Cash & Banking Transformation Grant Audits Asset Management | Revenues Housing Benefits Accounts Payable / Receivable Payroll Treasury Management Payment Card and Data Security Asset Management/Devolution | Performance Metrics Budget Reports Management Team/Line Management Medium Term Financial Plans External Audit Risk Register Member Oversight |
| Adaptation to Climate Change | Crisis Management Waste Contract Recycling | Performance Management | As above, plus Emergency/Business Continuity Plans |
| District Plan Not in Place | S106 Agreements Planning Fees Old River Lane | Performance Management | As above, plus inspection |
| Key Contractor Failure | Supply Chain Interruption Contract Management BEAM Parks & Open Spaces | Outsourced Services / Supplier Resilience BEAM | As above, plus contract management arrangements and contingency plans |
| Governance Failure | Corporate Governance Risk Management Tendering Arrangements Insurance Procurement Act | Pre-Employment Screening Anti Money Laundering & Counter Terrorist Financing Performance Management | As above, plus statutory posts e.g. S151 Officer, Monitoring Officer |
| Successful Ransomware Attack | Cyber Security Malicious Software | Cyber Security Fraud Risk Assessment | As above, plus IT Partnership Board |
| Major Data Breach | Information Governance Data Breach Management Social Media | Fraud Risk Assessment Payment Card and Data Security | As above |

APPENDIX B – RISK REGISTER MAPPING TO INTERNAL AUDIT PLAN

| | | | |
|--|---|--|----------|
| Lack of Staff & Skills | Equalities, Diversity & Inclusion Elections Health & Safety Sickness Absence Business Support | Facilities Management & Security Pre-Employment Screening | As above |
| Scarcity of Election Candidates | New risk – no prior coverage | Local Government Reorganisation | As above |

The Corporate Risk Register and Corporate Plan are closely connected. The version used above was the most recent in place at the time of internal audit planning and is subject to regular review and update that means both the projects, risks and risk scores will have changed over time.

The Council has several identified risks, and our audit plan is constrained. The Reserve List also aligns with the Risk Register. We will monitor these risks and flexibly adapt our audit plan as appropriate and if required to cover these risks. We also note management’s own actions seek to mitigate these risks.

APPENDIX C – GLOSSARY OF TERMS

Assurance mapping

An assurance map is a structured way of identifying and presenting the sources of assurance over how risks are being managed. It is an essential element of mature risk management practices. An assurance map identifies the many sources of assurance that the Leadership team and Audit Committee rely on in their oversight role and can also include information on the frequency and quality of the assurance provided.

The key benefit for the organisation is the effective and efficient use of resources to provide assurance. An assurance map is also a practical tool for chief audit executives (CAEs) to use on two levels; demonstrating the depth/gaps in assurance and to plan audit activity.

The new Global Internal Audit Standards (Standard 9.5 Co-ordination and Reliance) requires the CAE to co-ordinate with internal and external assurance providers and consider relying on their work. Co-ordination minimises duplication of work, highlights gaps in coverage of key risks and enhances the overall value of all assurance providers. The way to achieve this requirement is with an assurance map.

Control Risk (Self) Assessment (CRSA / CRA)

Control risk (self)-assessment is a process or method by which management and staff work with internal audit to identify and evaluate operational risks and the effectiveness of controls. The objective is to provide reasonable assurance that all business objectives will be met. CRA is an empowering and iterative process that integrates risk management practices and culture into the way staff undertake their jobs.

Data analytics / Data analysis

Data analytics is a multidisciplinary field that employs a wide range of analysis techniques, including maths, statistics, and computer science, to draw insights from data sets. Data analytics is a broad term that includes everything from simply analysing data to theorising ways of collecting data and creating the frameworks needed to store it. Data analysis is a subcategory of data analytics that deals specifically with extracting meaning from data.

The top benefits of using data analytics and data-led audits include greater levels of assurance, greater audit coverage and enhanced efficiency. The top barriers to fully embracing data analytics include lack of skills, lack of resources and lack of time to implement.

APPENDIX C – GLOSSARY OF TERMS

Health check

It is a focused review that addresses specific areas of interest or concern and provides actionable insights and recommendations. The health check helps to identify and address critical gaps in processes and controls. They can also be 'light touch' reviews to establish and confirm the operation of controls and processes, providing a 'high-level' assurance without the depth of a full, evidence-based internal audit.

Maturity assessment

Used to develop a 'snapshot' view of how an organisation is progressing against a measurable scale in the embedding of a change or transformation.

Project (Embedded) assurance

A typical approach to project management reviews is for the internal audit to join a project board/steering group or team with the inclusion of time in the audit plan for meetings. This often involves a considerable time commitment. There are advantages and disadvantages with this approach:

Advantages

1. It enables internal audit to be at the heart of what is happening and have the opportunity to communicate issues as soon as they are identified. In a fast-moving project this may be the only opportunity.
2. If done well it raises the standing of internal audit within the business as a trusted advisor.
3. You can help ensure appropriate controls are installed and risks are being adequately mitigated, based on a timely appreciation of changing variables as highlighted by the management of the project.

Disadvantages

1. Internal audit involvement can compromise independence. This could apply when internal audit assesses programme/project management or audit the process or activity that was the basis of the project.
2. Internal audit attendance can also be interpreted as 'audit approval' or audit sign-off'. The implication being that everything is satisfactory and on course.
3. Project board/steering group meetings often include detailed discussion about the adequacy of risk responses and the nature of specific controls to justify the presence of internal audit, but this can slow down, even delay progress. Internal audit may not need to be part of project board meetings to provide advice through their consultancy role.

APPENDIX C – GLOSSARY OF TERMS

Internal audit involvement should have a specific assurance or advisory purpose that is discussed, documented, and agreed with senior management (as part of the terms of reference). Internal audit should not be part of the management sign-off process or be part of the decision making.

An alternative approach would be for the internal auditor to schedule attendance at one or two selected meetings during the audit of a project to consider specific issues such as the management of risk, validation of progress and to observe that appropriate information is being received, scrutinised, and challenged.

SIAS - Internal Audit Strategy & Service Plan 2026/27

Introduction

1. The Shared Internal Audit Service (SIAS) is a shared service created by eight Hertfordshire Councils with the purpose of providing internal audit services to each of the partner Councils, as well as a small number of external customers.
2. This document sets out our Internal Audit Strategy (IAS) for the next 12 months. The strategy includes how the service will support and promote good governance, this underpinned by our Internal Audit Charter (IAC) which describes the purpose, authority, responsibility, and position of the Internal Audit Service within our partner organisations.
3. Internal Audit is a statutory service in the context of the Accounts and Audit (England) Regulations 2015, which state:

‘A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance’.

4. SIAS operate in accordance with the International Professional Practices Framework (IPPF), which includes the Global Internal Audit Standards (GIAS) (UK public sector), Topical Guidance and Global Guidance. The GIAS (UK public sector) is comprised of five domains, covering:
 - The purpose of internal auditing,
 - Ethics and professionalism,
 - Governing the internal audit function,
 - Managing the internal audit function, and
 - Performing internal audit services.
5. The GIAS (UK public sector) contains a Purpose Statement as follows:

‘Internal auditing strengthens an organisation’s ability to create, protect and sustain value by providing the board and management with independent, risk-based and objective assurance, advice, insight and foresight.’

6. Our partners response to internal audit activity should have the following benefits as outlined in the Purpose Statement:

‘Internal auditing enhances the organisations:

- *Successful achievement of its objectives.*
- *Governance, risk management and internal control processes.*
- *Decision-making and oversight.*
- *Reputation and credibility with its stakeholders.*
- *Ability to serve the public interest.’*

Our Mission

7. As a shared service, SIAS aims to:

‘Be a high-quality shared service that seeks to embrace best professional practice, shared learning, develops our workforce, and delivers services in a financially sustainable way.’

8. In delivering this mission statement SIAS will:

- Produce and deliver an Annual Risk Based Internal Audit Plan which complies with the GIAS (UK public sector) and CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government.
- Provide the statutory Chief Audit Executive’s Annual Opinion on each partner’s internal control, risk management framework and corporate governance arrangements.
- Provide progress reports to the Audit Committees / Boards which highlight any significant risk and control deficiencies or potential areas for improvement in the organisation’s governance, risk, and control arrangements; and
- Support and suitably challenge key assumptions and judgments taken by management, through IA’s assurance and advisory services, to ensure they are appropriate and in accordance with relevant legislation, policies and procedures, guidance, and professional standards.
- Continue to progress our grow your own strategy to support the development of high-quality internal audit staff.
- Progress our external business strategy in order build a sustainable and resilient service for the future.

9. To fulfil our aspirations and demonstrate our professionalism, SIAS must conform with the requirements of the GIAS (UK public sector).

Our core values

10. Our core values which underpin the delivery of our mission

Quality: Our overarching value is to successfully blend the elements of quality as fitness for purpose (satisfying needs flexibly and responsively), excellence (achieving the highest standards), transformation (learning, innovation, and continuous improvement), professionalism (conformance with professional standards) and value for money (cost effectiveness). Quality is also about leadership, responsibility and accountability throughout the team and the ability to establish a culture of continuous learning that will challenge us to be our best and inspire and motivate all.

Customer Focus: We put service excellence and customer care at the heart of our internal audit and consultancy work, seeking to provide a service that inspires

APPENDIX D – SIAS Internal Audit Strategy & Service Plan

confidence and trust and meets customer expectations. We are always professional and courteous, take ownership for getting things right and support the service, our colleagues, and our partners / clients to meet their objectives.

Learning and Development: Our staff are our biggest asset; therefore, we support our staff to become professionally qualified and build knowledge and skills to support their career development, maintain compliance with professional standards and delivery a high-quality service to our partners.

Responsible: We promote a culture of diversity and inclusion in relation to our approaches to recruitment, progression, and reward, within our ways of working, service development and internal audit delivery approach, and in our mutual respect for the people comprising our team.

Accountability: We take ownership of and are accountable for our work, are open to challenging ourselves and will raise concerns and provide solutions to improve the service.

Agile Working: We work with our clients to build trust; develop common understanding and take collective action to improve organisational priorities and outcomes; and be a trusted advisor to strategic management and the Audit Committees / Boards.

Growth: We maximise income generation through the continuous exploration of opportunities.

Our priorities

11. SIAS must continue to deliver a good quality, efficient, resilient and cost-effective service that achieves its annual key performance indicators. Its focus must include the nuts and bolts of sound internal control, risk management and governance frameworks.
12. It is vital though that SIAS continues to remain agile, relevant and timely, while evolving in response to changing stakeholder needs and business objectives. Key areas of focus for SIAS include:
 - Enhancing the business impact of internal auditing and ensuring sufficient focus on business-critical risks,
 - Recruitment, retention, and progression of our grow your own strategy,
 - Building meaningful relationships with key stakeholders,
 - Co-ordination with other assurance providers and the outcomes of their work,
 - Building agility into audit approaches, and
 - Expanding the use of data analytics and assurance mapping amongst other assurance techniques.

Our role and delivery objectives

13. The full regulatory context and scope of internal audit and the Shared Internal Audit Service is set out within our partners Internal Audit Charter and mandate, approved annually by their respective Audit Committees.
14. Our core internal audit objective is to deliver sufficient, relevant internal audit and consultancy work to support the statutory annual assurance opinion on each of our partners internal control, risk management and corporate governance frameworks. The annual assurance opinion forms a significant part of our partners statutory Annual Governance Statements.
15. Delivery of the internal audit objectives outlined below support the core objective and ensure conformance with professional standards:
 - To develop and deliver dynamic and risk-based Internal Audit Plans that evidence the links to our partners objectives, risks and priorities.
 - To document our internal audit planning process alongside our Internal Audit Plans for Audit Committee approval. The planning process comprises our Planning Principles, Approach to Planning and Planning Context (internal audit environment and local government context and challenges).
 - To ensure that outcomes of assurance activities are reported in a clear and concise manner for all stakeholders, as well as seeking to identify root causes of the issues identified.
 - To support our partners in monitoring the implementation of high and medium priority internal audit recommendations, and other key findings from external inspectors or other assurance providers (e.g., Shared Anti-Fraud Service).
 - To support key transformation and change projects within our partner Council's through assurance and advisory services that provide real time insight into improvement opportunities and good governance.
 - To promote a culture of shared learning on good governance, risk management and internal control, through the sharing of good practice / emerging risks, completion of joint reviews and shared workshops.
 - To work with our partners to ensure that audit methodologies and approaches can adapt to the challenges of new ways of working and still maintain robust independent assurance.
 - To embrace and embed emerging internal audit techniques to ensure that our work can provide appropriate insight and support management in meeting statutory or best practice requirements.
 - To implement and maintain a Quality Assurance and Improvement Program (QAIP) covering planned quality activities to assess the efficiency and

APPENDIX D – SIAS Internal Audit Strategy & Service Plan

effectiveness of the internal audit activity followed by the completion of actions to address opportunities for improvement.

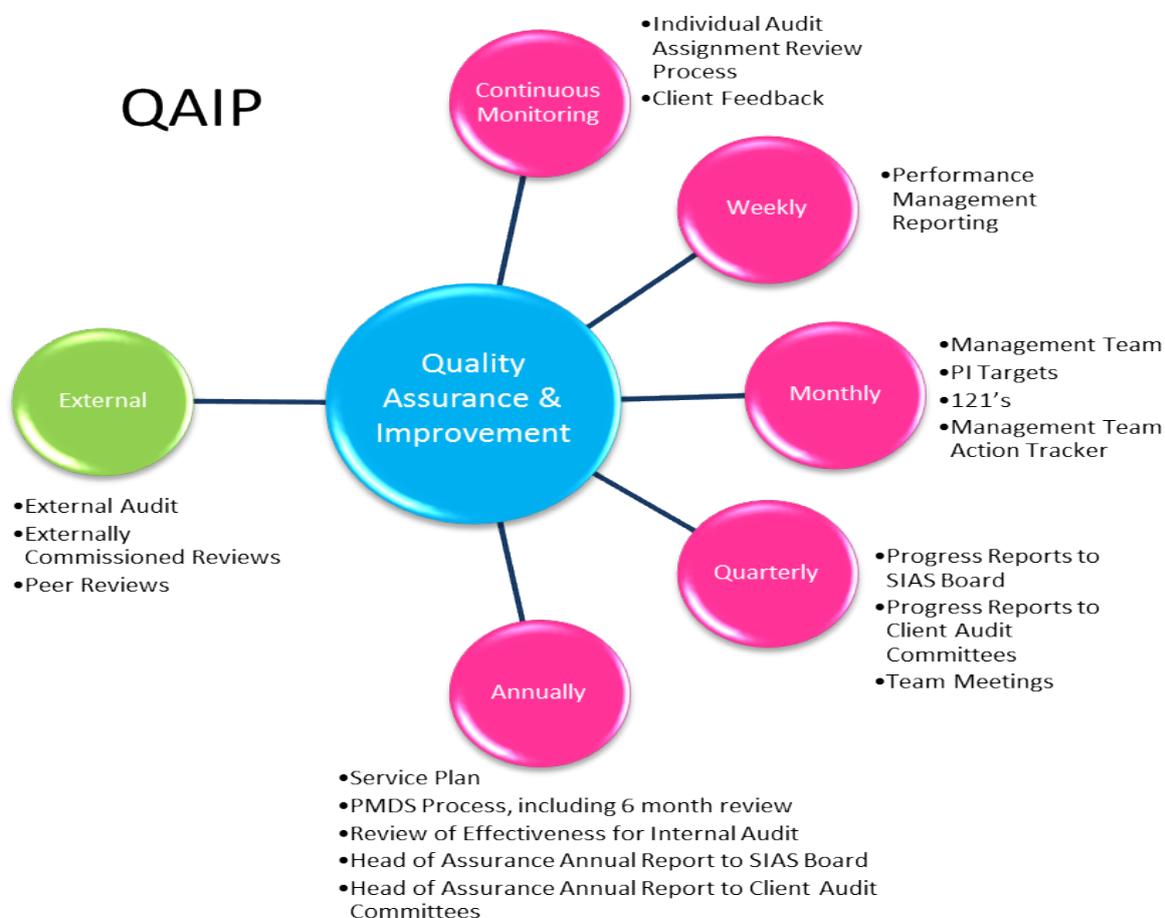
Resources

16. Achievement of our role and objectives is predicated on the matching of audit needs to available human resources through our work allocation processes. This is accomplished through the delivery of internal audit activities by a range of suitably qualified and experienced team members working flexibly in a matrix structure to maximise the value to all our partners and clients.
17. SIAS will utilise our internal audit delivery partner to provide service resilience and access to specialist skills not currently available within the service, or which are not economically viable to recruit and retain on a permanent basis.
18. The service will be adequately resourced to deliver the number of planned internal audit days commissioned through our partners internal audit plans and the requirements of our external clients.
19. Our structure is comprised of 20.45 FTE's; these being aligned to the 3347 internal audit days that SIAS is commissioned to deliver, this split between SIAS Partner commissions of 2955 days, and work delivered to external clients of 392 days.
20. Our internal resources are as follows:
 - 0.4 FTE Head of Assurance
 - 1 FTE Head of Shared Service / Client Audit Manager
 - 2.8 FTE Client Audit Managers
 - 2 FTE Assistant Client Audit Manager
 - 3 FTE Senior Auditors
 - 4.5 FTE Auditors
 - 4 FTE Trainee Auditors
 - 1 FTE Business Support & Development Officer
21. Our equivalent available resource from our delivery partner is as follows:
 - BDO (equivalent of 1.75 FTE)
22. The financial resource management of SIAS is described in the Budget and Medium-Term Financial Plan presented annually to the SIAS Board, and includes funding for training, professional development, conferences and other learning opportunities. This is integral to our 'grow your own' strategy. The SIAS Budget also contains funding for audit software and software licenses (technology) and the SIAS Reserve Strategy includes the potential for investment in further internal audit software, based on business need and subject to approval by the Board. These documents should be consulted for further detail.

APPENDIX D – SIAS Internal Audit Strategy & Service Plan

Measuring quality and performance

23. The GIAS (UK public sector) require SIAS to implement and maintain an ongoing QAIP (see diagram below) based on an annual self-assessment against the standards, supplemented at least every five years by a full independent external assessment.



24. The QAIP includes the continuous reporting of key performance indicators (KPIs) and other measures focusing on delivery of internal audit plans for our partners and clients, service quality, productivity, efficiency, conformance with professional standards, value and good governance. These are summarised in the table below:

| Performance Indicator | Performance Target / Reporting |
|--|--------------------------------|
| Annual Internal Audit Plan Delivery – the percentage of the Annual Internal Audit Plan delivered (excludes contingency) | 95% |
| Project Delivery – the number of projects delivered to draft report stage against projects in the approved Annual Internal Audit Plan | 90% |

APPENDIX D – SIAS Internal Audit Strategy & Service Plan

| Performance Indicator | Performance Target / Reporting |
|--|---|
| Project Completion – delivery of all planned projects to final report stage prior to the publication of the CAE annual assurance statement and opinion. | 100% |
| Client Satisfaction - percentage of client satisfaction questionnaires returned at 'satisfactory' level. | 90% |
| Staff and Training – percentage of our staff that are actively studying towards, or have obtained, a relevant professional qualification. | Head of Service and Client Audit Managers (Chief Audit Executives) – 100% All Staff – 80% |
| Internal Audit Annual Plan Report | Approved by the March Audit Committee or the first meeting of the financial year should a March committee not meet. |
| Chief Audit Executive's Annual Report (incl. Annual Assurance Opinion) | Presented to the first meeting of each Audit Committee in the new financial year. |
| Implementation of critical, high, and medium priority (where relevant to partner) recommendations | Presented as part of regular internal audit progress updates to Audit Committee |
| Conformance with GIAS (UK public sector) – annual self-assessment or five-yearly external assessment; including areas of non-conformance. | Reported annually as part of the Chief Audit Executive's Annual Report. |

25. The SIAS teams' individual performance is assessed through regular supervision and performance development and management meetings, as well as the outcomes of quality reviews and customer feedback for each internal audit assignment. Client satisfaction survey responses are reviewed, and improvement actions implemented as necessary.
26. Our co-sourced delivery partners performance is monitored through contractual KPIs and contract management meetings. We will also continue to explore performance measures used both within local government and other sectors.
27. Membership of the Chartered Institute of Internal Auditors Local Authority Heads of Internal Audit Forum, the Home Counties Chief Internal Auditors' Group, Audit Together (strategic alliance of similar shared services) and the Local Authority Chief Auditors' Network are crucial for sharing experiences, keeping up to date with

APPENDIX D – SIAS Internal Audit Strategy & Service Plan

technical and professional developments, benchmarking good practices and ensuring consistency of approach with our peers in the sector.

SIAS Service Plan 2026/27

Purpose

The SIAS Service Plan sets out the key activities that SIAS will be undertaking during 2026/27 to support the delivery of our key strategic objectives, primarily meeting statutory requirements, driving our service growth, and fostering a culture of continuous improvement.

Overview of Current Position and Developments

The internal audit landscape continues to evolve, with significant challenges faced by many internal audit teams in securing the appropriate resources, skills, and engagement to provide high quality and robust assurance to our customers.

- The revised Global Internal Audit Standards were launched during 2024/25, with a mandatory implementation date of 1st April 2025 for UK local authorities. SIAS will also be subject to our next External Quality Assessment (under the Global Internal Audit Standards) in 2026/27, thereby meaning that it is critical that SIAS can successfully demonstrate how the revised standards are being applied.
- Internal Audit is a specialist profession and therefore challenges continue across the sector in maintaining a pipeline of sufficiently qualified and experienced staff to fill critical roles such as Audit Managers and Chief Audit Executives.
- The financial landscape for all Local Authorities remains challenging, with these providing pressures in resourcing the Internal Audit function, which in the case of SIAS is the need to generate additional income to reduce financial pressures on our Partners in resourcing the function.
- The above financial pressures are also creating a backdrop of wider challenges for Local Authorities in terms of delivering sustainable critical services, this leading to a landscape of increasing risk, high degrees of transformation and the potential for dilution of governance or internal control arrangements as organisational resources reduce.
- We continue to monitor the progress of Devolution and Local Government Re-organisation within Hertfordshire, particularly considering the role that should be played by SIAS to provide assurance to our Partner Councils during the preparation and transition process, and the future structures for providing Internal Audit services post transition.

The above highlights the need for SIAS to use resources effectively, explore innovative ways of delivering assurance and maintain a full awareness and adherence to key professional standards.

APPENDIX D – SIAS Internal Audit Strategy & Service Plan

Our Key Service Plan Priorities for 2026/27

| Objective | Key Area of Focus | Lead / Timescale |
|--|---|---|
| To ensure that the service has a workforce with sufficient skills to meet professional standards and deliver our core service commitments to our Partners. | To continue to review and enhance our approach to developing internal staff to allow internal candidates to be able to progress to key hard to fill roles such as Senior Auditor, Assistant Audit Manager and Client Audit Manager. | SIAS Management Team – March 2027 |
| To commission, prepare for and participate in our five-yearly External Quality Assessment, as required under the Global Internal Audit Standards. | In line with the requirements of the Global Internal Audit Standards, SIAS are required to commission an External Quality Assessment during 2026/27. Significant work will be required by the SIAS management team to prepare the required evidence to support the assessment and demonstrate how SIAS conforms with the GIASs. | SIAS Management Team – October 2026 |
| To formalise an approach to providing assurance to SIAS Partners in relation to Local Government Re-organisation. | SIAS will continue to work with the SIAS Board and Audit Committees to determine the most appropriate methods for providing assurance on governance, risk management and internal control arrangements during the process of Local Government Re-organisation in Hertfordshire. | SIAS Management Team – Ongoing during 2026/27 |
| To provide clear outputs from assurance activities | Following the successful embedding of the revisions to the SIAS audit report template, we will seek to revisit the format of other key documents and reports such as our Terms of Reference (for audit assignments), Audit Committee progress reports and SIAS Annual Assurance Opinion Reports. | SIAS Management Team and SIAS Team Members – March 2027 |
| To embed the use of data analytics and continuous assurance methodologies to improve the level of insight and depth of assurance provided within our work. | To actively participate within the Local Authority Chief Auditors Network working group on data analytics to identify any potential good practice that can be applied across the service. | SIAS Management Team – March 2027 |

APPENDIX D – SIAS Internal Audit Strategy & Service Plan

| Objective | Key Area of Focus | Lead / Timescale |
|---|--|---|
| To provide a financially sustainable internal audit shared service partnership. | Deliver key external business income targets for 2026/27. Continuing to market SIAS as a provider of high-quality internal audit Services. Developing and refining approaches to identifying and bidding for external business opportunities, using experience gained from successful and unsuccessful bids. | Head of SIAS & Head of Assurance – March 2027 |

East Herts Council Report

Audit and Governance Committee

Date of meeting: Tuesday 24 February 2026

Report by: Councillor Carl Brittain – Executive Member for Financial Sustainability

Report title: Strategic Risk register Quarter 3 Monitoring

Ward(s) affected: (All Wards);

Summary – This report provides the Committee with the corporate risk register for Quarter 3 of 2025/26 and sets out how East Herts manages these risks. It also includes an update on the recent internal audit report on the Council's risk management arrangements.

RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE:

- a) The 2025/26 quarter three corporate risk register and actions being taken to control and mitigate risk be considered and noted.
- b) That the actions being taken following the recent internal audit report on the Council's risk management arrangements be noted.

1. 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. As part of the Council's routine governance and assurance arrangements, an internal audit of the Council's risk management framework was carried out in December 2025. This periodic review forms part of good practice to ensure that the Council's

approach to identifying and managing risk remains robust, up to date.

2. Internal Audit Review

- 2.1. The internal audit of the Council’s risk management arrangements, carried out in December 2025, reviewed the effectiveness of the Council’s overall framework, including policies, roles and responsibilities, risk registers and training provisions. The audit formed part of routine good-practice assurance activity and assessed whether the Council’s risk management processes are being applied consistently across the organisation.
- 2.2. The audit confirmed that the Council has a structured and documented approach to risk management, supported by an up-to-date Risk Management Strategy and a defined five-stage risk cycle. It also highlighted areas where further strengthening would enhance consistency, transparency, and operational assurance across the organisation.
- 2.3. The following recommendations and actions came out of the review.

| Recommendation | Action |
|--|--|
| Improve clarity and consistency of risk descriptions in the Strategic Risk Register. | Risk owners to review and update risks using a clearer structure. |
| Strengthen operational risk management across all directorates. | Directors to evidence operational and project-level risk arrangements. |
| Provide refresher training for Members and risk owners. | Training sessions to be arranged during 2026. |
| Add target risk scores and risk direction indicators to the Strategic Risk | Strategic Risk Register now |

| Recommendation | Action |
|---|---|
| Register. | incorporate this. |
| Develop practical operational risk-management tools and guidance. | Additional guidance and templates to be created and issued. |

- 2.4. To further strengthen the Council’s oversight of risk management, the Leadership Team has introduced a programme of deep dives, each focusing on the strategic and operational risks of one directorate. This will provide dedicated time to review and challenge risks in detail, ensure that risks are clearly defined and consistently articulated, and support the identification of areas where Leadership Team attention or resources may need to be prioritised.
- 2.5. The first review focused on the Place Directorate, where the service outlined its key operational risks and the issues, they consider most significant. This provided Leadership Team with an initial overview of the directorate’s risk profile and set the foundation for a rolling monthly programme of reviews. Each month, a different directorate will present its risks to Leadership Team, and once all directorates have been considered, Leadership Team will reflect on the overall picture and determine where risks should remain at service level, where they may need to be escalated corporately, and where the Council may choose to acknowledge and accept certain risks.
- 2.6. In addition, dedicated risk management training will be provided for Members in June. This will be a focused, in-person session and will be recommended for all Audit & Governance Committee members, while also being open to any other Members who wish to attend. If Members have particular areas of risk management, they would like the session to focus on, they will be encouraged to share these in advance so the training can be tailored to their needs and support consistent understanding of the Council’s approach.

2.7. Officer training will also be provided to strengthen understanding of how to clearly articulate risks, assess their impact, and develop appropriate mitigations, ensuring a consistent and robust approach across all services.

3. Risk Register result for quarter 3

3.1. Leadership Team has set a risk tolerance level. Risks above the tolerance level 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 | | 9 | | 1, 2, 6 |
| | C | | 3, 4, 7 | 8 | |
| | D | | 5 | | |

Table 1 Risk Score

3.2. 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

- 3.3. The risk scores reflect control and mitigation measures (Residual scores) rather than the Inherent (before any action is taken to control) scores.
- 3.4. Between Quarter 2 and Quarter 3, the overall risk profile remained broadly stable, with almost all risks retaining the same residual impact and likelihood scores across the two periods. The only movement recorded was for the Climate Change risk, where the residual likelihood increased (from B3 in Q2 to B4 in Q3). This reflects the continued absence of planning permission for the Amwell depot site, despite earlier projected timelines. The planning aspects of the Amwell redevelopment are directly linked to our ability to adapt the estate to increasing flood risk associated with climate change. As the risk on the register relates specifically to mitigation and adaptation measures, the delay in securing

planning approval heightens the likelihood that these essential adaptation works cannot proceed as scheduled.

- 3.5. All other risks remained in the same scoring position, and no new risks were added or removed from the register.
- 3.6. Aside from the single movement in the Climate Change risk, there was also a structural enhancement to the register in Quarter 3, with the introduction of target scores and movement indicators. These additions are intended to help readers quickly identify whether any changes have occurred and to provide clearer visibility of the direction of travel for each risk, including where the Leadership Team aims for the risk position to move over time.

4. 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. Background papers, appendices and other relevant material

5.1. Appendix A Corporate Risk Register

Contact Member Councillor Carl Brittain, Executive Member for Financial Sustainability

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| Risk Reference Risk Title | Risk Owner | Impact | Likelihood | Likelihood reduction | Target Score | Impact Mitigation | Movement Direction | Residual Impact | Residual Likelihood | Progress Update |
|---|----------------|--------|------------|--|--------------|--|-----------------------|--------------------|------------------------|--|
| 1 - Financial Resources - Expenditure exceeds the resources available to the Council, caused by continued reductions in external funding, increasing service demand, and inflationary pressures, which could lead to the s.151 Officer issuing a Section 114(3) notice, triggering a public interest report and significant financial and governance consequences. | Brian Moldon | A | 4 | The Updated Medium Term Financial Plan (January 2026) sets out reductions in net expenditure to address ongoing real-terms reductions in Council funding. The annual savings plan has been refreshed, establishing new savings targets over the medium term. The Council continues to deliver efficiency improvements and modernise service delivery, including expanding digital access so customers can self-serve 24/7 and reducing reliance on more costly traditional channels. Non-essential capital expenditure has been reduced, and asset disposals have been approved to realise capital receipts that will be used to pay down debt. | B 3 | A Section 114 report would require the appointment of Commissioners but may also enable access to Government support. CIPFA support is being sought ahead of reaching any Section 114 threshold to ensure robust financial oversight. Government support is being explored, although greater flexibility on capital receipts or borrowing could be counter-productive at this stage. A revised BEAM business plan is scheduled for further update in 2026/27. | ← → | B | 4 | The savings schedule has been reviewed and updated within the 2026/27 Budget papers. Monthly budget monitoring meetings with the Leadership Team are ongoing. The updated Medium Term Financial Plan was presented to the January 2026 Executive. The accelerated asset disposal programme has commenced. |
| 2 - Climate Change - Lack of mitigation of and adaptation to climate changes (a) requires expenditure to amend services and/or (b) requires new services, both/either putting financial pressure on the council | Jonathan Geall | A | 4 | Declaration of Climate Emergency by Council Reducing carbon emissions from council operations - Climate Change Action Plan Building adaptation into service design Seeking to influence residents to reduce carbon footprint for the district | B 3 | 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 | 4 | Increase in recognition that Amwell depot site still without planning permission despite earlier projected timeline Adaption risk assessment complete. All vehicles in council fleet now BEVs and in waste contract management that came in effect in May is using electric smaller vehicles and has switched from diesel to hydrogenated vegetable oil (HVO). Council's carbon emissions report, which includes a discussion of routes to net zero carbon, has been published. |
| 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. | Sara Saunders | 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. | C 2 | Programme of work agreed for the preparation of 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. | ← → | 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, LCWIP, Bishop's Stortford Employment Study 2026, and Strategic Flood Risk Assessment (SFRA). •Applied for New System Plan Funding. •Committed to publishing our notice of intention to commence local plan preparation by 30 June 2026. •Committed to publishing our Gateway 1 self-assessment by 31 October 2026. |
| 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 | James Ellis | 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 | C 2 | Local Authority Trading Company ready to activate to take over service provision Business Continuity Plans Performance Bonds or parent company guarantee | ← → | 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. |
| 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 | James Ellis | 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 | D 1 | 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. |
| 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. | Helen Standen | 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. | B 3 | 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. | ← → | 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. |
| 7 - Major Data Breach - A major data breach of sensitive personal data occurs causing reputational damage and the Information Commissioner to fine the Council | James Ellis | A | 3 | Mandatory staff training Laptop/mobile device security Confidential waste shredded | C 1 | 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. |
| 8 - Staff and skills - Recruitment and retention difficulties result in the lack of the right staff to deliver services leading to increased costs, service backlogs and failures. Staff are not necessarily 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. | Sara Saunders | B | 4 | Monitor recruitment activity, retention rates and impact on service delivery. Review of corporate learning and development programme in light of LGR. Commercial skills training requirements identified. Annual learning and development opportunities identified as part of the annual review process. | C 3 | | ← → | C | 3 | A revised Leadership Team structure has been taken forward 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. |
| 9 - Lack of election candidates - As LGR reaches a conclusion, and elections are held for the shadow authority, that the District Council experiences a scarcity of people willing to stand for election and serve as councillors at the District level, especially since the District Council would only have a limited time left until it ceased to exist. | Helen Standen | A | 2 | There has not been any suggestion that standing for election for the shadow authority would preclude a councillor from remaining as a councillor at District level. The risk would be reduced if the government were to legislate to do away with the need for elections at District level in 2027, which is when East Herts would next be going out to election. It is also unlikely that there would be no candidates at all willing to stand for election. | B 2 | So long as the council is quorate, then a scarcity of candidates would not impact on the council's ability to conduct its business per se. Senior officers could speak with group leaders to ensure that they are identifying suitable candidates for any upcoming elections. | ← → | B | 2 | Continued monitoring of position as the LGR programme reaches its conclusion. |

East Herts Council Report

Audit and Governance Committee

Date of meeting: Tuesday 24 February 2026

Report by: Councillor Carl Brittain – Executive Member for Financial Sustainability

Report title: Financial Management 2025/26 - Quarter 3 Forecast to year end

Ward(s) affected: All

Summary

This report summarises the Council's financial performance for quarter 3, highlighting the expected year-end position for both revenue and capital budgets.

The Council's net revenue budget for 2025/26 is £20.134 million. Based on spending up to 31 December 2025, we are currently forecasting that we will overspend by £505,000 by the end of the financial year.

For capital projects, the revised capital budget for 2025/26 is £11.885 million. We now expect to spend £9.38 million this year, which is £2.505 million less than planned.

RECOMMENDATIONS FOR Audit and Governance

- a)** Note and consider the projected £505k overspend on the 2025/26 revenue budget.
- b)** Agree the inclusion of an additional £400k UK Shared Prosperity Fund (UKSPF) grant for capital projects, and its addition to the capital programme.
- c)** Note and consider the forecast £2.505 million underspend on the 2025/26 capital programme and the currently anticipated £1.14 million carry-forward, which remains subject to change at year-end.

1.0 General Fund

- 1.1. The Council approved the 2025/26 Medium Term Financial Plan (MTFP), revenue budget and capital programme on 26 February 2025. For 2025/26, the net revenue budget is £20.133 million. The table below shows this budget alongside the quarter 3 forecast position. A full breakdown of the budget and forecast is provided in Appendix A, with explanations of the main 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 | 16,827 | 906 |
| Total corporate budgets | 4,377 | 3,619 | (758) |
| Total reserve movements | (164) | 193 | 357 |
| Net Revenue Budget | 20,133 | 20,638 | 505 |
| Total funding | (7,008) | (7,008) | - |
| Funded by Council Tax | (13,131) | (13,131) | - |
| Overspend/Underspend | (6) | 499 | 505 |

- 1.2. The forecast for the Net Cost of Services has improved slightly since quarter 2, with a £4k reduction in the expected overspend.
- 1.3. Appendix B provides details of all key variances. Two areas have seen the largest adverse movements since quarter 2:
- Place – Planning: an adverse movement of £216k, mainly due to increased pressures from salary and agency costs.
 - Regeneration, Customer & Commercial – BEAM: an adverse movement of £191k, driven by income not meeting the expected target.
- 1.4. There have also been several significant favourable movements since quarter 2:
- Place – Leisure: an improvement of £142k, following the new agency arrangement with Everyone Active, our leisure operator.

- Centrally Managed Costs: an improvement of £85k, linked to treasury management fees. This budget was reviewed in detail during quarter 3, and an underspend is now forecast.
 - Finance, Risk & Performance: a favourable variance of £126k due to the release of contingency funds to help offset overspends within BEAM.
- 1.5. A £357k overachievement is currently forecast against the investment and interest income budget. This reflects stronger-than-expected returns on the Council’s investments and the treasury management decisions made during the year. In line with the reserves policy, it is proposed that a contribution is made to the Interest Equalisation Reserve.

2. Capital Programme

- 2.1. The capital budget for 2025/26 has been revised to £11.885 million, which includes an additional £400k from the UK Shared Prosperity Fund (UKSPF) for new capital projects. The forecast outturn shows a £2.505 million underspend for the year, of which £1.114 million is currently expected to be carried forward. A summary of the capital programme is provided below, with further detail available in the Appendix.

| Table 2: Capital Programme and Forecast outturn and carry forwards | Revised Budget 2025/26 | Forecast Outturn 2025/26 | Variance 2025/26 | Carry forward to 2026/27 |
|---|-------------------------------|---------------------------------|-------------------------|---------------------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Land and Buildings | 2,019 | 413 | (1,607) | 782 |
| Infrastructure | 38 | 33 | (5) | - |
| Vehicles, Equipment and Intangible Software | 8,870 | 8,180 | (690) | 128 |
| Community Assets | 349 | 270 | (79) | 79 |
| Revenue Expenditure funded as Capital under Statute (REFCUS) | 609 | 484 | (125) | 125 |
| Capital Programme Total | 11,885 | 9,380 | (2,505) | 1,114 |

- 2.2. A total underspend of £2.505 million is currently forecast, made up of the following areas:
- Investment in Operational Assets: £392k underspend, with no expenditure now expected in 2025/26. It is proposed that this is carried forward to 2026/27.

- BEAM: £292k underspend, of which £81k is proposed to be carried forward to fund the outstanding Section 278 works.
- Old River Lane: £146k underspend, with £59k proposed to be carried forward to 2026/27 to meet the cost of public square design work.
- Pinehurst Community Hall: £172k underspend due to the transfer of the community hall to an external charity.
- Capital Contingency: No expenditure is expected against the £250k budget in 2025/26, and it is proposed that this is carried forward to 2026/27.
- ICT Rolling Programme: £275k underspend, with no further spend expected this year.
- Transformation Programme: £305k underspend, with £18k proposed to be carried forward to 2026/27.
- Parks & Open Spaces: £79k underspend, as Section 106 project work has not yet commenced and is now expected to be completed in 2026/27. A carry-forward is therefore proposed.
- UK Shared Prosperity Fund (UKSPF) Projects: £235k underspend. As these projects are expected to be delivered in 2026/27, ahead of the UKSPF deadline of September 2026, it is proposed that this budget is carried forward.

3. Debtors

- 3.1. At the end of December (Q3), outstanding debt stood at £2.350 million, which is an increase of £383k compared with the £1.967 million reported at quarter 2. However, it is important to note that £819k of the debt in the 30-day category relates to regular payments from neighbouring local authorities, which will be paid when due. Excluding this, the underlying debt has reduced by £435k, bringing it down to £1.532 million.
- 3.2. Debt over 180 days old stands at £1.029 million, which is a small improvement of £25k compared with the position reported at quarter 2.

3.3. Chasing outstanding debt continues to be a priority for the Exchequer Team. A detailed breakdown of the aged debt profile is provided in Appendix D.

4. Reasons

- 4.1. Section 28 of the Local Government Act 2003 requires the Council to monitor its budget and to review the adequacy of its reserves and balances throughout the year. East Herts Council's financial management framework supports this by requiring quarterly reports to the Audit and Governance Committee and the Executive, including forecasts to year-end.
- 4.2. The Executive is required to consider these budget forecasts and ensure that appropriate action is taken where there are spending pressures or shortfalls in income, so that the Council's overall financial resources are not exceeded.

5.0 Implications/Consultations

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 contained in the 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

| Appendices | |
|------------|--|
| A | 2025/26 Revenue Budget & Forecast Outturn |
| B | 2025/26 Significant variances |
| C | 2025/26 Capital Programme and Forecast Outturn |
| D | Quarter 3 Debtors position |

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2025/26 Revenue budget - Qtr 3 Forecast outturn position

Appendix A

| | | 2025/26 budget | Forecast outturn | Q3 Variance | Q2 Variance (Memo item) |
|--|---|-------------------|---------------------|--------------|-------------------------------|
| | | £'000 | £'000 | £'000 | £'000 |
| Net Cost of Services | Chief Exec & Corp Support Team | 305 | 276 | (29) | (37) |
| | Communities | 2,167 | 2,644 | 478 | 413 |
| | Centrally Managed Costs | 853 | 607 | (247) | (68) |
| | Legal Policy & Governance | 5,062 | 5,035 | (28) | 58 |
| | Place | 4,655 | 4,791 | 136 | (20) |
| | Regeneration Customer & Commercial Services | (2,186) | (1,244) | 942 | 708 |
| | Finance, Risk Performance | 5,065 | 4,719 | (346) | (242) |
| | Total Net Cost of Services | 15,921 | 16,827 | 906 | 811 |
| Corporate Budgets | Fees & charges annual review | (100) | (100) | - | |
| | Minimum Revenue Provision | 1,634 | 1,431 | (203) | (203) |
| | Interest Payments on loans | 3,269 | 3,071 | (198) | (198) |
| | Interest & Investment income | (1,000) | (1,357) | (357) | 29 |
| | Pension Fund Deficit contribution | 637 | 637 | - | |
| | Executive Savings approved 2024/25 budget round | (63) | (63) | - | |
| | Corporate Budgets Total: | 4,377 | 3,619 | (758) | (372) |
| Use of Reserves | Contributions to Earmarked reserves | - | 357 | 357 | 70 |
| | Contributions from Earmarked reserves | (164) | (164) | - | - |
| | Net Use of Reserves: | (164) | 193 | 357 | 70 |
| Net Cost of Services Total: | | 20,133 | 20,638 | 505 | 509 |
| 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) | - | - |
| | New Burdens Funding - food waste collection | - | - | - | - |
| | Revenue Support Grant | (141) | (141) | - | - |
| | New Homes Bonus Grant | (1,193) | (1,193) | - | - |
| Non Departmental Budgets Total: | | (20,139) | (20,139) | - | - |
| Total: | | (6) | 499 | 505 | 509 |

Appendix B - Summary of Significant Variances - Quarter 3 2025-2026

| Budget Area | 2025-26 Budget £ 000's | Q3 Forecast Outturn £ 000's | Variance £ 000's | Q2 Forecast Outturn £ 000's | |
|---|---------------------------|-----------------------------------|---------------------|-----------------------------------|---|
| Chief Exec & Corp Support Team | 305 | 276 | (29) | 267 | The service shows a £8K adverse movement from Q2 - The variance to date relate to staffing |
| Communities | 2,167 | 2,644 | 478 | 2,666 | The service shows a £21K improvement from Q2 |
| Strategic Property | 1,163 | 1,603 | 440 | 1,567 | Strategic Property is forecasting a £440k budget pressure. The main element of this relates to Rapier House, which accounts for £264k. This includes: 1. £115k in lost rental income, as the building is not generating rent during its current use. 2. £129k in security costs, which are required to ensure the site remains safe and compliant while it is being used for operational purposes by the grounds maintenance contractor. 3. £20k in utilities costs linked to the temporary relocation of the grounds maintenance contractor from the Buntingford Depot following the Waste Contract changes. There is also a £113k pressure at the Northgate End flats, driven by essential security and council tax costs while the properties are not in use. In addition, 14-16 Water Lane is currently vacant, resulting in a £35k shortfall in rental income. Mitigation: Rapier House rental income been removed from 26/27 budgets, remaining pressure will go, once the Ground Maintenance contractor moves out. Northgate End pressure will also go, once the sale of Northgate End happens |
| Housing Service | 425 | 428 | 4 | 515 | As at Q3 Housing is still close to a balanced forecast, it is worth noting that Temporary Accommodation which is grant funded is running at a higher rate than last year with a current forecast spend of £847k, the prior year was £607k. There have also been some increased costs on Hostels however this still remains with budget. |
| Licensing & Enforcement | 71 | 147 | 76 | 128 | Licensing & Enforcement is reporting an budget pressure of £76k. The main elements contributing to this are: 1. £26k pressure on licence fees. 2. £36k shortfall because a staff recharge to another council has ended, so the income previously used to offset staffing costs is no longer received. 3. £18k cost pressure on Markets. 4. £14k pressure on agency staffing, which has been required to maintain service delivery while vacancies are being filled. Mitigation: the £36K budget has been removed from the 2026/27 proposed budget. |
| Community & Well being Partnershi | 451 | 383 | (68) | 375 | This is due staff vacancies that are being held. |
| Other Variances | 58 | 83 | 25 | 81 | Minor variances |
| Centrally Managed Costs | 853 | 607 | (247) | 692 | The service shows a £85k favourable movement from Q2, as a result of reduced cotreasury management costs |
| Legal Policy & Governance | 5,062 | 5,035 | (28) | 5,120 | The service shows a £85K improvement from Q2 |
| Improvement and Insight | 292 | 345 | 53 | 354 | There is a £41k income target for staff recharges to other councils, but this can no longer be met as the arrangement has now ended. Mitigation: the £41K budget has been removed from the 2026/27 proposed budget. |
| Legal Services | 427 | 352 | (75) | 399 | The underspend arises from vacancy savings, partly reduced by pressure on court costs. |
| Waste Services | 3,312 | 3,256 | (56) | 3,321 | There are some small remaining variances while the final contract costs are being confirmed with Veolia, the new contractor. North Herts, as the lead authority, is still completing this process. The current forecast reflects our best estimate of the agreed costs and expected inflation. |
| Democratic Services | 944 | 990 | 46 | 982 | Staffing pressure which is being supported the underspend on staffing in Legal services. |
| Other Variances | 88 | 91 | 3 | 64 | minor variances |
| Place | 4,655 | 4,791 | 136 | 4,634 | The service shows a £156K adverse movement from Q2 |

| Budget Area | 2025-26 Budget £ 000's | Q3 Forecast Outturn £ 000's | Variance £ 000's | Q2 Forecast Outturn £ 000's | |
|--|---------------------------|-----------------------------------|---------------------|-----------------------------------|---|
| Planning and Gliston Garden Town | 2,308 | 2,397 | 89 | 2,181 | The main pressure remains staffing. The combined cost of salaries and agency staff is creating a £535k pressure. This is down to difficulties in recruiting to certain key posts and the use of temporary staff to support the work. Recruitment to permanent roles has been challenging reflecting the national picture with a shortage of experienced planners. Further options are being reviewed to reduce agency use. There is also a new £26k cost for archaeological work recharged by Hertfordshire County Council The overall position is partly offset by the underspend on the Gilston project, where £589k of costs previously expected this year are now likely to fall into a future year. This significantly reduces the net impact of pressures elsewhere. |
| Land charges | (19) | 40 | 59 | 37 | Land charge income is showing a pressure based on performance to date. Uncertainty in the housing market is having an impact on activity due to speculation of what the November budget in relation to further tax changes, plus the dampening effect of the SDLT implemented last April. |
| Parks & Open Spaces | 1,457 | 1,464 | 8 | 1,409 | The Parks forecast has increased by £56k since Q2, which removes the previously reported underspend. The service is now showing a small overall pressure of £8k. This change is mainly due to a higher-than-expected amount of essential tree work needed to keep sites safe for the public. These costs are unavoidable and have been greater than originally anticipated. To help manage the position, spending on materials and equipment is being limited to what is strictly necessary for the rest of the year. |
| Leisure Services | (888) | (890) | (2) | (748) | The Q2 pressure of £140k has reduced by £142k in Q3. This improvement is mainly due to the new agency arrangements with Everyone Active, which have had a positive knock-on effect on the VAT position. |
| Environmental Health | 1,062 | 1,044 | (19) | 1,058 | Minor variances - staffing |
| Other Variances | 734 | 735 | 1 | 698 | Minor variances |
| Regeneration Customer & Commercial Services | (2,186) | (1,244) | 942 | (1,471) | The service shows a £227K adverse movement from Q2 |
| Carparking | (3,353) | (2,955) | 397 | (2,976) | The Parking position has worsened by £21k since Q2, mainly due to additional property maintenance costs across the three towns. Despite this movement, the overall position remains very similar to what was previously reported. The two main cost pressures are unchanged: 1. £210k pressure from business rates on the three multi-storey car parks, and 2. £165k pressure relating to the cleansing contract. Parking income continues to perform well and is broadly on track to meet the £5.079m target for the year. Mitigation: The business rates pressure has been resolved in 2026/27 through the increase in budgets. There has also been a number of appeals submitted to the VOA for consideration. |
| Beam - Theatre | (200) | 258 | 458 | 67 | The Theatre is now forecasting a £458k pressure, which is an adverse movement of £191k since Q2. This means that instead of delivering the planned £200k surplus, BEAM is currently forecast to make a £258k loss for the year. This change reflects a combination of lower-than-expected ticket income across the Cinema and Theatre programmes, and the impact this has had on related income lines such as food and beverage sales. The catering offer also launched later than originally planned, which has reduced income in the early part of the year. Mitigation: A revised business plan will come to Members in 2026/27 for the theatre. |
| Customer Services | 960 | 994 | 34 | 1,001 | Minor staffing variances |
| Comms & Digital Media | 401 | 458 | 57 | 436 | A net pressure due to agency costs covering the ORL project. |
| Other Variances | 6 | 1 | (5) | 1 | minor variances |
| Finance, Risk Performance | 5,165 | 4,819 | (346) | 4,923 | |
| ICT Shared Service | 2,971 | 2,851 | (120) | 2,830 | The ICT shared service is reporting an underspend due to staffing vacancies. This underspend has reduced in Q3 by £21k, reflecting changes in the staffing position during the quarter. |

| Budget Area | 2025-26 Budget £ 000's | Q3 Forecast Outurn £ 000's | Variance £ 000's | Q2 Forecast Outurn £ 000's | |
|------------------------|---------------------------------------|---|-----------------------------|---|--|
| Other Variances | 2,194 | 1,968 | (226) | 2,094 | Underspends against budget relates to release of provision held to mitigate overspends, in 2025/26 to be utilised to mitigate part of the overspend forecast at BEAM |
| Total Variances | 16,021 | 16,927 | 906 | 16,831 | |

Capital Forecast Outturn Quarter 3 - December 2025

| | Revised Budget | Forecast Outturn | Variance | Forecast Carry Forward |
|---|----------------|------------------|----------------|------------------------|
| | 2025/26 | 2025/26 | 2025/26 | 2025/26 |
| | £'000 | £'000 | £'000 | £'000 |
| Land and Buildings | | | | |
| Investment in operational assets | 392 | 0 | (392) | 392 |
| Buntingford Depot | 681 | 327 | (354) | - |
| Hertford Theatre (BEAM) | 311 | 19 | (292) | 81 |
| Old River Lane and Arts Centre | 205 | 59 | (146) | 59 |
| Pinehurst Community Hall | 180 | 8 | (172) | - |
| Capital contingency- major projects | 250 | 0 | (250) | 250 |
| Infrastructure | | | | |
| Bridges | 38 | 33 | (5) | - |
| Vehicles and Equipment | | | | |
| Rolling programme to be utilised on ICT projects subject to ITSG review | 399 | 124 | (275) | - |
| BEAM - Website replacement | 51 | 51 | 0 | |
| UKSPF - BEAM Solar Panels | 60 | 0 | (60) | 60 |
| UKSPF - Hartham Decarbonisation | 50 | 0 | (50) | 50 |
| Refuse & Recycling - cleansing vehicles | 6,130 | 6,130 | 0 | - |
| Refuse & recycling - containers | 1,680 | 1,680 | 0 | - |
| Transformation Programme | 500 | 195 | (305) | 18 |
| Community Assets | | | | |
| Hertford Castle Grounds - Development Phase - HLF | 270 | 270 | 0 | - |
| Parks & Open Spaces | 79 | 0 | (79) | 79 |
| Revenue Expenditure Funded as Capital Under Statute (REFCUS) | | | | |
| Warmer Homes - WH:LG | 319 | 319 | 0 | - |
| UKSPF - Various | 290 | 165 | (125) | 125 |
| Current Capital Programme Budget Total | 11,885 | 9,380 | (2,505) | 1,114 |

Appendix D

EastHerts District Council - Aged Debt Analysis - December 2025

| Outstanding Debt as at December 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 Dec | 2,350.9 | 1,139.6 | 36.6 | 78.1 | 33.5 | 33.4 | 1,029.7 |
| Outstanding Debt 30 Sept | 1,967.7 | 300.7 | 191.0 | 224.6 | 123.1 | 73.9 | 1,054.4 |
| Increase / (Decrease) | 383.2 | 838.9 | (154.4) | (146.5) | (89.6) | (40.5) | (24.7) |
| Percentage Spread of Debt Across Periods | | | | | | | |
| | | 48% | 2% | 3% | 1% | 1% | 44% |
| Percentage (Reduction) / Increase in Debt from 30 Sept | | | | | | | |
| | 19% | 279% | (81%) | (65%) | (73%) | (55%) | (2.3%) |

Agenda Item 11

East Herts Council Report

Audit and Governance Committee

Date of meeting: Tuesday 24 February 2026

Report by: Councillor Carl Brittain – Executive Member for Financial Sustainability

Report title: 2025/26 Accounting Policies

Ward(s) affected: (All Wards);

Summary – To seek approval for the accounting policies to be used as the basis for preparation of the 2025/26 Statement of Accounts.

RECOMMENDATIONS FOR AUDIT & GOVERNANCE COMMITTEE

- a) That the accounting policies set out in Appendix A, be approved for use in the 2025/26 Statement of Accounts.

1.0 Proposal(s)

1.1 For the financial year 2025/26 the Council must publish its draft Statement of Accounts by 30th June 2026. It is best practice for Audit and Governance Committee to consider the accounting policies ahead of the production and publication of accounts.

2.0 Background

2.1 The accounting policies adopted by the Council determine the accounting treatment that is applied to transactions during the financial year and in the preparation of the Statement of Accounts. The accounting policies are published within the Statement of Accounts document in accordance with the Code of Practice on Local Authority Accounting and incorporate the requirements of International Financial Reporting Standards (IFRS).

3.0 Reason(s)

3.1 Officers have assessed the accounting policies that are deemed necessary to explain clearly and underpin the accounting treatment of transactions within the Council's Statement of Accounts for 2025/26. In undertaking this assessment, a review of all accounting policies previously agreed has been undertaken to check their relevance, clarity, legislative compliance and that they are in compliance with the Code of Practice on Local Authority Accounting (2025/26).

3.2 There are no changes introduced by the 2025/26 Code that require amendment to the Council's Accounting Policies, and they remain in substance the same as those used for the production of the 2024/25 financial statements. The accounting policies for 2025/26 are presented in Appendix A.

3.3 The approval of the accounting policies to be applied by the Council demonstrates that consideration is being given to which policies to adopt and apply and that those charged with governance are fully informed of the policies that are being adopted.

4.0 Options

4.1 The Council is required to have appropriate accounting policies within its Statement of Accounts. Officers have developed what they consider to be an appropriate set of policies based on those adopted in previous financial years after taking into account of changes as required by current legislation.

5.0 Risks

5.1 None of the policies outlined in Appendix A conflict with legislative or IFRS requirements, therefore the risk of adopting a policy that contravenes good practice is considered minimal.

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

There are no direct financial implications arising from this report. The Accounting policies will be used to determine the accounting treatment of the financial transactions of the Council for 2024/25.

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

None arising directly from this report.

Specific Wards

7.0 None arising directly from this report.

8.0 Background papers, appendices and other relevant material

7.1

| | |
|------------|-----------------------------|
| Appendix A | Accounting Policies 2025/26 |
|------------|-----------------------------|

Contact Member

Councillor Carl Brittain

Executive Member for Financial Sustainability

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Contact Officer

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Report Author

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Accounting Policies 2025/26

| | |
|------|---|
| | General Policies |
| i. | The Statement of Accounts summarises the Council's transactions for the 2025/26 financial year and its position at the year-end of 31 March 2026. 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 2025/26 and the Service Reporting Code of Practice (SeRCOP) 2025/26, 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 |
| 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 |

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| | 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 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. |

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| | 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 |

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| | 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 |

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| | 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 – Age and previous experience |
| | Council Tax – Age and previous experience |
| 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. |

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| 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. |

Agenda Item 12

East Herts Council Report

Audit and Governance Committee

Date of meeting: Tuesday 24 February 2026

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

Report title: Audit and Governance Committee Work Programme

Ward(s) affected: (All Wards);

Summary – This report presents the updated Finance and Audit Work Programme for the Audit and Governance Committee. It provides a summary of the items scheduled for consideration at each meeting during the current municipal year and for 2026/27. The aim is to give Members a clear overview of the Committee's forward plan and upcoming areas of business.

RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE:

- a) Note and consider the Finance and Audit Work Programme for the 2025/26 municipal year and for 2026/27 as outlined in the report.
- b) Identify any training requirements to support Members in fulfilling their roles effectively.

1. 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. Work Programme

- 2.1. The proposed work programme for the Audit and Governance Committee for the remainder of the 2025/26 municipal year, and for the 2026/27 municipal year, is set out in Appendix A.

3. Reasons(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. Risks

- 4.1. Risk Management is reported to the Committee regularly.

5. 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. Background papers, appendices and other relevant

6.1. Appendix A – Updated work programme for 2025/26 and 2026/27.

Contact Officer

Brian Moldon, Director for Finance, Risk and Performance

brian.moldon@eastherts.gov.uk

| Committee | Author | Report Title | Report Summary |
|------------------------------|--------------------|---|--|
| Audit & Governance Committee | 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 28 February immediately following the end of a year, or as soon as practicable after the conclusion of the audit. |
| Feb-26 | 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 | 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. |
| | 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. |

| Committee | Author | Report Title | Report Summary |
|------------------------------|--------|--------------|----------------|
| Audit & Governance Committee | | | |
| May-26 | | | |
| | | | |

| Committee | Author | Report Title | Report Summary |
|--|---------------|---|--|
| Audit & Governance Committee Jun-26 | Michele Aves | Appointment of Vice- Chairman for 2025/26 | Members will vote to appoint the Vice Chairman of the Committee |
| | | Training: | Members are invited to nominate a training topic |
| | Alison Street | Provisional Outturn 2025/26 | 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 | Noting draft Statement of Accounts 2025/26 | 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. |
| | Sara Saunders | Leisure Annual Report | To present to Audit & Governance Committee an annual report on leisure 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. |
| | Simon Martin | Annual Assurance Statement and Internal Audit Annual Report | To present to Audit and Governance Committee the Annual Report on Internal Audit Activity for the preceding financial year and the level of assurance on the financial systems. Regulation 6 of The Accounts and Audit Regulations 2015 require the Council, at least once a year, to conduct a review of the effectiveness of its internal audit. |
| | Tyron Suddes | Data Protection Update | To present to Audit and Governance Committee the progress on data protection policies and practices. |
| | Brian Moldon | Strategic Risk Register Monitoring Q4 2024/25 and Annual Review of Risk Management Strategy | To present to Audit and Governance Committee the Strategic Risk Register Monitoring at the end of quarter 4. |
| | 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 Sep-26 | | Training | Members are invited to nominate a training topic |
| | Nicola Munro | Treasury Management 2025/26 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 2026/27 – 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 2026/27 | 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. |
| | Ben Wood | BEAM Update | To present to Audit & Governance Committee the BEAM Update including revised Business Plan |
| 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 Nov-26 | | Training: TBD | Members are invited to nominate a training topic |
| | Jackie Bruce | Annual Infrastructure Funding Statement Report 2025/26 | To present to Audit and Governance Committee an update on Section 106 contributions and the council's Annual Infrastructure Funding Statement Report 2024/25 |
| | Alison Street | Financial Management 2026/27 – 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 2026/27 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 |
| | Brian Moldon | Strategic Risk Register Monitoring Q2 2026/27 | To present to Audit and Governance Committee the Strategic Risk Register Monitoring at the end of quarter 2. |
| | External Auditor | External Audit Planning Report and Annual Audit Report | To present to Audit & Governance Committee an update position on the 2025/26 Audit |
| | 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 Committee | External Auditor | Approval of the Statement of Accounts 2025/26 | 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 31 January immediately following the end of a year, or as soon as practicable after the conclusion of the audit. |
| Audit & Governance and Overview and Scrutiny Joint Committee Jan-27 | 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 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. |
| | Alison Street | Update to the 2026/27 Accounting Polices | To update the Accounting Policies for 2025/26 and subsequent years. |
| | Nick Jennings | Anti-Fraud Plan 2027/28 | 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 2027/28 | 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. |

| 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 - 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 | |