

# Agenda

## Audit and Governance Committee

Date: **Tuesday 11 June 2024**

---

Time: **2.00 pm**

---

Place: **Conference Room 1, Herefordshire Council Offices,  
Plough Lane, Hereford, HR4 0LE**

---

Notes: Please note the time, date and venue of the meeting.

For any further information please contact:

**Jen Preece, Democratic Services Officer**

Tel: 01432 261699

Email: [jennypreece@herefordshire.gov.uk](mailto:jennypreece@herefordshire.gov.uk)

---

If you would like help to understand this document, or would like it in another format, please call Jen Preece, Democratic Services Officer on 01432 261699 or e-mail [jennypreece@herefordshire.gov.uk](mailto:jennypreece@herefordshire.gov.uk) in advance of the meeting.

# **Agenda for the meeting of the Audit and Governance Committee**

## **Membership**

**Chairperson**            **Councillor David Hitchiner**

**Vice-chairperson**   **Councillor Mark Woodall**

**Councillor Chris Bartrum**

**Councillor Frank Cornthwaite**

**Councillor Peter Hamblin**

**Councillor Robert Highfield**

**Councillor Aubrey Oliver**

## Agenda

		Pages
1.	<p><b>APOLOGIES FOR ABSENCE</b></p> <p>To receive apologies for absence.</p>	
2.	<p><b>NAMED SUBSTITUTES (IF ANY)</b></p> <p>To receive details of any councillor nominated to attend the meeting in place of a member of the committee.</p>	
3.	<p><b>DECLARATIONS OF INTEREST</b></p> <p>To receive declarations of interest in respect of items on the agenda.</p>	
4.	<p><b>MINUTES</b></p> <p>To approve and sign the minutes of the meeting held on 26 March 2024</p>	11 - 16
<p><b>HOW TO SUBMIT QUESTIONS</b></p> <p>Deadline for receipt of questions is 5pm on Wednesday 5 June 2024.</p> <p>Questions must be submitted to <a href="mailto:councillorservices@herefordshire.gov.uk">councillorservices@herefordshire.gov.uk</a>.</p> <p>Questions sent to any other address may not be accepted.</p> <p>Accepted questions and the response to them will be published as a supplement to the agenda papers prior to the meeting. Further information and guidance is available at <a href="http://www.herefordshire.gov.uk/getinvolved">www.herefordshire.gov.uk/getinvolved</a></p>		
5.	<p><b>QUESTIONS FROM MEMBERS OF THE PUBLIC</b></p> <p>To receive any questions from members of the public.</p>	
6.	<p><b>QUESTIONS FROM COUNCILLORS</b></p> <p>To receive any questions from councillors.</p>	
7.	<p><b>APPOINTMENT TO STANDARDS PANEL</b></p> <p>To appoint to the membership of the Standards Panel.</p>	17 - 20
8.	<p><b>DRAFT ANNUAL REPORT OF THE AUDIT COMMITTEE</b></p> <p>To provide the committee with the draft annual report covering the work undertaken by the Committee, during the 2023/24 municipal year.</p>	21 - 30
9.	<p><b>DRAFT ANNUAL GOVERNANCE STATEMENT 2023/24</b></p> <p>To seek the view of the committee as to whether the draft Annual Governance Statement (AGS) for 2023/24 properly reflects the internal control environment the council is operating in and the appropriateness of actions identified to improve governance arrangements.</p>	31 - 48
10.	<p><b>2023/24 DRAFT STATEMENT OF ACCOUNTS</b></p> <p>To note the draft, unaudited Statement of Accounts for 2023/24.</p>	49 - 172

- |   |           |
|---|-----------|
| <p><b>11. INTERNAL AUDIT UPDATE REPORT QUARTER 1 2024/25</b></p> <p>To update members on the progress of internal audit work and to bring to their attention any key internal control issues arising from work recently completed.</p> <p>To assure the committee that action is being taken on risk related issues identified by internal audit. This is monitored through acceptance of agreed management actions and progress updates in implementing the action plans. In addition, occasions where audit actions not accepted by management are documented if it is considered that the course of action proposed by management presents a risk in terms of the effectiveness of or compliance with the council's control environment.</p> | 173 - 186 |
| <p><b>12. INTERNAL AUDIT ANNUAL OPINION 2023/24</b></p> <p>The purpose of this report is to enable the committee to provide independent assurance on the adequacy of the risk management framework together with the internal control of the financial reporting and annual governance processes by considering the head of internal audit's annual report and opinion, and the level of assurance it gives over the council's corporate governance arrangements.</p>   | 187 - 202 |
| <p><b>13. WORK PROGRAMME</b></p> <p>To consider the work programme for the committee.</p>   | 203 - 206 |
| <p><b>14. DATES OF FUTURE MEETINGS</b></p> <p>To agree dates of future meetings. The following dates are suggested:</p> <p>Tuesday, 23 July 2024 2pm<br/>Tuesday, 24 September 2024 2pm<br/>Tuesday, 29 October 2024 2pm<br/>Tuesday, 28 January 2025 2pm<br/>Tuesday, 25 March 2025 2pm<br/>Tuesday, 10 June 2025 2pm</p>  |           |

## The public's rights to information and attendance at meetings

Please take time to read the latest guidance on the council website by following the link at [www.herefordshire.gov.uk/meetings](http://www.herefordshire.gov.uk/meetings) and support us in promoting a safe environment for everyone. If you have any queries please contact the governance support team on 01432 261699 or at [governancesupportteam@herefordshire.gov.uk](mailto:governancesupportteam@herefordshire.gov.uk)

We will review and update this guidance in line with Government advice and restrictions. Thank you for your help in keeping Herefordshire Council meetings safe.

### You have a right to:

- Attend all council, cabinet, committee and sub-committee meetings unless the business to be transacted would disclose 'confidential' or 'exempt' information.
- Inspect agenda and public reports at least five clear days before the date of the meeting. Agenda and reports (relating to items to be considered in public) are available at [www.herefordshire.gov.uk/meetings](http://www.herefordshire.gov.uk/meetings)
- Inspect minutes of the council and all committees and sub-committees and written statements of decisions taken by the cabinet or individual cabinet members for up to six years following a meeting.
- Inspect background papers used in the preparation of public reports for a period of up to four years from the date of the meeting (a list of the background papers to a report is given at the end of each report). A background paper is a document on which the officer has relied in writing the report and which otherwise is not available to the public.
- Access to a public register stating the names, addresses and wards of all councillors with details of the membership of cabinet and of all committees and sub-committees. Information about councillors is available at [www.herefordshire.gov.uk/councillors](http://www.herefordshire.gov.uk/councillors)
- Have access to a list specifying those powers on which the council have delegated decision making to their officers identifying the officers concerned by title. The council's constitution is available at [www.herefordshire.gov.uk/constitution](http://www.herefordshire.gov.uk/constitution)
- Access to this summary of your rights as members of the public to attend meetings of the council, cabinet, committees and sub-committees and to inspect documents.

## **Recording of meetings**

Please note that filming, photography and recording of this meeting is permitted provided that it does not disrupt the business of the meeting.

Members of the public are advised that if you do not wish to be filmed or photographed you should let the governance services team know before the meeting starts so that anyone who intends filming or photographing the meeting can be made aware.

The reporting of meetings is subject to the law and it is the responsibility of those doing the reporting to ensure that they comply.

The council may make a recording of this public meeting or stream it live to the council's website. Such recordings form part of the record of the meeting and are made available for members of the public via the council's YouTube channel.

## **Public transport links**

The Herefordshire Council office at Plough Lane is located off Whitecross Road in Hereford, approximately 1 kilometre from the City Bus Station.

The location of the office and details of city bus services can be viewed at:  
[www.herefordshire.gov.uk/downloads/file/1597/hereford-city-bus-map-local-services-](http://www.herefordshire.gov.uk/downloads/file/1597/hereford-city-bus-map-local-services-)

**The Seven Principles of Public Life  
(Nolan Principles)**

**1. Selflessness**

Holders of public office should act solely in terms of the public interest.

**2. Integrity**

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

**3. Objectivity**

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

**4. Accountability**

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

**5. Openness**

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

**6. Honesty**

Holders of public office should be truthful.

**7. Leadership**

Holders of public office should exhibit these principles in their own behaviour and treat others with respect. They should actively promote and robustly support the principles and challenge poor behaviour wherever it occurs.





---

## Guide to the Audit and Governance Committee

The Audit and Governance Committee comprises seven members of the council and may also include an independent person who is not a councillor but is appointed by council and has the same voting rights as other members of the committee.

<a href="#">Councillor David Hitchiner</a> (Chairperson)	Independents for Herefordshire
<a href="#">Councillor Aubrey Oliver</a> (Vice-Chairperson)	Liberal Democrats
<a href="#">Councillor Chris Bartrum</a>	Liberal Democrats
<a href="#">Councillor Frank Cornthwaite</a>	Conservative Party
<a href="#">Councillor Peter Hamblin</a>	Conservative Party
<a href="#">Councillor Robert Highfield</a>	Conservative Party
<a href="#">Councillor Mark Woodall</a>	The Green Party

The Audit and Governance Committee is responsible for proving assurance on the council's audit, governance (including risk management and information governance) and financial processes in accordance with the functions scheme.

The committee shall:

- (a) review and examine, and where required in depth examine, matters relating to internal audit, external audit, risk management, governance, assurance statement, anti-fraud and anti-corruption arrangements as well as any other function to meet the Council's audit committee requirements
- (b) enhance and promote the profile, status and authority of the internal audit function and to demonstrate its independence
- (c) contribute towards making the authority, its committees and departments more responsive to the audit function
- (d) review compliance with the relevant standards, code of conduct, codes of practice and corporate governance policies
- (e) act within the Council's Constitution.



**Minutes of the meeting of the Audit and Governance Committee held in Conference Room 1, Herefordshire Council Offices, Plough Lane, Hereford, HR4 0LE on Tuesday 26 March 2024 at 2.00 pm**

**Committee members present in person and voting:** Councillors: Polly Andrews, Frank Cornthwaite, Robert Highfield, David Hitchiner (Chairperson), Aubrey Oliver (Vice-Chairperson) and Mark Woodall

**Others in attendance:** R Bamberger (Director of Continuous Improvement), S Basran (Head of ICT & Digital), R Hart (Head of Strategic Finance), G Hawkins (Key Audit Partner, Grant Thornton), A Lovegrove (Director of Resources and Assurance), S Mortimore (Head of Information Technology, Hoople Ltd), M Pearce (Director of Public Health), J Preece (Democratic Services Officer), L Washbrook (Head of Corporate Performance) and T Weston (Principal ICT Auditor, South West Audit Partnership)

**80. APOLOGIES FOR ABSENCE**

Apologies were received from Councillors Bartrum and Hamblin.

**81. NAMED SUBSTITUTES (IF ANY)**

Councillor Polly Andrews attended the meeting as a substitute member for Councillor Bartrum.

**82. DECLARATIONS OF INTEREST**

No declarations of interest were made.

**83. MINUTES**

**RESOLVED:**

**That the minutes of the meeting held on 30 January 2024 were confirmed as a correct record and signed by the chairman.**

**84. QUESTIONS FROM MEMBERS OF THE PUBLIC**

No questions had been received from members of the public.

**85. QUESTIONS FROM COUNCILLORS**

No questions had been received from councillors.

**86. EXTERNAL AUDITOR'S DRAFT ANNUAL PLAN 2023/24**

The Key Audit Partner, Grant Thornton (KAPGT) introduced the report of which the following principal points were noted:

1. The report outlines the significant risk areas and audit approach for both the financial statements and the value for money audit.
2. Significant risks for the audit approach were outlined on [page 9 of the report](#) and are consistent with what the committee would have seen in prior years.
3. A key risk has been identified for the value for money work and is within Children's Services. This is due to the findings that were found in a prior years report from GT and the key recommendations would be followed up.
4. Attention was drawn to the audit logistics and team on [page 23 of the report](#).
5. It was hoped that the audit work would commence in late June with the aim of issuing their opinion by the end of September (the statutory deadline).
6. It was highlighted that the current Audit Manager would be taking a leave of absence and that could cause potential challenges for GT. Assurances were given to the committee that GT were doing everything they could to resource the position to keep them on track to deliver their opinion by the end of September.

In response to committee questions, it was noted

- I. The Audit Manager is a fundamental role and an audit cannot be completed without one. All of GT's other Audit Managers currently have full portfolios, so in order to find a replacement GT are looking to other regions within the GT network and within the public sector to see if there is any capacity for support.
- II. Internally GT are working to the end of March as a hard deadline for past audits to close down and any that are not completed will be backstopped in September which means that they will not have an impact on the 23/24 financial year audits.
- III. Fees are driven from the psaa and as part of the new contract year 23/24 fees had increased.
- IV. The audit manager, key audit partner and two other associates are tasked with completion of the audit. The number of contracted hours could be provided to the committee.
- V. It was explained when an audit has not been completed by the statutory deadline, there is no financial penalty but a notice is required to be published online to state the reason(s) why it has failed to meet the deadline.
- VI. It was highlighted that for there had been no changes to the standards or the code of practice for 23/24 and GT were still required to include investment properties as part of their work.
- VII. There is currently a consultation in place that is looking at the code and looking in general at the areas of focus and what is of value to public sector organisations.
- VIII. The valuation of council operational land and buildings is done on a rolling program and the valuation of investment properties is done annually which is a requirement. The information that is provided to the expert valuer "wilks head and eve" will include the income and expenditure accounts for Maylord Orchards and the Skylon. Supporting information with regards to this would be circulated to committee members.
- IX. The DRA explained that Maylord Orchards In terms of accountancy it is treated strictly as an investment asset.
- X. The process and costs for the hire of Maylord Orchards was discussed.

## **Resolved**

**That: a) The proposed external audit plan for 2023/24 in Appendix A was approved and;**

**b) the committee emphasised the value of the timely completion of the accounts by the statutory deadline and recommends the need for a more rational code of practice in relation to the proportionate approach to the value of assets which are in use by councils.**

Action(s)

2023/24-024 GT to provide the committee with the allocated time/ hours for those conducting the Herefordshire Audit.

2023/24-025 Supporting information of the valuation of council operational land and buildings would be circulated to the committee.

## **87. MANAGING RISK ACROSS THE COUNCIL**

The Director of Public Health (DPH) introduced the report, the principal points were highlighted:

1. The councils risk management policy was last adopted in 2020.
2. The policy would be reviewed and streamlined to provide more clarity and consensus.
3. A draft risk management policy would be brought before the committee in six months' time.
4. Recognition was given that there had been some short falls in the councils approach to risk management against actions previously identified and that progress had not been as quick as was hoped.
5. Attention was drawn to Appendix 2, Corporate Risk Register as at the end of quarter 3.

In response to committee questions, it was noted:

- I. The Head of Corporate Performance (HCP) provided the committee with an overview of the process for managing and rating risks.
- II. The DPH recognised the committee's comments around the complex process and confirms he intends to streamline the process and provide more clarity to ensure the council is managing risk more effectively.
- III. The HCP explained new risks are normally notified by the Director and that as soon as they are made aware of a risk, it is added on to the register with the actions that are needed to mitigate that risk.
- IV. A gap was identified in terms of the councils risk register and whether it aligned with the national risk register.
- V. The Director of Continuous Improvement (SWAP) offered their assistance in helping to fill that gap as they regularly reviewed other local authority risk registers as part of their audit work and could help to identify areas not included on our register.

**Resolved:**

**That the committee notes the report and recommends the process for managing risk is streamlined and provides better consensus to ensure effective risk management.**

## **88. STATUTORY ACCOUNTS 2023/24 PROGRESS, ACCOUNTING POLICIES AND ESTIMATES**

The Head of Strategic Finance (HSF) introduced the report, the principal points were highlighted:

1. The council is on target to produce the draft statement of accounts by the statutory deadline of 31 May and to be brought before the committee on 11 June for approval.
2. Following a review, there are no changes proposed to the accounting policies to be applied in 2023/24.

3. Attention was drawn to “appendix 2 Accounting Estimates” which includes areas where accounting estimates and judgments are applied. It was noted that these are closely aligned to the significant audit risks that were included in the external auditor’s draft audit plan and identifies the source data that is used to make those estimates and judgments.

In response to committee questions, it was noted;

- I. The HSF explained the different classifications of land and building assets and confirmed the Shire Hall would be classified as “assets under construction” which are those assets where work is being carried out. Each year the council provides detailed information to the valuers and they use that data to inform their valuation carrying out impairment reviews as part of their work which takes place annually.
- II. Revaluation of assets is always undertaken on 31 March each year. It would then be considered which category of land and building assets that a particular item would fall into. Transferring between categories would depend on completion certificates etc. that will be reviewed to determine whether it can legitimately move between one category to another. External audits review any reclassifications as part of their audit testing.
- III. Public sector authorities are not taxpaying bodies, they have a statutory deadline to publish the draft accounts by the 31st of May following each financial year end. In order to produce those draft statements and to finalise and agree the outturn position it is reported to Cabinet as a quarter 4 report. The other statutory requirement is for an external audit which has a statutory deadline of 30th of September to receive an audit opinion and supporting working papers to enable the audit testing process to take place.

### **Resolved**

**That the committee has reviewed and confirmed that;**

**a) the arrangements for the preparation of the 2023/24 statutory accounts, including management arrangements to identify and evaluate accounting estimates, are satisfactory; and**

**b) the accounting policies which inform the preparation of the 2023/24 statutory accounts are approved.**

## **89. INTERNAL AUDIT PLANNING PAPER 2024/25**

The Director of Continuous Improvement (DCI), South West Audit Partnership (SWAP) introduced the report, the following principals point were noted;

1. The traditional annual audit plan is subject to a high degree of uncertainty and change, and quickly becomes out of date and of less value as the year progresses.
2. The rolling plan will be a live, and continuously rolling, audit plan accessible to all relevant officers and members, through SWAP’s audit management system AuditBoard.
3. Quarterly update reports will continue to be presented to the committee.
4. The Internal Audit Charter paper which would normally come to committee in March has been delayed, due to the rolling plan and the introduction of new Global Internal Audit Standards. This will follow to a later Committee meeting. In the meantime, SWAP will continue to operate in accordance with our existing charter.

In response to committee questions, it was noted

- I. The DCI confirmed that the audit plan is aligned to the Council's corporate risks.
- II. The DCI thought that the rolling plan would be key in identifying and dealing with problems sooner and that there would be a lot more regular communications with officers and members.
- III. SWAP are reliant on their software system "AuditBoard" for the use of their rolling plan. The programme has been in place for two years with good security assurances in place along with very little downtime and are still able to access records when offline.
- IV. The DCI would look to provide training to the committee on "AuditBoard" along with a session on "Internal Audit" when diaries permit.

**Resolved:**

**That a) the committee approved the rolling audit plan approach.**

**90. INTERNAL AUDIT UPDATE REPORT QUARTER 4 2023/24**

The Director of Continuous Improvement (DCI), South West Audit Partnership (SWAP) introduced the report, the following principals point were noted;

1. No high organisational risks have been identified.
2. One Limited assurance audit which related to carrying out a supporting families grant certification.
3. Since the last update, good progress has continued to be made with the audit plan. Four audits have been completed and a further four have progressed to draft report stage.
4. 90% of opinion related work found the control environment to be either Substantial or Reasonable assurance.
5. Internal audit coverage has been assessed to show coverage against the corporate priorities taken from Herefordshire Council's County Plan 2020-24.
6. There is generally a sound system of governance, risk management and control in place.

In response to committee questions, it was noted:

- I. It was clarified that page 3 of "Appendix 1 Internal Audit Update Report" indicates the Internal audit coverage that has been assessed to show coverage against the council's corporate risks as of July 2023. It was highlighted that there are some areas listed that are very specific to the council that had no coverage and although in an ideal world he would like a broader spread of coverage he was not concerned with those not being covered. It was noted that with a refresh of the corporate risk register, it was a good opportunity for further discussions to have on the genuine top corporate risks of the council.

**Resolved**

**That the committee**

**(a) Reviewed the areas of activity and concern and were satisfied that necessary improvements are outlined and delivered;**

**(b) Noted the report and considered the assurances provided and the recommendations which the report made, commenting on its content as necessary.**

**91. WORK PROGRAMME**

The committee's updated work programme was presented.

It was noted that the future dates of meetings and the draft work programme for 2024/25 would be agreed at the 11 June meeting.

The chair informed the committee that the Governance Statement Progress Report on Actions would be added to the work programme along with a Constitution Review which should take place between September and November 2025.

## **RESOLVED**

**That the updated work programme was agreed.**

### **92. DATE OF NEXT MEETING**

Tuesday 11 June 2024, 2pm.

### **93. EXCLUSION OF PUBLIC AND PRESS**

**Resolved:**

**That under Section 100(A)(4) of the Local Government Act 1972, the public was excluded from the meeting for the following item of business on the grounds that it involved the disclosure of exempt information as defined in Schedule 12(A) of the Act as indicated below;**

**Paragraph 3 - Information relating to the financial or business affairs of any particular person (including the authority holding that information).**

### **94. INTERNAL AUDIT PROGRESS REPORT QUARTER 4 2023/24 APPENDIX B - LIMITED ASSURANCE AUDIT**

The Principal ICT Auditor provided the committee with details of the Limited Assurance in the Councils ICT back-ups.

The Head of Information Technology (Hoople Ltd) provided assurance to the committee that the actions highlighted in the Internal Audit report had been actioned / would be actioned by 31 May 2024.

**Resolved:**

**That:**

**The areas of activity and concerns were reviewed, and the committee was satisfied that the necessary improvements outlined were on track to be delivered by 31 May 2024.**

Action(s)

2023/24-026 The Head of ICT and Digital would provide a report assuring the committee of the Councils security measures in place for dealing with external threats in light of the cyber-attacks currently headlining the national news.

The meeting ended at 3.47 pm

**Chairperson**



# Title of report: Appointment to Standards Panel

**Meeting: Audit and Governance Committee**

**Meeting date: Tuesday 11 June 2024**

**Report by: Head of Legal Services and Deputy Monitoring Officer**

## **Classification**

Open

## **Decision type**

This is not an executive decision

## **Wards affected**

(All Wards);

## **Purpose**

To appoint to the membership of the Standards Panel.

## **Recommendation(s)**

**In relation to the Standards Panel, the Committee:**

- a) **Notes the appointment of the Chair of Audit & Governance,**
- b) **appoints Brian Jones (Chairman of Lea Parish Council) as the Parish Council representative under recommendation by HALC;**
- c) **Appoints two further Councillors as standing members; and**
- d) **Appoints two further Councillors as substitute members.**

## **Alternative options**

1. There are no alternative options as a Standards Panel is a requirement of the Constitution.

## **Key considerations**

2. The Council, under recommendation of the Monitoring Officer and Audit & Governance Committee (A&G), agreed to change the manner that decision making in respect to the Code of Conduct arrangements by officers was visible to members of the Standards Panel.
3. In practice, this means that all Decision Notices issued by the Monitoring Officer in response to a complaint that a member has breached the Code of Conduct will be shared with the Standards Panel. This is the case even if the matter progresses no further than the Initial Assessment stage or if the outcome is no breach or no further action. Previously, a 'dip sample' of decisions was reported to the Standards Panel some months after the decision was made.
4. This change means that the Standards Panel has a greater visibility and understanding of the work involved with the Code of Conduct arrangements, maintain oversight of decision making but also ensures that learning is shared between members.
5. This change requires that the membership of the Standards Panel is fixed so far as possible.
6. The voting members of the Standards Panel is the Chair of A&G and two further members of A&G. Two additional members of A&G are to be appointed as substitutes should any of the three voting members be unavailable.
7. The Standards Panel also includes two non-voting members. This requires the appointment of Brian Jones (Chairman of Lea Parish Council) who is a parish councillor on recommendation of HALC). The final non-voting member of a Standards Panel is the relevant independent person – in practice, in respect to a particular hearing this means one of the two independent persons who were consulted as part of the arrangements.
8. The recommendation requests that A&G makes the necessary appointments to the Standards Panel.

## **Community impact**

9. The Localism Act 2011 requires that a principal authority maintains arrangements through which allegations of breaches of the Code of Conduct can be investigated. The arrangements include allegations made against parish/town and borough councillors. It is for the Council to determine the best way to discharge this requirement.

## **Environmental Impact**

10. This decision has no direct impact on the environment

## **Equality duty**

11. Under section 149 of the Equality Act 2010, a public authority must, in the exercise of its functions, have due regard to the need to –
  - a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
  - b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;

- c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

12. As this is a decision on the administration within the Council, we do not believe that it will have an impact on our equality duty.

**Resource implications**

13. There is not considered to be any resource implications.

**Legal implications**

14. Appointments to the Standards Panel is required under paragraph [2.8.22 to 2.8.27](#) of the Constitution. Paragraphs [3.5.16 to 3.5.22](#) provides further information on the operation of the Standards Panel.

**Risk management**

15. There are no specific risks

**Consultees**

16. None.

**Appendices**

None

**Background papers**

None

**Report Reviewers Used for appraising this report:**

Governance	Jen Preece	Date 14/05/2024
Finance	N/A	
Legal	Sean O'Connor	Date 13/05/2024
Communications	N/A	
Equality Duty	N/A	
Procurement	N/A	
Risk	N/A	

Approved by	Approved
-------------	----------





# Title of report: Draft Annual Report of the Audit Committee

**Meeting: Audit and Governance Committee**

**Meeting date: Tuesday 11 June 2024**

**Report by: Democratic Services Officer**

## Classification

Open

## Decision type

This is not an executive decision.

## Wards affected

(All Wards)

## Purpose

To provide the committee with the draft annual report covering the work undertaken by the Committee, during the 2023/24 municipal year.

## Recommendation(s)

**The Committee is invited to consider and agree:**

- a) **the report and any adjustments it wishes to make and;**
- b) **that the report be published on the Councils website.**

## Alternative options

1. The Committee could decide to omit some items or include others in the report. This is not recommended because it demonstrates the work of the committee during the 2023/24 municipal year.
2. The committee could choose not to produce an annual report. This is not recommended because it provides a visible demonstration of how the committee is fulfilling its role and compliments the council's objectives of being open and transparent.

## Key considerations

3. The draft annual report located at Appendix A of this report is from the Audit and Governance

---

Further information on the subject of this report is available from  
Jen Preece, email: [jennypreece@herefordshire.gov.uk](mailto:jennypreece@herefordshire.gov.uk)

Committee and provides an update on the work undertaken by the Committee, during the municipal year.

4. The audit and governance committee is responsible for providing assurance on the council's audit, governance (including risk management and information governance) and financial processes in accordance with the functions scheme. The responsibilities for functions are set out in paragraphs 3.5.9(e) to paragraph 3.5.15 of the [Council constitution](#).

### **Community impact**

5. As part of Herefordshire Council's Code of Corporate Governance, internal and external audit reports provide assurance that the council's control arrangements are operating effectively, and demonstrate effective management of risk.
6. A clear and transparent annual report provides a visible demonstration of how the committee is fulfilling its role as set out in the council's constitution.

### **Environmental impact**

7. Whilst this is an update on the work of the committee during the municipal year it will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the council's Environmental Policy.

### **Equality duty**

8. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a decision on back office functions, we do not believe that it will have an impact on our equality duty.

### **Resource implications**

9. There are no financial implications.

### **Legal implications**

10. The annual report reflects any statutory or constitutional requirements.

### **Risk management**

11. The annual report can be adjusted as necessary to risks as they are identified; the committee also provides assurances that risk management processes are robust and effective.

### **Consultees**

12. None

### **Appendices**

Appendix A Draft Annual Report of the Audit Committee

### **Background papers**

None identified.





# Draft Annual Report of the Audit Committee

## Role of the Audit and Governance Committee

The audit and governance committee is responsible for providing assurance on the council's audit, governance (including risk management and information governance) and financial processes in accordance with the functions scheme. The responsibilities for functions are set out in paragraphs 3.5.9(e) to paragraph 3.5.15 of the [Council constitution](#).

## Brief summary of report

This is a draft annual report from the Audit and Governance Committee which provides an update on the work undertaken as a Committee, during the municipal year. The senior officers who support the work of the Committee have each contributed sections to this report covering:

Accounts

Code of Conduct

Governance

Internal Audit

External Audit

Information Requests and Complaints. Service Requests, Enquiries, Compliments and LGSCO decisions

Regulation of Investigatory Powers

Shareholder Committee

Waste Contract

### 1. Chairman's Introduction

This is the first annual report of the Audit & Governance Committee. The information summarises the work of the committee during the last municipal year and so is not new. The purpose is to put in one place an easy to read summary of the work of the committee.

I am pleased to draw attention to the Annual Audited Accounts which are amongst the first to be audited and signed off in the country. This gives assurance that the Accounts are accurate and can be relied upon. This cannot be said for many Councils who's Audits are several years behind. My Committee would like to thank the council officers who have worked hard to achieve this position.

I am pleased that we have begun the process of recruiting an Independent Person to the Committee. I look forward to welcoming them during the year.

### 2. Accounts

#### Statutory Accounts 2022/23

The Finance Team prepared the council's Statement of Accounts for 2022/23 and published in line with the statutory deadline of 31 May 2023; presenting the draft, unaudited accounts to Audit & Governance Committee in June 2023. In October 2023, the Audit & Governance Committee approved the audited Statement of Accounts for 2022/23 and the Annual Governance Statement, providing assurance to Members and residents on the council's financial reporting processes, governance framework and internal controls in place throughout the financial year.

The Statement of Accounts was reviewed and decluttered for 2022/23 with significant changes to the presentation and ordering of the primary statements and supporting notes. These changes have made the accounts easier for the reader to understand whilst ensuring compliance with the required technical standards.

### **3. Code of Conduct**

During 2023/24, the Monitoring Officer received 45 complaints about alleged breaches of the Code of Conduct; 15 proceeded to formal investigation. There were 18 complaints in the previous year. 78% of complaints related to elected members of Town or Parish Councils.

The Council has four Independent Persons, who provide advice and consultation to the Monitoring Officer, as required by the Localism Act 2011. In accordance with the Council's resolution in May 2022, two Independent Persons are consulted on all cases that proceed to initial assessment or beyond.

The Committee agreed on 12<sup>th</sup> December 2023 to change transparency provisions in respect to officer decisions made under the arrangements for investigations to ensure that the Standard's Panel were aware of all decisions taken even if there is no further action. This will take effect in the new administrative year. The Committee received the Monitoring Officers Annual Report on the Code of Conduct on the 31 July 2023

At its meeting on 30 January 2024, Audit and Governance Committee was updated about a review of the process that is underway, and resolved that Cllr Woodall was delegated to be the member of the Committee to be an early consultee on the changes to be recommended on the Code of Conduct arrangements. The review is now complete and consultation is proceeding as planned.

### **4. Governance**

#### **I. Fees and Charges**

The Committee received a request in October 23 to change the Financial Procedure Rules in respect to Fees and Charges. This included the principles that needed to be considered when setting a fee and charge but also setting out an agreed process how these could be varied in year between budget setting.

#### **II. Independent Expert**

On 27 September 2023 the Committee received a report on the merits of appointing an external independent expert to act as an advisor to the committee. This was unanimously supported and recruitment of the expert will commence in May 2024. The Council's Independent Remuneration Panel has been asked to consider whether a small allowance is payable in respect to the expenses associated with the position.

#### **III. Whistleblowing**

The Whistleblowing Policy and associated guidance was updated and approved by the Committee on 23 June 2023. The Council's internal auditor also performed a review on the process, its visibility, response training and compliance and provided a reasonable assurance opinion. There were 4

recommendations and each was completed during the review or shortly thereafter. This was reported to Committee on 24 October 2023.

In the year, three complaints were received using the whistleblowing policy and two were investigated by the relevant department and a response provided. The third related to an external body and signposting advice was provided to the individual.

## **5. Internal Audit**

The Committee have received quarterly Internal Audit progress reports during 2023/24 to review audit work completed and consider any weakness in internal controls and governance arrangements arising from testing undertaken. This update enables the Committee to consider the improvements identified and agreed by management and monitor subsequent implementation and effectiveness of such actions.

Through the presentation of the annual Internal Audit Plan, the Committee has had the opportunity to review proposed coverage of key business objectives and associated risks and consider whether planned work is sufficient to give an opinion on the adequacy and effectiveness of the council's risk management, governance and internal control arrangements. During 2023/24, the Committee reviewed a number of reports presented by Internal Audit where audit testing and review provided only 'limited assurance'. The role of the Committee in such instances is to understand weaknesses identified and gain assurance that recommended improvements will deliver effective accountability.

## **6. External Audit**

The council's external auditors issued an unqualified audit opinion in October 2023, with no material errors or adjustments to the financial statements identified through their audit testing. As part of the work undertaken by the external audit team, the appropriateness of the council's accounting policies, accounting estimates and financial statement disclosures were evaluated with no errors or omissions noted. As a result of continuing resource and skills challenges in local audit teams and a historical backlog of outstanding audit opinions across the sector, the issue of an unqualified audit opinion for 2022/23 represents a significant achievement for the council and is the result of high quality audit evidence and an effective relationship between the council's finance team and external auditors, supported by members of the Audit & Governance Committee.

The timely completion of the statutory, independent, audit process provides valuable assurance over the local authority's arrangements to provide complete, accurate and timely financial statements as well as confirming the appropriateness of accounting policies and treatment of estimates and judgements. Herefordshire Council was one of the first unitary authorities to receive an audit opinion for 2022/23.

## **7. Information Requests and Complaints. Service Requests, Enquiries, Compliments and LGSCO decisions**

Following the elections in May 2023, all councillors received information governance training. This included training in data protection, information requests and how these apply to councillors, information security, cyber security and data breaches.

In November 2023, the Audit & Governance Committee considered a report from the Information Governance Manager entitled 'Annual review of the Council's Information Requests & Complaints 2022/23'. This report detailed performance information for 2022/23, specifically around information security incidents and data breaches and information requests received by the council (Freedom of Information requests, Environmental Information Regulation requests, subject access requests under the data protection legislation and requests from the police and other organisations). The report explained how the volume of requests received continued to be high, a trend which has continued into

2023/24, particularly in the number of subject access requests received. The report also detailed reporting arrangements and reviews of key policies relating to information governance.

An annual report on Complaint and Compliments for 2022/2023 was considered by the Audit Committee in November 2023. The report was compiled and presented by the Council's Complaints team who have responsibility for managing complaints, service requests, enquiries and compliments across the council. Alongside this, separate reports on the Local Government and Social Care Ombudsman's annual review letter.

The annual report noted a 15.6% overall increase in the volume of complaints received by the council in 2022-23, although the overall trend over the last 5 years has been on an upward trajectory. 2022-23 saw an increase in complaints received in Children and Young People Directorate, this trend has continued to be seen into 2023-24, particularly in the children in care service.

A theme of 'Service Failure' was consistently an area of concern this year with this category receiving the highest number of complaints with 167 relating to this area around the directorates. It is concerning that across all directorates this is an area that is continuously complaints about. 137 complaints were categorised as 'No / Poor Communication'. A common theme, when looking at the detail of the complaints, is there is a lack of follow-up communication following a meeting, a lack of communication following a service request and no communication when requesting to speak to a professional within Herefordshire Council. A number of complaints in this area relate to members of the public not being able to contact the department / team / professional they are attempting to contact. Whilst I appreciate we have over 700 lines within the council it is concerning that this is a common theme. Feedback from complainants has been that "no-one answers their phone" or "no-one calls me back". It is positive to see that of the 790 complaints, the fewest number were categorised as 'Delay / Wrong Information' with 65 in this area across the council. Given the consequences that providing wrong information to a member of the public can have, it is positive that this has been minimal this year.

The Local Government and Social Care Ombudsman also makes recommendations where it finds fault and the council. In 2022-23 44 complaints were submitted to the LGSCO, the LA were found to be at fault with 8 of those cases, in comparison to year 2023-24, 56 complaints were submitted to the LGSCO, however fault was only found with 4, this did include the corporate complaints policy, which has since been rectified.

## **8. Regulation of Investigatory Powers**

Regulation of Investigatory Powers Act 2000 (RIPA) provides a lawful means for public authorities to breach the right to privacy which is contained in the European Convention on Human Rights Article 8. A revised Code of Practice was published in December 2022 pursuant to section 71(4) of the Regulation of Investigatory Powers Act 2000.

No authorisation requests were received during 2023/24. Herefordshire Council's Policy and Procedures has remained under review and has been regularly updated. The Policy was approved by Cabinet in June 2021, revised in June 2023, and will next be reviewed in June 2026.

An inspection request was received by the CEO on 17 January 2024 from the Investigatory Powers Commissioners Officer requesting information in respect to the Council's operation of RIPA. Our response resulted in notification that there was no need for an in person inspection on the basis that the authorisation requests issued had been substantially compliant. Further training has been provided in April and planning for May 2024 for officers whose role may involve any form of RIPA or non RIPA surveillance. Officers with senior roles in the process are receiving further training in June 2024.

## **9. Shareholder Committee**

The Shareholder Committee has not met in a decision making capacity since April 2023. However, officers have briefed current members of the Shareholder Committee on Cyber Quarter Ltd and Hoople Ltd. The protocol in respect to the reporting of company performance has been drafted and will be recommended to the Shareholder Committee at its next meeting on the 17 June 2024 together with further briefings on Cyber Quarter Ltd and Hoople Ltd.

## **10. Waste Contract**

In December 2023, the Committee received an annual update on the council's energy from waste loan arrangement. This review enables the Committee to monitor administration of the loan, compliance with financial covenants and to consider any risks to the council as lender. The Committee received assurance that loan repayments of interest and principal amounts have continued and that loan covenants have been satisfied with no significant issues or risks to future loan repayments. The loan represents a significant asset in the council's balance sheet and this annual review, alongside external audit testing of balances, confirms that the financial affairs of the council are properly conducted and there is an adequate risk management framework in place.

### **Sources of further information**

The agendas, reports and minutes of the Audit and Governance Committee for the period under review can be found on the Council's website at:

[Browse meetings - Audit and Governance Committee - Herefordshire Council](#)



# Title of report: Draft Annual Governance Statement 2023/24

**Meeting: Audit and Governance Committee**

**Meeting date: Tuesday 11 June 2024**

**Report by: Head of Strategic Finance**

## **Classification**

Open

## **Decision type**

This is not an executive decision

## **Wards affected**

All Wards

## **Purpose**

To seek the view of the committee as to whether the draft Annual Governance Statement (AGS) for 2023/24 properly reflects the internal control environment the council is operating in and the appropriateness of actions identified to improve governance arrangements.

## **Recommendation**

**That:**

- a) **the committee determines whether the draft annual governance statement in Appendix 1 properly reflects the risk environment the council is operating in and that areas where controls could be strengthened are appropriate.**

## **Alternative options**

1. None; the publication of an annual governance statement is a requirement of the Accounts and Audit (England) Regulations 2015.
2. It is open to the committee to propose amendments to the draft statement to ensure it accurately reflects the council's governance arrangements and their effectiveness, and to ensure that proposed actions are appropriate.

## Key considerations

3. The council is required, as part of an ongoing review of the effectiveness of its governance arrangements, to produce an AGS which forms part of the Annual Statement of Accounts. The AGS is primarily retrospective. It reports on the governance framework and internal controls in place for the financial year 2023/24 and considers any significant governance issues up to the date of publication of the audited Statement of Accounts. The AGS notes actions taken or proposed to address the governance issues identified.
4. The draft AGS is informed by Directors and Statutory Officers' declarations, reviews of compliance with laws and regulations, corporate strategies, policies, plans and arrangements and internal audit reports and opinions. It will be updated to include any governance issues identified between the balance sheet date and publication of the statutory accounts.
5. The AGS is a review of activities to ensure that the council's internal control and governance framework is operating effectively. The statement explains how the council has discharged its governance responsibilities during 2023/24 and the key governance mechanisms in place to manage risks of failure in delivering outcomes and decision making.
6. The preparation and publication of the AGS has been undertaken with reference to the seven core principles of good governance as identified in the Chartered Institute of Public Finance (CIPFA) Delivering Good Governance in Local Government Framework 2016.
7. This CIPFA guidance advises that statements should be meaningful but brief, high level, strategic and written in an open and readable style, and should include:
  - a. an acknowledgement of responsibility for ensuring that there is a sound system of governance (incorporating the system of internal control) and reference to the authority's code of governance;
  - b. reference to and assessment of the effectiveness of key elements of the governance framework (set out in the code of corporate governance) and the role of those responsible for the development and maintenance of the governance environment, such as the council, the executive, the audit committee, internal audit and others as appropriate;
  - c. an opinion on the level of assurance that the governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework;
  - d. an agreed action plan showing actions taken, or proposed, to deal with significant governance issues;
  - e. reference to how issues raised in the previous year's annual governance statement have been resolved; and
  - f. a commitment to monitoring implementation as part of the next annual review.
8. There are a number of components that contribute to the draft AGS including:
  - a. Statutory officer comments;
  - b. Director Assurance Statements.
9. The actions identified to deliver continuous improvement in governance arrangements following the review of 2023/24 will form part of an action plan and progress will be reported to this committee.



## **Community impact**

10. Corporate governance is the term used to describe the systems, processes, culture and values the council has established to ensure we provide the right services, to the right people in a timely, open, and accountable way. Good corporate governance encourages better informed longer-term decision making using resources efficiently, and being open to scrutiny with a view to improving performance and managing risk.
11. The annual review ensures that our arrangements are effective in supporting achievement of the council's vision and county plan priorities.

## **Environmental Impact**

12. The council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.
13. The annual review ensures that our arrangements are effective in supporting achievement of the council's vision and county plan priorities.

## **Equality duty**

14. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

- a. eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
  - b. advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
  - c. foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
15. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a factual update, we do not believe that it will have an impact on our equality duty.

## **Resource implications**

16. Whilst the recommendations themselves do not have a direct resource implication, some of the actions may result in additional expenditure. Where this is the case separate governance will take place. The AGS does take resource to produce and deliver action plans but these are from existing staffing. If the committee proposes further actions the resource implications of implementing those actions will need to be considered.

## Legal implications

17. The Accounts and Audit (England) Regulations 2015 include a requirement for all councils to produce an AGS, and set out the timescales by which they must be published. Approval of the statement ensures that the council will comply with these requirements.

## Risk management

18. The statement itself identifies any high level or strategic governance risks and the action plan provides mitigation to those risks.

<b>Risk / opportunity</b>	<b>Mitigation</b>
Not all relevant information is captured.	There are several routes to collecting information – including additional feedback to finalise the AGS.
Not all gaps in assurance are covered.	Where there are gaps in information internal audit will be considered; inspections and peer reviews.
There are insufficient resources to implement required improvements.	Though no direct resource implications additional activity may lead to a resource impact and this will be monitored and managed via routine budget monitoring arrangements.

## Consultees

19. The consultees have largely been internal, with internal and external audit commenting on the draft. Independent persons will be asked for their view on the draft AGS, along with internal and external audit. This will influence the final version due to be presented to the Audit and Governance Committee.

## Appendices

Appendix 1 Draft Annual Governance Statement 2023/24

## Background papers

None identified.

## Report Reviewers Used for appraising this report:

Governance	Jen Preece	Date 03/06/2024
Finance		
Legal	Sean O'Connor	Date 31/05/2024
Communications	Luenne Featherstone	Date 31/05/2024
Equality Duty		
Procurement		
Risk		

Approved by

Claire Porter / Andrew Lovegrove

Date 03/06/2024



# Governance statements 2023/24



## Introduction

The Annual Governance Statement is a review of our activities to ensure that the council is carrying out its functions effectively. This statement explains how the council has discharged its governance responsibilities during the period from 1 April 2023 to 31 March 2024, the key governance mechanisms in place and planned improvements for 2024/25 and beyond.

Our risk management process is a key part of our governance arrangements and provides assurance that:

- our business is conducted in accordance with all relevant laws and regulations;
- public money is safeguarded and properly accounted for; and
- resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people.

38

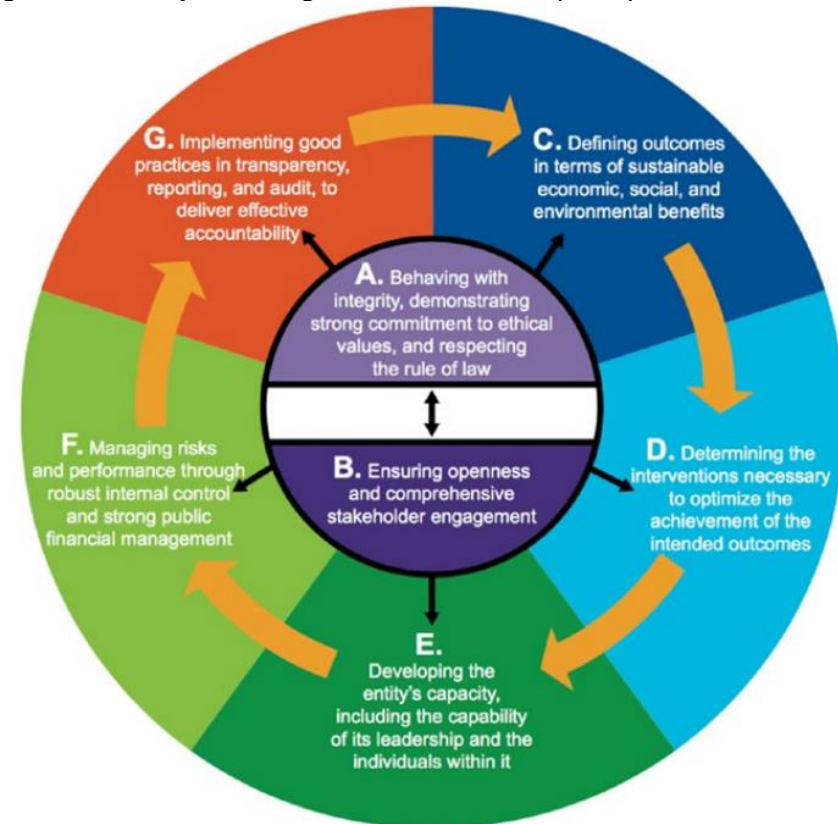
## The purpose of the Governance Framework

The council is committed to improving governance through a process of continual evaluation and review, delivered through the seven principles of good governance as identified in the Delivering Good Governance in Local Government Framework 2016 and supported by the council's Constitution and processes which strengthen corporate governance.

Our system of internal control is designed to manage risk to a reasonable level and is based on an ongoing process to identify and manage risks to the achievement of policies, aims and objectives, to evaluate the likelihood of those risks being realised, and to manage them efficiently, effectively and economically. It cannot eliminate all risk of failure but provides reasonable assurance of effectiveness.

This Annual Governance Statement is published in accordance with the CIPFA/SoLACE Delivering Good Governance in Local Government

Framework 2016. The council aims to achieve good standards of governance by adhering to the seven core principles below:



## Overview of Governance Framework

Key elements of the council's governance framework, which have been in place throughout 2023/24 are set out below:

### Leader, Cabinet and Council

The council operates a leader and cabinet model of governance in which the Leader and Cabinet are responsible for all of the council's executive functions except those required by law or the Constitution to be undertaken by full Council.

### Decision Making

Decisions may be taken by full Council, Cabinet, individual Cabinet Members (for decisions that sit within their portfolio areas), Committees and Sub-committees and Officers who have been delegated specific responsibilities in accordance with the council's scheme of delegation and financial procedure rules. There is an approved governance process for each type of decision, supported by the legal requirements and provisions set out in the council's Constitution.

### Risk and Performance Management

The council's risk management arrangements ensure operational and strategic risks are managed effectively to support increased performance and delivery of corporate priorities. Identified risks and mitigating controls are monitored through Service, Directorate and Corporate Risk Registers, reported to the Corporate Leadership Team and Audit and Governance Committee.

### Statutory Officers

- Head of Paid Service (the Chief Executive): responsible for the operational management, leadership and strategic direction of the council, alongside the management and performance of the Corporate Leadership Team.
- Director of Governance and Legal Services (the Monitoring Officer): responsible for maintaining the Constitution and ensuring that functions act in accordance with the Constitution and relevant legal

requirements. These arrangements include overseeing the ethical conduct of the council and the production of associated codes, conventions and protocols.

- Chief Finance (Section 151) Officer: responsible for the oversight and delivery of financial management arrangements; achieved through a robust financial control framework, financial procedure rules, a scheme of delegation and an independent and objective Internal Audit function.
- Statutory Scrutiny Officer: responsible for promoting the role of the council's Scrutiny Committees within the council and providing guidance and support to Scrutiny Members. This role cannot be held by the Head of Paid Service, Monitoring Officer or Chief Finance Officer.

### Corporate Leadership Team

The council's Corporate Leadership Team (CLT) is collectively responsible for ensuring that effective governance arrangements are in place and are subject to regular review. CLT provides leadership, determines policy and upholds expected standards of behaviour.

### Scrutiny Committees

Scrutiny is a statutory role fulfilled by councillors who are not members of the Cabinet. The role of the scrutiny committees is to help develop policy, to carry out reviews of council and other local services, to provide effective challenge and to hold decision makers to account for their actions and decisions.

### Audit and Governance Committee

The Audit and Governance Committee oversees the council's audit and corporate governance arrangements and provides independent assurance on the adequacy of the risk management framework and internal controls. The Committee considers annual audit plans and reports of internal and external auditors.

**External Audit**

External Audit provide an opinion on the council's annual Statement of Accounts and review the council's Value For Money (VFM) arrangements which are designed to secure economy, efficiency and effectiveness in its use of resources.

**Internal Audit**

Internal Audit provides an independent and objective opinion on the council's governance, risk management and control environment; evaluating effectiveness through a risk based approach. The annual Internal Audit Plan comprises: operational audit reviews, cross-cutting governance audits, annual review of key financial system controls, IT audits, grant assurance work and any other special or unplanned review; aligned to the council's corporate risks.



## Review of Effectiveness

The review of effectiveness is informed by the work of Senior Officers and managers with responsibility for the design and maintenance of an effective governance environment. It is also informed by the work of Internal Audit and the annual opinion provided by the Head of Internal Audit.

The results of the annual review of the effectiveness of the council's governance arrangements during 2023/24 are set out below and demonstrate how the council has complied with the seven principles of the CIPFA/Solace Framework.

Areas for improvement, where it is recognised that governance arrangements could be further strengthened, are included as part of the assessment and these are supported by a detailed action plan. Progress against the plan will be reported to Audit and Governance Committee to ensure that work is undertaken to deliver the identified improvements.

### Assessment of the effectiveness of governance arrangements during 2023/24

**Core Principle A:** Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

### Key aspects of the council's governance arrangements during 2023/24:

We have arrangements in place to provide assurance that our values are upheld, and that members and officers demonstrate high standards of conduct and behaviour to comply with laws and regulations. These include:

- Following the May 2023 election, an induction and training programme was provided for newly and re-elected Members. Mandatory training included ethical standards and the Code of Conduct, information governance, scrutiny and decision making, corporate parenting and children and adults safeguarding.

- A programme of governance and decision making training was made available to all staff during 2023/24 and governance training is included as part of the council induction for new starters;
- A Colleague Handbook, developed during 2023/24, provides a useful reference tool to share key information and signpost staff to policies and procedures and the council's values and behaviours.
- Codes of Conduct for officers and Members.
- The Constitution sets out how the council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.
- A Whistleblowing Policy, approved by Audit & Governance Committee in 2023/24, which provides employees, and others with a framework to raise concerns that may be in the public interest.
- An Equality Policy, to demonstrate our commitment to equality of opportunity for all citizens, in line with the Public Sector Duty as set out in the Equality Act 2010.
- Processes to support delivery of the council's ethical values including Declarations and Registers of Interests.
- A Corporate Complaints Policy ensuring effective investigation and appropriate response to formal complaints.
- The Shareholder Committee approved the appointment of new Directors to its subsidiary companies in April 2023 to ensure appropriate capacity and expertise in the representation of the council's interests.
- Arrangements and processes by which the Standards Panel consider breaches of the Code of Conduct have been strengthened during the year to improve transparency

The governance arrangements, as identified above, have been effective in the period from 1 April 2023 to 31 March 2024. Areas where it is recognised that governance arrangements could be further strengthened include:

- We will continue to review the council's Constitution and associated documents to simplify and enhance visibility across officers, Members and residents.
- We will continue to promote a culture of accountability and strong ethical values through additional training to Officers to support the documentation of evidence-based decision making and reporting.
- Improvements to governance arrangements for council business ventures will be delivered in 2024/25, to ensure lines of responsibility and accountability are clearly defined and delegations of authority are formally agreed. These principles will provide a robust control framework, supported by an adequate audit trail and promote further transparency in decision making.

**Core Principle B:** Ensuring openness and comprehensive stakeholder engagement

## 45 **Key aspects of the council's governance arrangements during 2023/24:**

The Chief Executive and Corporate Leadership Team value are committed to ensuring that employee feedback is sought, listened to and acted upon. To promote engagement, maintain effective employee relations and share information, monthly all staff briefings are hosted by the Chief Executive and Leadership Group.

Activity during 2023/24 comprised:

- Strengthened engagement with staff through the Chief Executive's weekly staff update to share staff news, wellbeing advice, training and development opportunities and relevant partner news.
- Introduction of new employee network groups to strengthen the voices of employees and provide a safe environment for colleagues who share identities, life experiences or cultures to raise awareness, challenge discrimination and initiate positive change in the workplace.
- Additional officer training in respect of the Regulation of Investigatory Powers Act (RIPA) 2000.

- Political Group Consultations to inform decisions with financial or community significance; to provide a political viewpoint for officers to capture in key decision reports and ensure transparent political choices for the electorate.
- The council's four-year Workforce Strategy 2024-28 was approved following engagement with staff and consultation with the Corporate Leadership Team, Leadership Group, UNISON and Scrutiny Management Board. Refreshed values and behaviours sit at the core of the strategy to reflect the culture of the council.
- Feedback from events and surveys to inform the council's corporate priorities. Consultations and surveys, to engage the views of stakeholders, included: garden waste collection survey, Council Plan 2024-28 consultation, 2024/25 Budget proposals, Herefordshire Local Plan and the Local Transport Plan.

The governance arrangements, as identified above, have been effective in the period from 1 April 2023 to 31 March 2024. Areas where it is recognised that governance arrangements could be further strengthened include:

- Improved co-ordination of the council's internal and external inspection and regulatory framework, with a centralised record of all priority recommendations to enable proactive monitoring of implementation.
- Continuous review and update of council strategies and policies which support stakeholder engagement and transparency; aligned to the council's wider transformation programme.
- The appointment of an independent Member to the Audit & Governance Committee to provide specialist knowledge and insight and complement the skills and experience of existing Members.

**Core Principle C:** Defining outcomes in terms of sustainable economic, social, and environmental benefits

## **Key aspects of the council's governance arrangements during 2023/24:**

- Performance against 2023/24 Delivery Plan actions has been reported quarterly to Cabinet. Reporting identifies the lead officer and outlines progress made in the quarter against the performance measures relevant to each action and indicates the risk of delivery.
- Development of the Herefordshire Council Plan 2024-28 to provide the strategic framework for the council; outlining the vision, priorities and objectives for the next four years and inform the use of the council's resources.
- Progress towards the four corporate priorities identified in the plan will be monitored by the Delivery Plan and supporting strategic documents including the Big Economic Plan, The Local Plan, Integrated Waste Strategy, Health and Wellbeing Strategy, Children's Improvement Plan, Medium Term Financial Strategy, Capital Strategy, Carbon Management Plan, Hereford City Masterplan. The corporate priorities for 2024-28 are:

**People:** We will enable residents to realise their potential, to be healthy and to be part of great communities who support each other. We want all children to have the best start in life.

**Place:** We will protect and enhance our environment and ensure that Herefordshire is a great place to live. We will support the right housing in the right place, we will support access to green spaces and we will do everything we can to recover the health of our rivers

**Growth:** We will create the conditions to deliver sustainable growth across the county; attracting inward investment, building business confidence, creating jobs, enabling housing development along with providing the right infrastructure.

**Transformation:** We will be an efficient council that embraces best practice, delivers innovation through technology and demonstrates value for money.

- The council's Carbon Management Plan 2020/21 to 2025/26 and supporting action plan aims to deliver a 75% reduction in carbon emissions by 2025/26; an interim target on a path to carbon neutral by 2030/31.
- The Herefordshire Climate and Nature Partnership continues to drive the county's goal to become carbon net zero and nature rich

by 2030 through community engagement and the Greener Footprints campaign.

- The Herefordshire Economy and Place Board supported implementation of the Big Economic Plan during 2023/24 to deliver a collective vision for the county through collaboration and partnership working.

The governance arrangements, as identified above, have been effective in the period from 1 April 2023 to 31 March 2024. Areas where it is recognised that governance arrangements could be further strengthened include:

- Improvements to the council's performance monitoring arrangements in 2024/25 will support transparent and timely reporting aligned to the council's revised corporate priorities and key objectives.
- Development of annual Service Plans to outline service area priorities and key areas of focus to achieve the Council Plan objectives.
- Consideration of environmental, social and economic arrangements as part of the council's wider deliverables, governance and decision making processes.

**Core Principle D:** Determining the interventions necessary to optimise the achievement of the intended outcomes

## **Key aspects of the council's governance arrangements during 2023/24:**

- The council has robust processes in place to support financial planning and sustainability. The budget is informed by the Medium Term Financial Strategy (MTFS) with key risks and assumptions clearly identified and reported to Members. The budget setting process identifies financial pressures and savings proposals and these are subject to challenge and scrutiny by relevant stakeholders.

- Quarterly reporting to Cabinet during 2023/24 highlighted a forecast overspend against the approved budget from Quarter 1. This prompted the implementation of additional expenditure controls and management recovery actions with a resulting positive impact on the final outturn position for the financial year.
- Performance against actions from the council's Delivery Plan was reported quarterly to Cabinet during 2023/24.
- Responsibility for the delivery of the council's strategic objectives lies with individual Directorates and this is monitored through individual Directorate Plans, Service Business Plans and Individual Personal Development Plans to ensure the alignment of individual activity to corporate ambitions.

Areas where it is recognised that governance arrangements could be further strengthened include:

- In addition to improvements in performance monitoring arrangements, the council has identified areas for improvement in its approach to risk management to strengthen oversight of strategic risks and support the identification of robust mitigating actions.
- Work to deliver the council's programme of THRIVE transformation activity has continued during 2023/24 with engagement through regular briefings to staff and the council's Leadership Group. Work to develop a new council operating model will be finalised in 2024/25.

A key area for improvement for the council is the continued transformation of children's social care services to address areas identified for improvement following an Ofsted review of the service in July 2022.

In September 2022, the council's Children's Services were rated inadequate and a statutory direction was issued by the Secretary of State and a Commissioner for Children's Services was appointed. The council has responded positively to the findings of these reviews with enhanced governance and oversight arrangements and significant financial

investment. Further planned actions to improve are noted below under Significant Governance Issues.

**Core Principle E:** Developing the entity's capacity, including the capability of its leadership and the individuals within it

### **Key aspects of the council's governance arrangements during 2023/24:**

- To deliver the council's objectives in 2023/24, activity has been underpinned by the PEOPLE values; a set of principles to shape our culture, guide activity and aid decision making:

**People:** treating people fairly, with compassion, respect and dignity.

**Excellence:** striving for excellence, and the appropriate quality of services, care and life in Herefordshire.

**Openness:** being open, transparent and accountable.

**Partnership:** working in partnership and with all our diverse communities.

**Listening:** actively listening to, understanding and taking into account people's views and needs.

**Environment:** protecting and promoting our outstanding natural environment and heritage for the benefit of all.

- The Workforce Strategy 2024-28, developed during the year, commits to nurturing a culture of excellence, empowerment and growth with the THRIVE core values as the guiding principles to shape the culture and behaviours within the council: **TRUST, HONESTY, RESPONSIBILITY, INCLUSIVITY, VALUE and EMPATHY.**
- Mandatory learning is in place for all staff and monitored by Directorate Leadership Teams. A Coaching Culture development programme was launched in 2023 to support managers in developing coaching skills using three key tools: Mindset, Lessons and Assessments; available to all leaders across the council.

- Review of the council's recruitment and retention strategies has continued during 2023/24 including regular pay benchmarking, adjustments to ensure a competitive employment offer and improved controls in the use of agency staff.
- The Head of Paid Service and political leadership of the council continue to review organisational capacity and capability.
- The council's performance and development planning process: My Conversation, covers employee health and wellbeing, a review of performance, individual outcomes and personal development and this process promotes discussion and sharing of feedback and recognition.
- The council benefits from leadership, training and development opportunities offered by the Local Government Association to enhance council leadership, skills and capacity and support officers and Members to deliver effectively in their roles.

45 Areas where it is recognised that governance arrangements could be further strengthened include:

- Continued development of leadership skills across the organisation to empower leaders at all levels with the skills to inspire, guide others and drive the council forward.
- Promotion of accountability and responsibility for delivery of budget and performance objectives by front line managers through additional training and development of regular information and enhanced reporting tools.

**Core Principle F:** Managing risks and performance through robust internal control and strong public financial management

## **Key aspects of the council's governance arrangements during 2023/24:**

- The council's performance management framework sets out the approach to business planning, monitoring performance and risk management and this structure enables the alignment of resources, people and finance to the ambitions outlined in the County Plan.

Quarterly budget and performance reports are presented to Cabinet to report progress against the agreed revenue budget, capital programme, savings and service delivery targets.

- Risk management involves the identification, analysis and control of threats or events that adversely affect the achievement of the council's strategic and operational objectives. It also enables positive risks to be taken to innovate and improve service provision. The council's Risk Management Plan details the methodology for evaluating corporate risk management arrangements and its delivery is monitored by Audit and Governance Committee.
- The council operates 3 levels of risk registers; Corporate, Directorate and Service. The highest risks are included in the Corporate Risk Register, with lower level operational risks recorded in Service Risk Registers. Alongside these, project risks are identified in Project and Programme Risk Registers.
- The council's Counter Fraud and Corruption Strategy promotes a culture in which fraud, bribery and corruption are not tolerated and supports the prevention and detection of fraud across the organisation. Work to raise awareness internally and externally has been carried out in 2023/24: additional training has been delivered to staff and Members, additional resources to raise awareness of fraud have been made available to staff and we have continued to develop methods of partnership working to identify and investigate fraud.
- The council supports and submits data for the National Fraud Initiative (NFI) and assesses all matches for review and, where appropriate, mitigation.
- The Financial Procedures Rules (FPRs) control the way the council manages its finances and safeguards its assets. They form part of the Constitution and outline the financial roles and responsibilities for staff and Members and provide a framework for financial decision-making.

- Enhancements to internal financial reporting have supported early identification and effective management of financial risks during 2023/24; enabling recovery plans and additional expenditure controls to be implemented to influence the final outturn position. A budget monitoring report is prepared for Directorate and Corporate Leadership Teams on a monthly basis. These reports are also presented at Cabinet Briefings in addition to the quarterly monitoring reported to Cabinet.
- Transformation Boards have been introduced during 2023/24 to manage the implementation of Directorate Transformation Strategies.

The governance arrangements, as identified above, have been effective in the period from 1 April 2023 to 31 March 2024. Areas where it is recognised that governance arrangements could be further strengthened include:

- 49
- A review of the council's risk management arrangements to ensure consistency, improved accountability and robust identification of actions to mitigate risk.
  - Self-assessment against the CIPFA Financial Management Code to identify actions for improvement to support financial sustainability through effective financial management.

**Core Principle G:** Implementing good practices in transparency, reporting and audit to deliver effective accountability

## Key aspects of the council's governance arrangements during 2023/24:

- Information is published on the council's website to provide details of the working of the organisation, what we spend, and how our decisions are made. All council decisions are published, along with agendas and minutes for Committees.
- Cabinet or Cabinet Member decisions are in place for all related activity, with appropriate delegations identified.

- Cabinet members are briefed at monthly portfolio briefing meetings, and regular cabinet meetings.
- The council's Monitoring Officer has a specific duty to ensure the council, its Officers and Members maintain the highest standards in their values and behaviours.
- Arrangements are in place to ensure that we fully comply with the requirements of the Public Sector Internal Audit Standards (PSIAS) and CIPFA Statement on the Role of the Head of Internal Audit.
- The council is registered as a Controller under the General Data Protection Regulation (GDPR) which governs how we manage and process the information we collect and retain. There is a nominated Data Protection Officer and procedures in place that explain how we use and share information, as well as arrangements for members of the public to access information.
- Additional dedicated scrutiny training has been provided for Members and officers by the Centre for Governance and Scrutiny.

The governance arrangements, as identified above, have been effective in the period from 1 April 2023 to 31 March 2024. Areas where it is recognised that governance arrangements could be further strengthened include:

- Improved monitoring of recommendations arising from the council's internal and external audit framework to ensure timely delivery of management actions.
- Integration of equality impact assessments at the initial stages of developing new strategic, policies, functions or services to understand the potential impacts on individuals, and groups, in our communities and ensure effective consideration of equality, diversity and cohesion in all key decision making.

## Significant Governance Issues

Actions taken to address significant governance challenges during 2023/24 are noted below.

- **Improvements in Children's Services:** During 2023/24, the council has continued to work hard to deliver the improvements required in Children's Services. In July 2023, the council began its long-term improvement partnership with Leeds Relations Practice Centre (LRPC) who provide knowledge, skills, expertise and valuable experience to accelerate the council's onward improvement journey. Delivery against the Children's Services Improvement Plan has been monitored through the Children's Improvement Board, chaired by an independent Improvement Advisor, with progress reported to Cabinet. Arrangements to strengthen the monitoring of progress against priority areas have been implemented during the year. Findings and feedback from Ofsted monitoring visits during the year have been published by the council and Member briefings have taken place to improve awareness and understanding of key challenges and review latest performance. The Children's Commissioner has continued to provide expert insight and guidance throughout the year, undertaking formal six-monthly reviews to present recommendations for improvement, and the service has benefitted from the advice and support of the Department for Education Improvement Advisor.
- **Financial Management and Resilience:** Enhancements to internal financial reporting have supported early identification and effective management of financial risks during 2023/24; enabling recovery plans and additional expenditure controls to be implemented to have a positive impact on the final outturn position. Directorate control panels have been established to review expenditure on goods and services, as well as changes in staffing arrangements, to provide increased rigour and challenge over expenditure.

47

The review of governance arrangements during 2023/24 has identified the following areas which will be a key focus for the council's leadership in 2024/25:

- **Continued improvement in Children's Services:** As the council's number one priority, we will continue to make improvements to the services that we provide to children and their families. We will continue to work closely with our improvement partners and expert advisors to accelerate the pace of improvement and secure a better service.
- **Financial Sustainability:** The council's financial position continues to be challenging. The council has set a balanced budget for 2024/25 and we will continue to monitor the outturn position and achievement of savings targets throughout the year. Directorate expenditure controls will continue, as part of financial management arrangements, in 2024/25 to ensure delivery of services within the approved budget.
- **Dedicated Schools Grant:** At 31 March 2024, the council's Dedicated Schools Grant (DSG) cumulative deficit is £6.0 million and this is expected to increase further during 2024/25. The DSG deficit is accounted for as an unusable reserve on the council's Balance Sheet, as permitted via statutory instrument which will remain in place up to March 2026; beyond the period of the statutory override, any balance on the DSG unusable reserve will transfer back to the council's Earmarked Reserves. The council is committed to identifying actions to mitigate the DSG deficit, through the Deficit Management Plan, to reduce the potential impact on the council's overall financial position.

The key governance challenges facing the council in 2024/25 will be monitored by the Corporate Leadership Team and Audit & Governance Committee.

## Audit and Audit Assurances

The council's Statement of Accounts are audited by Grant Thornton UK LLP. In accordance with statutory requirements, the annual audit includes an examination and certification of the financial statements to confirm they are 'true and fair' and free from material misstatements and an assessment of the council's arrangements to secure economy, efficiency and effectiveness in its use of resources. In 2022/23, Grant Thornton gave an unqualified audit opinion on the financial statements.

The external auditors work on the council's arrangements to secure value for money in 2022/23 did not identify any significant weaknesses in respect of the themes of financial sustainability and governance. The auditors reported a significant weakness, first identified in 2021/22, which remains in respect of improvement in children's services under the theme of improving economy, efficiency and effectiveness in the use of resources.

48

Internal audit services are provided South West Audit Partnership (SWAP) and these services are managed and delivered in accordance with the Public Sector Internal Audit Standards (PSIAS). SWAP is responsible for reviewing the adequacy of internal controls across all areas of the council's services, providing risk-based and objective assurance, advice and insight.

The annual Internal Audit plan and Internal Audit Charter are presented to and approved by the Audit and Governance Committee. The plan includes a range of activity designed to provide appropriate coverage of key business objectives, associated risks and the risk management process and the council's corporate governance arrangements.

Further assurance is provided by reviews undertaken by external agencies including OFSTED, the Care Quality Commission, the Office of the Information Commissioner and other Local Authority Inspectorates.

For the year ended 31 March 2024, the Head of Internal Audit issued a Reasonable Assurance opinion on the overall adequacy and effectiveness of the council's governance, risk management and internal control environment.

## Certification

To the best of our knowledge, the governance arrangements, as defined above have been effective for the period from 1 April 2023 to 31 March 2024. We will use the areas for improvement identified through this review of effectiveness to ensure that these governance arrangements, alongside identified areas for improvement, continue to provide effective foundations for the council to achieve its objectives.

**Paul Walker**  
**Chief Executive**  
**Date: XX/XX/2024**

**Jonathan Lester**  
**Leader of the Council**  
**Date: XX/XX/2024**





# Title of report: 2023/24 Draft Statement of Accounts

**Meeting: Audit and Governance Committee**

**Meeting date: Tuesday 11 June 2024**

**Report by: Head of Strategic Finance**

## **Classification**

Open

## **Decision type**

This is not an executive decision

## **Wards affected**

All Wards

## **Purpose**

To note the draft, unaudited Statement of Accounts for 2023/24.

## **Recommendation**

**That:**

- a) Audit and Governance Committee note, and comment on as appropriate, the draft, unaudited Statement of Accounts for 2023/24.**

## **Alternative options**

1. To not provide a Statement of Accounts. This is not an option. The Local Audit and Accountability Act 2014 requires the council to produce a Statement of Accounts in accordance with the Accounts and Audit Regulations 2015. The process requires the final accounts to be approved by the Audit and Governance Committee.

## **Key considerations**

2. The council is required to prepare an annual Statement of Accounts and to arrange for them to be audited and reported in accordance with the Accounts and Audit Regulations 2015 and the 2023/24 Code of Practice on Local Authority Accounting in the United Kingdom, issued by the

---

Further information on the subject of this report is available from  
Rachael Hart, Tel: 01432 383775, email: Rachael.Hart@herefordshire.gov.uk

Chartered Institute of Public Finance and Accountancy (CIPFA). The Statement of Accounts presents the overall financial position of the council and comprises: a narrative report and annual governance statement, comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement, collection fund statement, group accounts and supporting notes.

3. The council has prepared the draft Statement of Accounts for 2023/24 (Appendix 1) and published them on 31 May 2024, in line with the statutory deadline determined by the Accounts and Audit Regulations 2015 and provided accounts to the external auditors on this date.
4. It is anticipated that the external audit fieldwork will be completed by Grant Thornton UK LLP over July to September, with audited Statement of Accounts and audit findings to be presented at September meeting of this committee, to meet the statutory deadline of 30 September 2024.
5. The financial outturn position reported for 2023/24 is an overspend of £8.7 million against a net budget of £193.3 million (4.5%). The net deficit on the provision of services presented in the comprehensive income and expenditure statement is £7.0 million; this represents the accounting deficit after financial accounting adjustments including pension actuarial costs and capital costs allowable under International Financial Reporting Standards (IFRS). These accounting adjustments are explained in note 8 to the accounts: Expenditure and funding analysis.
6. The general fund balance has remained at £9.6 million and earmarked reserves have decreased from £81.8 million to £73.2 million. These figures include balances of £9.9 million held for individual maintained schools.
7. The cumulative dedicated schools grant (DSG) deficit brought forward from last financial year of £1.1 million has increased by £5.0 million, representing the deficit in 2023/24, to £6.1 million. In line with the School and Early years Finance (England) Regulations 2020, the deficit reserve is classified as an unusable reserve instead of an earmarked reserve.
8. The council instructed external valuers Wilks Head & Eve LLP to carry out the land and buildings asset valuations in 2023/24 in line with the rolling programme of valuations. Valuations were completed in accordance with the professional standards of the Royal Institution of Chartered Surveyors (RICS) as per the planned timetable and revaluations have been processed to update carrying values at 31 March 2024 which are reflected in the 2023/24 draft statement of accounts.
9. The group accounts consolidate the performance of the council with its subsidiary undertaking: Hoople Ltd. The impact of the consolidation is an increase in the group reserves of £3.3 million, which includes reserves applicable to the minority interest of £0.7 million.
10. The Statement of Accounts was reviewed and decluttered in 2022/23 with significant changes to the presentation and ordering of the primary statements and supporting notes. The simplified format has been continued in 2023/24; the Statement of Accounts is now easier for the reader to understand, whilst still being compliant with the CIPFA Code. A summary financial statements document has also been produced (Appendix 2) to provide high level summary figures and brief explanations of the purpose of each statement in two pages.

### **Community impact**

11. Publication of the Statement of Accounts in accordance with statutory requirements helps the council to achieve its code of corporate governance commitment to behave with integrity, demonstrate strong commitment to ethical values, and respect the rule of law. The council is accountable for how it uses the resources under its stewardship, including accountability for

outputs and outcomes achieved. In addition the council has an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies.

## **Environmental Impact**

12. The council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.
13. This report is to note the draft 2023/24 Statement of Accounts so will have minimal environmental impacts, however consideration has been made to minimise waste and resource use in line with the council's Environmental Policy. For example, the external audit on the draft accounts will be completed remotely, reducing travel impact and paper usage.

## **Equality duty**

14. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

- a. eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
  - b. advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
  - c. foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
15. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a decision on back office functions, we do not believe that it will have an impact on our equality duty.

## **Resource implications**

16. There are no new resource implications from this report.

## **Legal implications**

17. Regulation 9 of the Accounts and Audit Regulations 2015 requires the following:
  - a. The S151 officer to sign and date the Statement of Accounts, and confirm that they are satisfied that it presents a true and fair view of the financial position of the council at the end of the financial year to which it relates together with the income and expenditure for that financial year;
  - b. A period of time to allow the public to inspect the accounts. This will commence on 1 June 2024 and last for six weeks; and

- c. Once there has been a period of public inspection, the committee must approve the Statement of Accounts by a resolution and ensure that the Statement of Accounts are signed and dated by the person presiding at this committee.

### **Risk management**

- 18. The council is required to make arrangements for the proper administration of its financial affairs and to secure that the Chief Financial Officer has the responsibility for the administration of those affairs. The council is also required to secure economic, efficient and effective use of resources on which Grant Thornton provide a value for money opinion.

### **Consultees**

- 19. The Statement of Accounts was made available for public inspection for a six week period commencing 1 June 2024.

### **Appendices**

Appendix 1 Draft Statement of Accounts 2023/24

Appendix 2 Summary Financial Statements 2023/24

### **Background papers**

None identified.

### **Report Reviewers Used for appraising this report:**

Governance	Jen Preece	Date 03/06/2024
Finance		
Legal	Sean O'Connor	Date 31/05/2024
Communications	Luenne Featherstone	Date 31/05/2024
Equality Duty		
Procurement		
Risk		
Approved by	Claire Porter / Andrew Lovegrove	Date 03/06/2024

# Herefordshire Council Statement of Accounts 2023/24

(Subject to audit)



Section	Page no.	Section	Page no.
Narrative report	3	<u>Group accounts and notes</u>	
Statement of responsibilities	16	Group comprehensive income and expenditure statement	84
		Group balance sheet	85
<u>Financial statements</u>		Group movement in reserves statement	86
Comprehensive income and expenditure statement	18	Group cash flow statement	87
Balance sheet	19	Notes supporting the group accounts	88
Movement in reserves statement	20		
Cash flow statement	21	<u>Supplementary accounts</u>	
		Collection fund statement	92
<u>Notes to the financial statements</u>		Notes supporting the collection fund	94
Contents of the notes to the financial statements	22		
General notes to the financial statements	23	<u>Governance statements</u>	
Notes supporting the comprehensive income and expenditure statement	30	Annual governance statement	98
Notes supporting the balance sheet	46	Independent auditor's report	109
Notes supporting the movement in reserves statement	61		
Notes supporting the cash flow statement	65	Glossary of terms	115
Technical annex	67		

# Narrative report

55



## Foreword from the Chief Executive

In my third year as Chief Executive, Councillors and staff have continued to work together to deliver improvements against our corporate priorities: strengthening the local economy, supporting vulnerable adults and children and helping residents, businesses and communities respond to a challenging national economic environment.

The council reached a historic milestone on 1 April 2023: celebrating 25 years of serving residents, businesses and communities across Herefordshire. I would like to thank all of our Councillors, staff, partners and communities for their contribution and effective collaboration throughout the last year and the two and a half decades since the council was established.

In February 2023, Council approved its budget for 2023/24 and performance against the 2023/24 budget is set out in this Statement of Accounts and the revenue outturn report presented to Cabinet. Our robust financial forecasting and reporting arrangements identified budgetary pressures, resulting from unprecedented increases in demand for social care, early in the financial year. Additional expenditure controls and management recovery actions implemented during 2023/24 have had a positive impact on the final outturn position; reducing the forecast overspend to £8.7 million, representing 4.5% of our budget.

We continue to manage our budgets as efficiently and effectively as possible and Councillors and staff have worked together to deliver improvements against our corporate priorities. In addition to ensuring we continue to respond to the growing number of increasingly complex cases for our vulnerable residents, we remain focused on providing good quality core services. Some notable successes in 2023/24 included:

- We have continued to make progress towards improvements in Children's Services focusing on actions to respond to the findings of Ofsted monitoring visits in the year and strengthening service delivery with a range of practice improvements, as part of learning from our long-term partnership with Leeds City Council.

- The council's bid for a new special school for children and young people with special educational needs and disabilities (SEND) has been approved by the Department of Education. The new special school will build up to a provision for 80 children and young people with complex autism and severe learning difficulties.
- We provided increased support to recognise the impact of the increasing cost of living on residents and businesses across the county: providing financial support to around 11,500 households through the Council Tax Reduction scheme, supporting a range of people through flexible use of the Household Support Fund and delivering a programme of free activities during school holiday periods through the Holiday Activities Fund.
- Our adult social care service continued to work closely with our health colleagues to manage effective discharge from hospital and more broadly to respond to people with care and support needs.
- In November 2023, the council joined together with three neighbouring English and Welsh authorities to form the Marches Forward Partnership. This will provide opportunities for collaboration across shared issues and interests; to apply for joint funding from government and unlock investment on major projects which cross national boundaries.
- The council remains committed to delivering improvements to help protect and restore the health of rivers in the county; working with partners across environment and agricultural sectors to identify short and long term responses and solutions.
- We have continued to invest in our staff through the development of the workforce strategy, to ensure we have the skills and capabilities we need to deliver services in new ways for the future.

Looking forward to 2024/25 and beyond, the council has set a balanced and realistic budget which is supported by robust financial controls and monitoring arrangements. We will continue to strengthen the council's financial resilience to enable improvements in service delivery and to support the vision of the Council Plan 2024-2028 across its key priorities of People, Place, Growth and Transformation.

**Paul Walker, Chief Executive**



## About Herefordshire Council

Herefordshire is a county with a rich history and proud heritage, covering a geographic area of 2,180 km<sup>2</sup>. It is home to nearly 200,000 residents across rural villages and vibrant market towns with a thriving economy combining long-standing agriculture and food production industries alongside innovative businesses in cyber and technology, construction, manufacturing and engineering.

The continuing impact of increasing demand for adult and children’s social care and the challenging national and global economic environment has placed the council’s resources under significant pressure during 2023/24. The council has managed these pressures through effective financial management and internal controls; maintaining standards of service whilst safeguarding the council’s resources to ensure long term financial resilience and sustainability. The council has continued to make arrangements to secure value for money in its use of resources throughout the year; strengthening governance arrangements and managing key operational risks and financial pressures to deliver corporate objectives and service improvements.

## Our Vision and Corporate Priorities

The County Plan 2020-2024 identified three key ambitions for the council in the areas of environment, community and economy, with corporate priorities and actions outlined in the supporting Delivery Plan. Activity and progress towards delivery of corporate priorities outlined in the Delivery Plan has been monitored and reported quarterly to Cabinet during 2023/24.

The Herefordshire Council Plan 2024-2028 sets out how the council will make its contribution to achieving success across the county; delivering the best for Herefordshire in all areas of service delivery and developing a council that engages with the communities it serves. The Plan sets out the vision for the future, with a focus on key priorities of People, Place, Growth and Transformation, with partnership working at the core of all activity.

### PEOPLE



We will enable residents to realise their potential, to be healthy and to be part of great communities that support each other. We want all children to have the best start in life.

### PLACE



We will protect and enhance our environment and ensure that Herefordshire is a great place to live. We will support the right housing in the right place and do everything we can to improve the health of our rivers.

### GROWTH



We will create the conditions to deliver sustainable growth across the county; attracting inward investment, building business confidence, creating jobs, enabling housing development and provide the right infrastructure.

### TRANSFORMATION



We will be an efficient council that embraces best practice, delivers innovation through technology and demonstrates value for money.

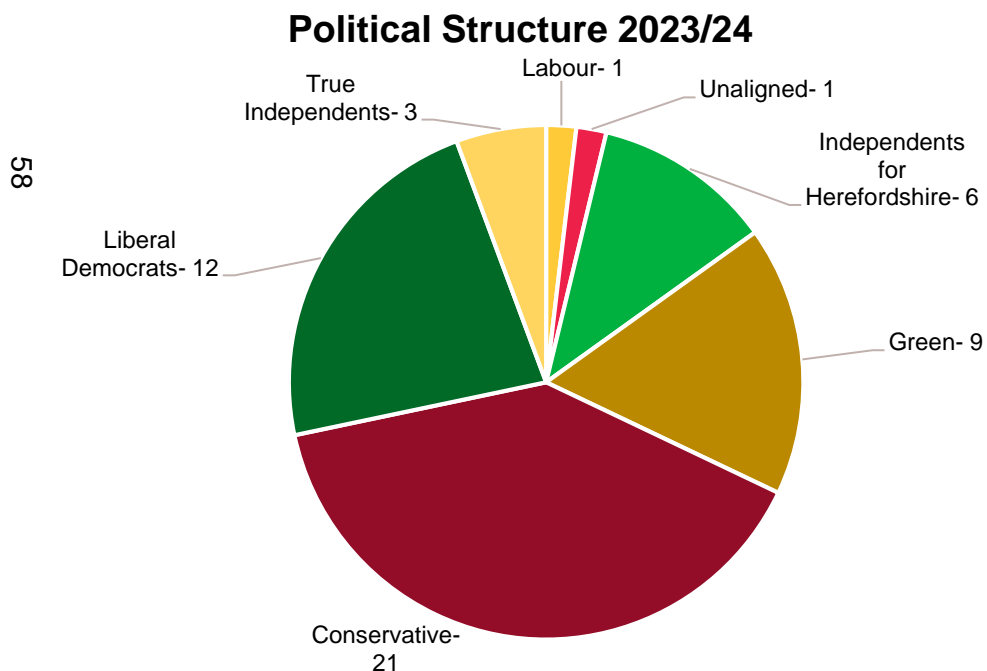
### UNDERPINNING THEME - PARTNERSHIP WORKING

*Partnership working is central to Herefordshire Council’s success and to delivering the best results for our residents. We are stronger together and the council will always work to build strong, effective partnerships to ensure our county is much more than the sum of its parts.*

## Our Governance and Political Structure

Herefordshire Council operates a leader and cabinet model of governance. The council's 53 elected members meet together as full Council to set the policy framework, agree the budget and spending plans, set the Council Tax, elect the leader of the council and chairs of committees and make constitutional decisions.

The chart below shows the political structure of the council for the period from 4 May 2023 (following local elections) to 31 March 2024:



Decision making takes place at a wide range of levels across the council.

The constitution defines the various roles of officers and members:

- Council (all 53 elected members) approves the constitution, the budget and the main policies and priorities for the council; it delegates much of its day to day decision-making (such as planning and licensing) to a number of committees, or to officers;
- Cabinet (the executive) is responsible for all decisions which the law, or Council, does not require to be taken by others; and agrees policies and actions to implement the budget and policies set by Council;
- Officers: take operational decisions in order to put agreed policies and strategies into effect and to deliver services efficiently; and
- Overview and scrutiny: scrutinises decisions and advises the cabinet and Council on policy issues.

The council also works in partnership with a range of organisations from the public, business, and voluntary and community sectors in order to deliver the best services, as efficiently as possible for the county. Further details of the council's governance arrangements are provided in the Annual Governance Statement.


## Council Leadership Team

The Chief Executive is responsible for the operational management, leadership and strategic direction of the council, supported by the senior Leadership team comprising Corporate Directors from the three directorates: Community Wellbeing, Children and Young People, Economy and Environment, together with the corporate directors. The council has responsibilities for a wide range of services including: economic development, education, environmental health and animal welfare, highways, housing, leisure and culture, local tax collection, passenger transport, planning, public health, social care (adults and children), strategic planning, trading standards, transport planning, waste collection and disposal. The council is also the 'corporate parent' to children and young people in its care.

## Our Performance

### Community Wellbeing

The council's priority is to protect and improve the lives of vulnerable people. We aim to support individuals to live as independently and healthily as possible through investment in prevention, early intervention and the use of technology and to encourage communities to help each other through a network of community hubs. Our adult social care services continued to work closely with the hospital to manage effective discharge from hospital throughout the year, putting in place additional homecare and care home capacity to manage the increasing demand.

We have continued to support residents during 2023/24 with financial support provided for vulnerable households, school holiday food vouchers and free activities provided for children in receipt of free school meals plus additional support for eligible households, care leavers and pensioners towards food and energy costs. Wellbeing events and cost of living  roadshows, hosted across the county, have delivered financial advice and support to our communities.

The council's proposal to relocate the Library & Learning Centre to Shirehall received support from Stronger Hereford in January 2024. An allocation of £3.0 million from the Stronger Towns Fund and additional capital funding will be invested to create a vibrant, modern and innovative library to enhance cultural facilities and improve opportunities and wellbeing outcomes.

Herefordshire's Joint Health & Wellbeing Strategy was launched in July 2023; the strategy sets out how the council and its local partners plan to address the needs of its population to support individuals and communities to live happy and healthy lives.

### Economy and Environment

Following the review of the capital programme in 2023/24, priority capital investment areas were identified, with additional funding approved to improve the condition of roads and highways across the county and undertake preventative maintenance and investment to progress the

Southern Link Road. The New Road Strategy was adopted by Cabinet in March and a decision made to prioritise the progress of the development of a bypass to support growth in the county, improve transport connections and strengthen the resilience of the network.

Cabinet approved the award of the new waste collection contract in 2023/24. The award marks significant transformation of the waste service; environmental impact has been a key driver in the service specification with a requirement to minimise waste, reduce energy and carbon emissions and enhance biodiversity.

The Council has been ranked as the top performing local authority in the West Midlands on sustainability action for the third year in a row. The Sustainability West Midlands (SWM) benchmarking results, in which the council achieved an overall score of 91%, demonstrate that the council is making excellent progress in our environmental and sustainability targets and this reflects our continued commitment to net zero by 2030.

### Children and Young People

The transformation and improvement of Children's services, to provide children and their families with the best possible outcomes, remains the council's number one priority. Regular Ofsted Monitoring visits have taken place throughout 2023/24 focusing on areas which require the most improvement. Following each visit, findings and the evaluation of progress made have informed changes to working practices and the Improvement Plan has been updated to ensure that planned activity addresses the priority improvement areas identified by Ofsted.

We will continue to work with the Commissioner, our long-term improvement partner, other agencies and families to increase the pace of improvement. Additional funding has been approved for 2024/25 to ensure the Directorate budget is sufficient to meet the cost of service delivery, reflecting the national and local pressures facing the provision of children's social care.

## Our Financial Performance

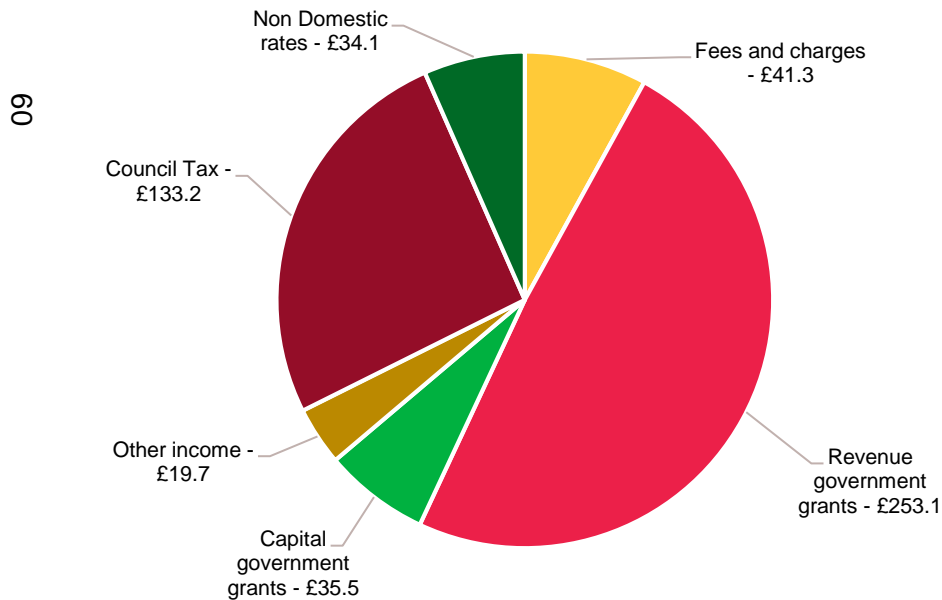
### Revenue Summary

The council receives funding from three main sources:

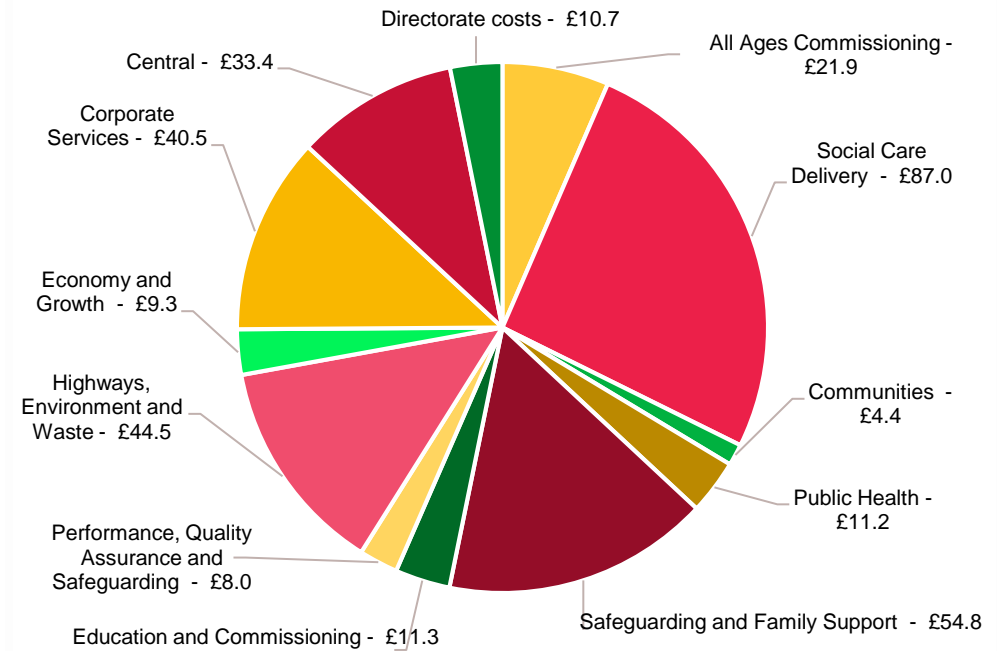
- Government grants
- Council tax
- Business rates

The council also generates income from fees and charges from the services it provides. The charts below show the funding received in 2023/24 and how these funds were spent on services in the year:

**Gross funding and income 2023/24 (£m)**



**Gross expenditure 2023/24 (£m)**



**2023/24 Revenue Outturn**

In February 2023, the council approved a net revenue budget of £193.3 million. The revenue budget shows the annual cost of delivery against the council’s duties and responsibilities to the community, many of which are statutory functions.

The council faced net cost pressures of £8.7 million (4.5% of budget) in 2023/24 after the use of reserves and recovery plan actions implemented by management during the year. The following table shows the council’s actual spend for the year against its planned spend for the year by Directorate with the difference between the two shown as the variance. The negative figures are those where spend was less than planned and the positive figures are where spend was greater than planned.

Service area	Budget £m	Outturn £m	Variance £m
Children and Young People	51.8	63.5	11.7
Community Wellbeing	71.8	71.8	-
Economy and Environment	27.0	26.5	(0.5)
Corporate Services	26.0	26.3	0.3
<b>Directorate Total</b>	<b>176.6</b>	<b>188.1</b>	<b>11.5</b>
Central, Treasury Management	16.7	13.9	(2.8)
<b>Total</b>	<b>193.3</b>	<b>202.0</b>	<b>8.7</b>

The Community Wellbeing Directorate budget returned a break even position against its £71.8 million net budget. The Directorate has managed significant cost pressures due to increased client need and growth in demand for services; balancing overspends in care packages, temporary housing demand and agency costs through robust management of high-cost care packages and working collaboratively with partners to maximise funding arrangements.

Services for children and young people continue to face significant pressures with growing demand, greater complexity, national challenges in workforce recruitment and retention and increased financial constraints. The £11.7 million overspend in Children and Young People reflects these national pressures alongside local issues which continue to have a significant impact on the cost of delivering services in Herefordshire; the lack of sufficiency within suitable local children’s social care placements is a key driver in the above-inflation increases in residential placement costs

with many children placed out of county to ensure their needs are met. There are also continued challenges in the recruitment of in-house foster carers resulting in higher cost alternatives including independent fostering agencies, residential and unregistered placements.

The Economy and Environment Directorate achieved an underspend of £0.5 million on its £27.0 million net budget. The outturn position comprises overspends in Planning and Development Control offset by reduced energy costs, reduced concessionary travel service use, additional trade waste income and management of agency and staffing costs throughout the year.

The Corporate Services Directorate delivered a small overspend of £0.3 million which represents staffing cost pressures across the Directorate, offset by increased rental income collected following focused rent reviews undertaken in 2023/24 to maximise income from council properties.

Central and Treasury Management budgets achieved a total underspend of £2.8 million which represents positive variances as a result of prudent treasury management activities in line with the approved Treasury Management Strategy.

This outturn position is reconciled to the figures shown in the comprehensive income and expenditure statement in note 8: Expenditure and funding analysis.

## Capital Investment Programme

In December 2023, the council approved a revised capital budget of £147.8 million for 2023/24. The final capital programme for the year following reprofiling of expenditure to future years and removal of the Maylords Library project totalled £68.4 million and included the following significant capital projects:

- **Fastershire:** a partnership between Herefordshire Council and Gloucestershire County Council to bring faster broadband to homes and businesses across the two counties. Phase 2 will extend coverage across the counties and will complete in 2024/25.
- **Hereford City Centre Transport Package:** design work for the delivery of the transport hub is complete, planning has been awarded and construction will begin in 2024/25; this project is supported by increased funding of £6.3 million from the Levelling Up Fund.
- **Market Towns Investment:** resurfacing work has been undertaken in the market towns funded by capital budgets for highways and public realm maintenance and the annual Local Transport Plan Grant for highways improvements.
- **Home Energy Efficiencies:** Green Homes Grants and the Home Upgrade Grant have been distributed to enable residents to benefit from more energy efficient heating systems and energy efficient home improvements.
- **Schools Maintenance Grant:** over £2.0 million was spent on improvements to schools including new roofs, internal works and replacement boilers.
- **Single Homelessness Accommodation Programme:** Four, one bed properties have been bought using the grant to address the gaps in homelessness for vulnerable young people (age 18-25) at risk or experiencing homelessness or rough sleeping; it is planned that further properties will be purchased in 2024/25.
- **Hereford City Centre Improvements:** A number of projects funded from the match budget were delivered in this year, including the Widemarsh Street Kerb Improvements, Cathedral & River Wye Quarter Design and the impressive Public Art works across the city.

**2023/24 Capital Outturn**

The total expenditure on capital projects in 2023/24 was £47.3 million which represents 69% of the revised budgeted programme. This expenditure was financed by capital grants of £32.5 million, prudential borrowing of £11.1 million, revenue reserves of £2.8 million and capital receipts of £0.9 million.

The £21.1 million underspend comprises £4.8 million of projects that have delivered below project budgets, £1.0 million of budget where the projects are on hold awaiting successful bids and a further £15.3 million of budgets to be carried forward to 2024/25.

	<b>Approved budget £m</b>	<b>Revised budget £m</b>	<b>Expenditure £m</b>	<b>Variance £m</b>
<b>Summary Financial Position</b>				
Community Wellbeing Delivery Board	4.4	4.4	3.2	(1.2)
Housing & Accommodation Delivery Board	2.8	1.7	0.7	(1.1)
IT Services Partnership Board	3.3	2.8	1.5	(1.3)
Corporate Transformation Delivery Board	0.6	0.6	0.5	(0.1)
Asset Management Delivery Board	36.4	9.0	6.1	(2.9)
Planning Delivery Board	5.9	2.8	1.6	(1.2)
Highways Maintenance Delivery Board	29.7	25.7	21.9	(3.8)
Environment & Sustainability Delivery Board	25.4	6.0	2.1	(3.8)
Economic Development Delivery Board	7.7	6.7	5.3	(1.4)
Major External Funded Delivery Board	12.5	2.3	1.0	(1.2)
Sustainable Transport & Place Making Delivery Board	16.0	6.4	3.4	(3.0)
<b>Total</b>	<b>144.8</b>	<b>68.4</b>	<b>47.3</b>	<b>(21.1)</b>

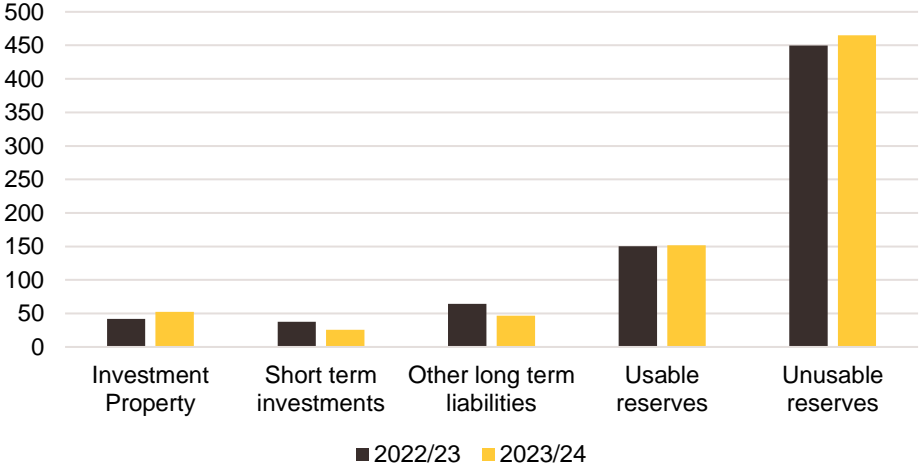
**Assets and Liabilities**

The Balance Sheet summarises the council’s financial position at 31 March 2024 and reports the assets, liabilities and reserves which show what the council owns and how much it owes. The council’s net assets have increased by £16.5 million from £600.2 million at 31 March 2023 to £616.7 million at 31 March 2024. The key balance sheet variations are noted in the following table and chart:

Summary Financial Position	31 March 2023 £m	31 March 2024 £m	Movement £m
Assets (what we own)	872.3	872.2	(0.1)
Liabilities (what we owe)	(272.1)	(255.5)	16.6
<b>Net financial position (assets less liabilities)</b>	<b>600.2</b>	<b>616.7</b>	<b>16.5</b>
<b>The net financial position is held in reserves as follows:</b>			
General reserves (usable)	(150.5)	(151.8)	(1.3)
Other reserves (unusable)	(449.7)	(464.9)	(15.2)
<b>Total reserves</b>	<b>(600.2)</b>	<b>(616.7)</b>	<b>(16.5)</b>

64

**Main Balance Sheet variations (£m)**



**Borrowing and Investments**

The Treasury Management Strategy, approved annually by Council, outlines the proposed borrowing and investment strategy, the council’s expected minimum revenue provision and the associated prudential indicators which demonstrate that the council’s proposed capital investment budget is affordable, prudent and sustainable. External borrowing is obtained, where necessary, to support the council’s capital programme and borrowing limits are set in accordance with the Prudential Code for Capital Finance in Local Authorities. No new borrowing was undertaken in 2023/24.

Total borrowing at 31 March 2024, including short term loans, was £121.0 million (£123.9 million at 31 March 2023). Principal debt repayments of £1.7 million were made and interest of £4.8 million was paid on all council borrowing during 2023/24. Net borrowing (borrowing less short term investments) was £95.6 million as at 31 March 2024 compared with £86.2 million as at 31 March 2023.



### Other Long Term Liabilities

The movement in long term liabilities results from a reduction in the pension liability valuation which is also reflected in the corresponding increase in unusable reserves.

### Pension Fund Liability

Herefordshire Council's non-teaching staff are members of the Worcestershire County Council Pension Fund. Herefordshire's proportion of the net liability of the Worcestershire County Council Pension Fund as at 31 March 2024 is £8.2 million (£23.7 million at 31 March 2023) on an International Accounting Standard (IAS) 19 basis.

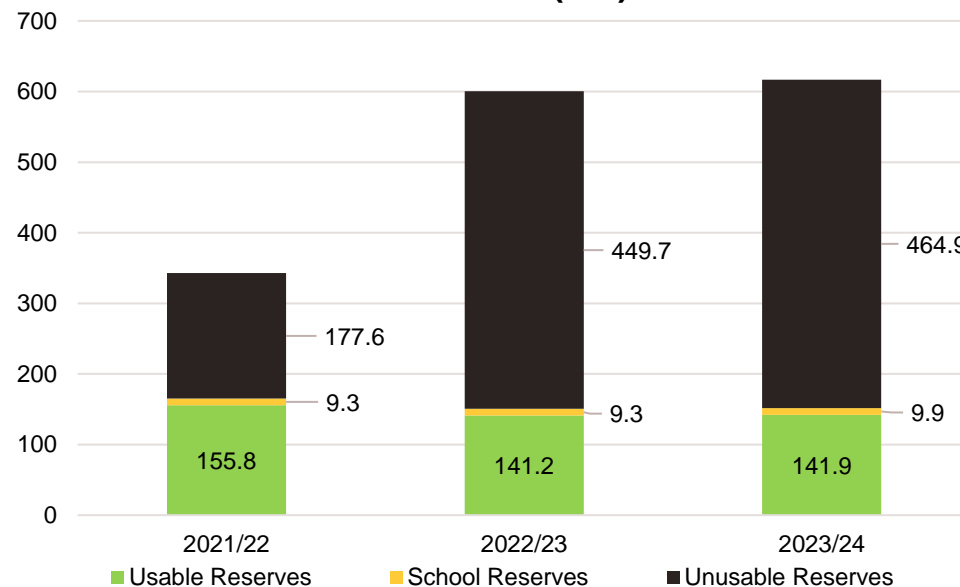
The pension fund position is reviewed every three years and was last revalued as at 31 March 2022, where the in-service contribution rate increased to 18.8% (previously 17.6%) and the deficit contribution decreased to 1.2% (previously 10.4%). These changes have been reflected in the medium term financial strategy.

Further details of the pension liability and assets are set out in the technical annex section of these financial statements.

### Reserves

The reserves on the balance sheet represent the council's net worth and are split into usable reserves and unusable reserves. The following chart shows the balance of reserves over the last three years. Usable reserves are shown in green, unusable reserves shown in blue and reserves belonging to schools are shown in orange.

Reserves (£m)



### Usable Reserves

Usable reserves are those reserves that can be spent on future services and include general reserves as well as those earmarked for specific purposes. Earmarked reserves are established to hold revenue balances to fund future year commitments over and above the annual budget requirement and to provide cover for risks such as insurance. They generally arise where funding exceeds expenditure, usually due to the timing of receipts being ahead of incurring expenditure. As a matter of good practice a review is undertaken each year to establish the continued need for reserves held for earmarked purposes to ensure resources can be used to best effect whilst maintaining a prudent level of reserves to meet future anticipated commitments.

## Unusable Reserves

The council also holds a number of unusable reserves, which arise as a result of statutory or accounting adjustments and cannot be used for expenditure on services. These include unrealised gains and losses, particularly in relation to the revaluation of property, and adjustment accounts, which absorb the timing difference between the outcome of applying accounting practice and the amounts required to be charged to the financial statements under statute.

The following accounts normally represent the most significant movements in unusable reserves and are explained further in note 30:

- Revaluation reserve;
- Pensions reserve; and
- Capital adjustment account.

⌘ The increase in unusable reserves is largely due to changes in the pension liability following the triennial actuarial valuation at 31 March 2022.

## Financial Resilience and Sustainability

The council's future financial resilience and sustainability is underpinned by robust financial planning to identify key pressures and funding gaps to inform savings and transformation plans which are aligned to strategic and statutory priorities and consistent with workforce, capital, investment and other operational plans. The council has developed a 4 year Medium Term Financial Strategy (MTFS) for the period from 2024/25 to 2027/28 to manage risks to its financial resilience including future demand for services and assumptions in funding.

The most significant medium term financial risks identified are:

- **Improvement in Children's Services:** The council continues to work with the Department for Education, the appointed Commissioner for Children's Services and its improvement partner Leeds City Council with resources allocated to address required transformation and

improvement. A three year Strategic and Financial Plan has been developed to ensure the Children & Young People Directorate is able to deliver recurrent savings over a three year period.

- **Safeguarding the financial position of the council:** High risk budget areas have been identified and financial support is targeted in these areas. Robust and regular financial monitoring which is reported to Directorate and Corporate Leadership Teams and Cabinet enables the timely identification of actions to mitigate the risk of overspends.
- **Increasing demand for Adults and Children's Social Care:** Demand led pressures are reflected within our spending plans; additional funding to support increased demand has been applied to Community Wellbeing and Children & Young People Directorate base budgets for 2024/25. In year monitoring of performance enables Directorates to forecast trends and identify changes in demand. Community support identified through Talk Community and use of Strength Based Assessment in adult social care have evidenced managing demand and investing in Early Help and Prevention will support our response to increasing demand in future years.
- **Volatility in government funding streams:** The government settlement for 2024/25 is a one year settlement; the MTFS reflects prudent estimates and assumptions in the financial planning over the medium term period where it is acknowledged that uncertainty over future funding exists.
- **Uncertainty in rates of interest and inflation:** The council's approved Treasury Management Strategy is informed by latest forecasts, provided by our external Treasury Management Advisors. Increases in borrowing rates will be offset by increases in investment returns.
- **High Needs Budgets:** These budgets are funded by the Dedicated Schools Grant (DSG), however any overspend remains a council liability. The forecast cumulative deficit position over the medium term period represents a developing pressure for the council, in line with the national trend. The High Needs deficit will have an impact on the council's overall financial position once the statutory override periods ends and this risk is being managed as part of routine budget monitoring arrangements and medium term financial plans.

## **Financial Interests in other organisations**

The group accounts show the full extent of the council's economic activities by reflecting the council's interests in other organisations. Inclusion in the Herefordshire Council group is dependent upon the extent of the council's interest and control over the entity. Where an entity is considered to be below materiality levels or the council does not exercise significant influence, it is not included in the group accounts.

In 2023/24, the group accounts include the council's interest in its subsidiary: Hoople Ltd. The financial position of the council, including its interest in Hoople Ltd is presented in the Group accounts at pages 84 to 90.

Andrew Lovegrove, Director of Resources and Assurance and Section 151 Officer

31/05/2024

69

## The Council's Responsibilities

The council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this council, that officer is the Section 151 Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the statement of accounts

## The Section 151 Officer - Responsibilities

The Section 151 Officer is responsible for the preparation of the council's statement of accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, the Section 151 Officer has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the local authority Code of Practice

The Section 151 Officer has also:

- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

## Certificate of the Chief Finance Officer (Section 151 Officer)

In accordance with Regulation 9(1) of the Accounts and Audit Regulations 2015, I certify that the audited Statement of Accounts gives a true and fair view of the financial position of Herefordshire Council and its group as at 31 March 2024 and its income and expenditure for the year ended 31 March 2024.

Andrew Lovegrove, Director of Resources and Assurance and Section 151 Officer

xx/xx/2024

## Audit and Governance Committee Approval

In accordance with Regulation 9(2) of the Accounts and Audit Regulations 2015, I certify that Audit and Governance Committee approved the Statement of Accounts for 2023/24.

David Hitchiner, Chair of the Audit and Governance Committee

xx/xx/2024

# Financial statements



## Comprehensive income and expenditure statement

The comprehensive income and expenditure statement shows the accounting costs in year of services provided by the council. This is prepared in accordance with International Financial Reporting Standards (IFRS) rather than the amount to be funded from taxation. The taxation position is shown in the movement in reserves statement.

	2022/23 Gross expenditure £m	2022/23 Gross income £m	2022/23 Net expenditure £m		Note	2023/24 Gross expenditure £m	2023/24 Gross income £m	2023/24 Net expenditure £m
	174.7	(117.5)	57.2	Children and Young People		195.8	(124.7)	71.1
	119.1	(51.9)	67.2	Community Wellbeing		135.2	(59.0)	76.2
	95.8	(27.3)	68.5	Economy and Environment		94.3	(26.7)	67.6
	89.4	(53.6)	35.8	Corporate Services		82.8	(44.4)	38.4
	<b>479.0</b>	<b>(250.3)</b>	<b>228.7</b>	<b>Net cost of services</b>	8	<b>508.1</b>	<b>(254.8)</b>	<b>253.3</b>
	8.6	-	8.6	Other operating income and expenditure	10	6.4	-	6.4
	15.1	(8.8)	6.3	Financing and investment income and expenditure	11	9.4	(19.7)	(10.3)
	-	(211.0)	(211.0)	Taxation and non-specific grant income	12	-	(242.4)	(242.4)
	<b>502.7</b>	<b>(470.1)</b>	<b>32.6</b>	<b>(Surplus)/deficit on the provision of services</b>	9	<b>523.9</b>	<b>(516.9)</b>	<b>7.0</b>
			(23.6)	(Surplus)/deficit on revaluation of non-current assets				(10.6)
			(266.5)	Re-measurement of the net defined benefit liability				(12.9)
			(290.1)	<b>Other comprehensive (income) and expenditure</b>				(23.5)
			(257.5)	<b>Total comprehensive (income) and expenditure</b>				(16.5)

70

## Balance sheet

The balance sheet shows the value of the assets and liabilities of the council, with the net assets matched by the reserves held. Reserves are categorised as usable (those the council can use to provide services), and unusable (those which cannot be used to provide services).

The draft statement of accounts were authorised for issue by the Director of Resources and Assurance (Section 151 officer) on 31 May 2024.

31 March 2023 £m		Note	31 March 2024 £m
690.1	Property, plant and equipment	19.1	685.8
41.9	Investment property	20	52.6
0.4	Intangible assets		0.5
3.9	Heritage assets		4.1
37.3	Long term debtors	T2.2	35.8
<b>773.6</b>	<b>Long term assets</b>		<b>778.8</b>
37.7	Short term investments	T2.2	25.4
0.3	Inventories		0.3
35.2	Short term debtors	22	42.8
25.5	Cash and cash equivalents	23	24.9
<b>98.7</b>	<b>Current assets</b>		<b>93.4</b>

31 March 2023 £m		Note	31 March 2024 £m
(4.0)	Short term borrowing	T2.3	(8.0)
(59.3)	Short term creditors	24	(65.0)
(5.1)	Short term provisions		(3.5)
(2.2)	Cash and cash equivalents	23	(1.8)
<b>(70.6)</b>	<b>Current liabilities</b>		<b>(78.3)</b>
(1.8)	Long term provisions		(1.7)
(119.9)	Long term borrowing	T2.3	(113.0)
(15.7)	Capital grants receipts in advance	25	(16.0)
(64.1)	Other long term liabilities	T2.3	(46.5)
<b>(201.5)</b>	<b>Total long term liabilities</b>		<b>(177.2)</b>
<b>600.2</b>	<b>Net assets</b>		<b>616.7</b>
(150.5)	Usable reserves	29	(151.8)
(449.7)	Unusable reserves	30	(464.9)
<b>(600.2)</b>	<b>Total reserves</b>		<b>(616.7)</b>

Andrew Lovegrove, Director of Resources and Assurance and Section 151 Officer

31/05/2024

## Movement in reserves statement

The movement in reserves statement shows the movement on the different reserves held, analysed into usable and unusable reserves.

	General fund £m	Earmarked reserves £m	Total general fund £m	Capital receipts reserve £m	Capital grants unapplied £m	Total usable reserves £m	Total unusable reserves £m	Total reserves £m
<b>Balance at 31 March 2022</b>	<b>(9.6)</b>	<b>(96.5)</b>	<b>(106.1)</b>	<b>(43.2)</b>	<b>(15.8)</b>	<b>(165.1)</b>	<b>(177.6)</b>	<b>(342.7)</b>
Total comprehensive income and expenditure	32.6	-	32.6	-	-	32.6	(290.1)	(257.5)
Adjustments between accounting basis and funding basis under regulations (note 28)	(17.9)	-	(17.9)	3.1	(3.2)	(18.0)	18.0	-
Transfers (to)/from earmarked reserves (note 31)	(14.7)	14.7	-	-	-	-	-	-
<b>(Increase)/decrease in year</b>	<b>-</b>	<b>14.7</b>	<b>14.7</b>	<b>3.1</b>	<b>(3.2)</b>	<b>14.6</b>	<b>(272.1)</b>	<b>(257.5)</b>
<b>Balance at 31 March 2023</b>	<b>(9.6)</b>	<b>(81.8)</b>	<b>(91.4)</b>	<b>(40.1)</b>	<b>(19.0)</b>	<b>(150.5)</b>	<b>(449.7)</b>	<b>(600.2)</b>
Total comprehensive income and expenditure	7.0	-	7.0	-	-	7.0	(23.5)	(16.5)
Adjustments between accounting basis and funding basis under regulations (note 28)	1.6	-	1.6	1.9	(11.8)	(8.3)	8.3	-
Transfers (to)/from earmarked reserves (note 31)	(8.6)	8.6	-	-	-	-	-	-
<b>(Increase)/decrease in year</b>	<b>-</b>	<b>8.6</b>	<b>8.6</b>	<b>1.9</b>	<b>(11.8)</b>	<b>(1.3)</b>	<b>(15.2)</b>	<b>(16.5)</b>
<b>Balance at 31 March 2024</b>	<b>(9.6)</b>	<b>(73.2)</b>	<b>(82.8)</b>	<b>(38.2)</b>	<b>(30.8)</b>	<b>(151.8)</b>	<b>(464.9)</b>	<b>(616.7)</b>
Note		31				29	30	



## Cash flow statement

The cash flow statement shows the change in cash and cash equivalents of the council, and classifies the cash as operating, investing and financing activities. The amount of net cash arising from operating activities is a key indicator of the extent to which the operations of the council are funded by way of taxation, grant income and fees and charges.

2022/23 £m		Note	2023/24 £m
32.6	Net (surplus)/deficit on the provision of services		7.0
(52.9)	Adjust net (surplus)/deficit on the provision of services for non-cash movements	32.1	(35.0)
26.4	Adjust for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	32.2	36.1
<b>6.1</b>	<b>Net cash flows from operating activities</b>		<b>8.1</b>
(0.6)	Net cash flows from investing activities	33	(13.2)
11.4	Net cash flows from financing activities	34	5.3
<b>16.9</b>	<b>Net (increase)/decrease in cash and cash equivalents</b>		<b>0.2</b>
40.2	Cash and cash equivalents at 1 April		23.3
23.3	Cash and cash equivalents at 31 March	23	23.1
<b>(16.9)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(0.2)</b>

73

## Contents of the notes to the financial statements

Note no.	Section	Page no.	Note no.	Section	Page no.
	<u>Notes to the financial statements</u>			<u>Notes supporting the balance sheet</u>	
	<u>General notes to the financial statements</u>		19	Property, plant and equipment	46
1	General accounting policies	23	20	Investment property	54
2	Accounting standards that have been issued but have not yet been adopted	23	21	Capital expenditure and capital financing	55
3	Critical judgements in applying accounting policies	24	22	Short term debtors	56
4	Assumptions made about the future and major sources of estimation uncertainty	25	23	Cash and cash equivalents	57
5	Contingent liabilities	27	24	Short term creditors	57
6	Events after the reporting period	27	25	Capital grants receipts in advance	57
7	Related party transactions	28	26	Private finance initiatives (PFI)	58
	<u>Notes supporting the comprehensive income and expenditure statement</u>		27	Leases	60
8	Expenditure and funding analysis	30		<u>Notes supporting the movement in reserves statement</u>	
9	Nature of income and expenditure and segmental reporting	34	28	Adjustments between accounting basis and funding basis under regulations	61
10	Other operating income and expenditure	36	29	Movement in usable reserves	63
11	Financing and investment income and expenditure	36	30	Movement in unusable reserves	63
12	Taxation and non-specific grant income	37	31	Movement in earmarked reserves	64
13	Grant income	38		<u>Notes supporting the cash flow statement</u>	
14	Dedicated schools grant	39	32	Cash flows from operating activities	65
15	Pooled budgets	40	33	Cash flows from investing activities	66
16	Officers' remuneration and senior employees' remuneration	41	34	Cash flows from financing activities	66
17	Termination benefits	44		<u>Technical annex</u>	
18	External audit costs	45	T1	Pension schemes	67
			T2	Financial instruments	75

## 1. General accounting policies

### 1.1 General principles

The council is required to produce an annual statement of accounts by the Accounts and Audit Regulations 2015 (as amended), which require the accounts to be prepared in accordance with proper accounting practices. These practices under section 21 of the 2003 Act primarily comprise the code of practice on local authority accounting in the United Kingdom 2023/24, supported by International Financial Reporting Standards. The single entity statements and the statement of group accounts have consistently applied the accounting policies detailed within each note. Where applicable, the statement of group accounts include additional accounting policies specific to the council's subsidiary undertaking, Hoople Ltd.

The Accounts and Group Accounts have been prepared on a going concern basis, under the assumption that the council and its subsidiary will continue in existence for the foreseeable future.

### 1.2 Prior period adjustments, changes in accounting policies and estimates and errors

Prior period adjustments may arise from a change in accounting policies or to correct a material error. Changes in estimates are accounted for prospectively, whereas changes in accounting policies are applied retrospectively. Material errors in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## 2. Accounting standards that have been issued but have not yet been adopted

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the code of practice of local authority accounting in the United Kingdom, these are:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022
- Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022
- International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023

None of these amendments are expected to have a significant impact on the council's accounts in future years.

- IFRS 16 Leases issued in January 2016. This standard introduces new presentation and disclosure requirements in relation to arrangements that convey the right to use an asset. Following the outcome of the FRAB review, CIPFA LASAAC formally announced the decision to defer the mandatory implementation of IFRS 16 for local authorities until 1 April 2024. The impact on the financial statements is not expected to be material.

## 3. Critical judgements in applying accounting policies

In applying accounting policies the council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in these statement of accounts are:

### **Interest in companies and other entities**

An assessment of all the council's interests has been carried out to determine whether a group relationship between the council and other entities exists on the basis of control and significant influence. Group accounts have been prepared to reflect the council's relationship with Hoople Ltd, a majority owned company. The council has assessed West Mercia Energy to be a non-material joint venture.

### **Schools' assets**

The council makes a judgement as to whether to account for schools' assets as if they are owned (on balance sheet) or not owned (off balance sheet). This is an assessment based on the level of control and decision-making. The council has assessed that all community, voluntary-aided and voluntary-controlled schools are included on the balance sheet, this is because the council benefits from the service provision within the building and the flow of economic benefits. There are assets included in land and buildings within property, plant and equipment with a net book value of £240.6 million as at 31 March 2024 (£222.7 million as at 31 March 2023). Free schools and academy schools are not included on the balance sheet.

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

The statement of accounts contains estimated figures that are based on assumptions made by the council about the future or events that are otherwise uncertain. Estimates are made based on historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the balance sheet at 31 March 2024 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment valuations	<p>The council's external valuers provide valuations at 31 March based on a rolling programme of valuations. The valuations are undertaken by qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) professional standards using recognised measurement techniques.</p> <p>The value of the property, plant and equipment is dependent upon professional judgement based on information available at the time of valuation.</p>	<p>A variation of 5% in the value of Property, plant and equipment would be approximately £34 million from the closing net book value of £685.8 million.</p> <p>A reduction in the estimated valuations would result in a reduction to the revaluation reserve and/or a loss charged to the comprehensive income and expenditure statement.</p> <p>An increase in estimated valuations would result in the reversal of any negative revaluations previously charged to the comprehensive income and expenditure statement and/or increases to the revaluation reserve and/or gains charged to the comprehensive income and expenditure statement.</p>
Property, plant and equipment depreciation	<p>Depreciation is charged to the comprehensive income and expenditure statement in line with the expected benefit of each asset over its estimated useful economic life (UEL).</p> <p>Assets are depreciated over useful lives that are dependent upon assumptions about usage, obsolescence and the level of repairs and maintenance that will be incurred in relation to individual assets.</p> <p>Assets valued as part of the rolling programme are assigned a UEL by the professional valuer; the UEL of assets not subject to external valuation is estimated by officers with appropriate subject knowledge.</p>	<p>The effect on the depreciation charge of changes in the estimated useful live of assets can be measured:</p> <p>A reduction of one year in the assessed useful life would increase the depreciation charge by approximately £5 million with a corresponding decrease in the property, plant and equipment net book value on the balance sheet from the closing net book value of £685.8 million.</p>

77

## General notes to the financial statements

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions net liability valuation	<p>The net liability to pay pensions is calculated every three years with annual updates in the intervening years. A firm of consulting actuaries (Hymans Robertson) is engaged to provide the council with expert advice about the assumptions to be applied. Changes to these underlying assumptions can result in significant variances in the calculated liability. The assumptions and complex judgements applied include the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>When a net pension asset is calculated, there is a restriction on the recognition of that asset to the estimated future benefit from that asset in reduced pension contributions. The calculation of this net pension asset ceiling is also subject to actuarial assumptions.</p>	<p>The effects on the net pension asset prior to the impact of the net pension asset ceiling (£23.9 million at 31 March 2024) of changes in individual assumptions can be measured. For instance:</p> <ul style="list-style-type: none"> <li>A 0.1% decrease in the discount rate used would increase the liability by £9.7 million.</li> <li>A 0.1% increase in the inflation rate used would increase the liability by £9.4 million.</li> <li>A 0.1% increase in the rate of pay growth used would increase the liability by £0.5 million.</li> <li>An increase of one year in assumed life expectancy used would increase the liability by £23.0 million.</li> </ul>

## 5. Contingent liabilities

A contingent liability arises when an event has taken place that gives the council a possible obligation whose existence will only be confirmed by the occurrence of uncertain future events not wholly within control of the council. Contingent liabilities are not recognised in the financial statements but disclosed as a note to the accounts. If it becomes probable that an outflow of future economic benefits or service potential will be required then a provision is recognised in the year in which the probability occurs.

There are no material contingent liabilities as at the balance sheet date.

## 6. Events after the reporting period

Events after the reporting period are those that occur between the end of the reporting period and the date when the statement of accounts is authorised for issue.

There are two types of event;

79

- Those that provide evidence of conditions at the end of the reporting period, which are adjusted in the accounts; and
- Those that relate to conditions after the reporting period, which are not adjusted in the accounts, and disclosed in the notes to the statements

There are no material adjusting or non-adjusting events that have occurred after the reporting period.

## 7. Related party transactions

The council is required to disclose material transactions with bodies or individuals that have the potential to control or influence the council, or to be controlled or influenced by the council.

### Central government

Central government has effective control over the general operations of the council. It is responsible for providing the statutory framework within which the council operates and provides the majority of its funding in the form of grants.

### Elected Members

Elected Members of the council have direct control over the council's financial and operating policies. A total of £0.9 million allowances and expenses were paid to members in 2023/24 (2022/23 £0.7 million). Elected members of the council may be involved with other local organisations that provide services for or receive services from the council. For 2023/24, there are no material transactions for services to organisations in which Members have declared interests.

### Officers

Officers of the council may be involved with other local organisations that provide services for or receive services from the council. For 2023/24, there are no material transactions for services to organisations in which officers have declared interests.

08

### Hoople Ltd

Hoople Ltd is a private limited company which provides business support services to clients in the public and private sectors. Hoople Ltd is owned jointly by Herefordshire Council, Wye Valley NHS Trust and Lincolnshire County Council. The company has been identified as a subsidiary, with the council its majority shareholder. Group accounts have been prepared as the subsidiary is assessed to be material.

In 2023/24, the council spent £17.6 million (2022/23 £15.7 million) on services from the company, and received £0.7 million (2022/23 £1.0 million) in income from the company. This is reflected in the single entity comprehensive income and expenditure statement. There is a debtor of £0.6 million (2022/23 £0.2 million) and a creditor of £1.0 million (2022/23 £0.9 million) outstanding at 31 March 2024 and these balances are included in the single entity balance sheet.

The company's Board includes 2 Directors who are employed by the council, these individuals did not receive any remuneration from the company during the year.

### Section 75 Framework Partnership Agreements

The council has 3 pooled budgets covered by a single section 75 agreement between Herefordshire Council and Herefordshire and Worcestershire NHS Integrated Commissioning Board. The transactions during the year are disclosed in note 15.



### **West Mercia Energy Joint Committee**

The council is represented by its elected members on the West Mercia Energy Joint Committee (WME). WME offers energy procurement and management on behalf of its four owning authorities and a number of outside bodies. WME is constituted as a Joint Committee and the council is one of four constituent authorities, alongside Shropshire Council, Worcestershire County Council and Telford and Wrekin Council. The parties have rights to the net assets of the arrangement and, as such, this is judged to be a joint venture. This joint venture is not consolidated into the Group Accounts because it is not considered to be material. The council paid £2.4 million to WME in 2023/24 (2022/23 £1.7 million) and received £0.4 million (2022/23 £0.2 million); these transactions are reflected in the comprehensive income and expenditure statement. There is a creditor of £0.3 million (2022/23 £0.1 million) and a debtor of £0.4 million (2022/23 £0.2 million) outstanding at the year-end and these balances are included in the single entity balance sheet.

### **Cyber Quarter Limited**

In March 2019, the council entered into a partnership with the University of Wolverhampton to establish the Midlands Centre for Cyber Security in Skylon Park, Herefordshire Enterprise Zone through the company: Cyber Quarter Limited. The council holds a 19% share in the company and this interest is accounted for as a long term investment in the single entity balance sheet; the remaining 81% shareholding is held by the University of Wolverhampton. This relationship is disclosed as a related party by virtue of the council's representation on the company's Board of Directors.

In 2019 a commercial loan of £3.5 million was granted by the council to Cyber Quarter Limited. This is shown as a long term debtor in the council accounts.

The interest rate is fixed at 5.99% and repayment over 30 years with no repayments due in the first five years, equal repayments falling due thereafter.

↳ Transactions invariably take place between the two parties. These transactions are deemed to be conducted on an independent and arms-length basis.

## Notes supporting the comprehensive income and expenditure statement

### 8. Expenditure and funding analysis

The objective of the expenditure and funding analysis (EFA) is to demonstrate to council tax payers how the funding available to the council for the year (i.e. government grants, rents, council tax and business rates) has been applied in providing services in comparison with those resources consumed or earned by the council in accordance with generally accepted accounting practices. The expenditure and funding analysis also shows how this expenditure is allocated for decision-making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the comprehensive income and expenditure statement.

	2023/24 Net expenditure for internal reporting £m	2023/24 Adjustments to arrive at Net expenditure chargeable to the general fund £m	2023/24 Net expenditure chargeable to the general fund £m	2023/24 Adjustments between accounting basis and funding basis under regulations £m	2023/24 Net expenditure in the CIES £m
Children and Young People	63.5	14.4	77.9	(6.8)	71.1
Community Wellbeing	71.8	4.4	76.2	-	76.2
Economy and Environment	26.5	23.3	49.8	17.8	67.6
Corporate Services	40.2	11.9	52.1	(13.7)	38.4
<b>Net cost of services</b>	<b>202.0</b>	<b>54.0</b>	<b>256.0</b>	<b>(2.7)</b>	<b>253.3</b>
Other income and expenditure	(193.3)	(54.1)	(247.4)	1.1	(246.3)
<b>(Surplus)/deficit on the provision of services</b>	<b>8.7</b>	<b>(0.1)</b>	<b>8.6</b>	<b>(1.6)</b>	<b>7.0</b>
Opening general fund balance at 1 April			(91.4)		
(Surplus)/deficit			8.6		
<b>Closing general fund balance at 31 March</b>			<b>(82.8)</b>		
Note		8.2		8.1	

## Notes supporting the comprehensive income and expenditure statement

	2022/23 Net expenditure for internal reporting £m	2022/23 Adjustments to arrive at Net expenditure chargeable to the general fund £m	2022/23 Net expenditure chargeable to the general fund £m	2022/23 Adjustments between accounting basis and funding basis under regulations £m	2022/23 Net expenditure in the CIES £m
Children and Young People	62.5	(1.3)	61.2	(4.0)	57.2
Community Wellbeing	67.2	(0.6)	66.6	0.6	67.2
Economy and Environment	27.6	16.5	44.1	24.4	68.5
Corporate Services	24.1	15.5	39.6	(3.8)	35.8
<b>Net cost of services</b>	<b>181.4</b>	<b>30.1</b>	<b>211.5</b>	<b>17.2</b>	<b>228.7</b>
Other income and expenditure	(175.9)	(20.9)	(196.8)	0.7	(196.1)
<b>(Surplus)/deficit on the provision of services</b>	<b>5.5</b>	<b>9.2</b>	<b>14.7</b>	<b>17.9</b>	<b>32.6</b>
Opening general fund balance at 1 April			(106.1)		
(Surplus)/deficit			14.7		
<b>Closing general fund balance at 31 March</b>			<b>(91.4)</b>		
Note		8.2		8.1	

8

## 8.1. Note to the expenditure and funding analysis – adjustments between accounting basis and funding basis under regulations

2022/23 Adjustments for capital purposes £m	2022/23 Adjustments for pensions purposes £m	2022/23 Adjustments for other purposes £m	2022/23 Total adjustments £m		2023/24 Adjustments for capital purposes £m	2023/24 Adjustments for pensions purposes £m	2023/24 Adjustments for other purposes £m	2023/24 Total adjustments £m
(9.5)	4.8	0.7	<b>(4.0)</b>	Children and Young People	(10.3)	(1.6)	5.1	<b>(6.8)</b>
(1.4)	2.0	-	<b>0.6</b>	Community Wellbeing	0.6	(0.6)	-	-
23.0	1.4	-	<b>24.4</b>	Economy and Environment	18.2	(0.4)	-	<b>17.8</b>
(5.4)	1.6	-	<b>(3.8)</b>	Corporate Services	(14.0)	0.3	-	<b>(13.7)</b>
<b>6.7</b>	<b>9.8</b>	<b>0.7</b>	<b>17.2</b>	<b>Net cost of services</b>	<b>(5.5)</b>	<b>(2.3)</b>	<b>5.1</b>	<b>(2.7)</b>
2.6	7.6	(9.5)	<b>0.7</b>	Other income and expenditure	(0.9)	0.8	1.2	<b>1.1</b>
<b>9.3</b>	<b>17.4</b>	<b>(8.8)</b>	<b>17.9</b>	<b>(Surplus)/deficit on the provision of services</b>	<b>(6.4)</b>	<b>(1.5)</b>	<b>6.3</b>	<b>(1.6)</b>

84

Adjustments for capital purposes include depreciation, revaluation losses, statutory provision for the repayment of debt, capital grant and other capital adjustments. Adjustments for pension purposes represent the removal of the employer pension contributions made by the council as allowed by statute and the replacement with current and past service costs. Adjustments for other purposes include collection fund, DSG reserve movements and short term absences reserve movements.

## 8.2. Note to the expenditure and funding analysis – adjustments to arrive at Net expenditure chargeable to the general fund

	2022/23 Capital adjustments not included in internal reporting £m	2022/23 Other adjustments not included in internal reporting £m	2022/23 Recharges included in internal reporting but removed for financial statements £m	2022/23 Reserve movement not included in internal reporting £m	2022/23 Total adjustments £m		2023/24 Capital adjustments not included in internal reporting £m	2023/24 Other adjustments not included in internal reporting £m	2023/24 Recharges included in internal reporting but removed for financial statements £m	2023/24 Reserve movement not included in internal reporting £m	2023/24 Total adjustments £m
	4.5	(5.8)	-	-	<b>(1.3)</b>	Children and Young People	13.9	(0.9)	-	1.4	<b>14.4</b>
	2.4	(2.6)	(0.4)	-	<b>(0.6)</b>	Community Wellbeing	0.9	(1.1)	(0.6)	5.2	<b>4.4</b>
	21.9	(4.6)	(0.8)	-	<b>16.5</b>	Economy and Environment	22.2	(2.0)	(0.9)	4.0	<b>23.3</b>
8	0.5	(3.5)	3.4	15.1	<b>15.5</b>	Corporate Services	19.8	(0.3)	4.2	(11.8)	<b>11.9</b>
	<b>29.3</b>	<b>(16.5)</b>	<b>2.2</b>	<b>15.1</b>	<b>30.1</b>	<b>Net cost of services</b>	<b>56.8</b>	<b>(4.3)</b>	<b>2.7</b>	<b>(1.2)</b>	<b>54.0</b>
	(24.7)	(1.0)	(3.9)	8.7	<b>(20.9)</b>	Other income and expenditure	(37.1)	(5.9)	(13.1)	2.0	<b>(54.1)</b>
	<b>4.6</b>	<b>(17.5)</b>	<b>(1.7)</b>	<b>23.8</b>	<b>9.2</b>	<b>(Surplus)/deficit on the provision of services</b>	<b>19.7</b>	<b>(10.2)</b>	<b>(10.4)</b>	<b>0.8</b>	<b>(0.1)</b>

Capital adjustments include a statutory provision for the repayment of debt, capital grant and other capital adjustments. Other adjustments include PFI adjustments and adjustments above and below Net Cost of Services. Reserve movements include collection fund, revenue contribution to capital outlay and short term absences account.

## 9.1. Nature of income and expenditure

2022/23 £m		2023/24 £m
	<b>Income</b>	
(48.6)	Fees, charges and other service income	(41.3)
(4.3)	Trading and investment income	(13.4)
(4.4)	Interest and investment income	(6.3)
(156.9)	Income from council tax and non-domestic rates	(167.3)
(255.9)	Government grants and contributions	(288.6)
<b>(470.1)</b>	<b>Total Income</b>	<b>(516.9)</b>
	<b>Expenditure</b>	
154.5	Employee benefits expenses	150.5
260.7	Other service expenses	288.3
8.1	Support services recharges (net)	9.2
3.3	Loss on disposal of non-current assets	0.8
55.8	REFCUS, depreciation, amortisation and impairment	60.1
0.4	Trading and investment expenditure	0.3
14.6	Interest expense	9.1
5.3	Precepts and levies	5.6
<b>502.7</b>	<b>Total expenditure</b>	<b>523.9</b>
<b>32.6</b>	<b>(Surplus)/deficit on the provision of services</b>	<b>7.0</b>

### Revenue recognition

Income and expenditure is accounted for in the financial year in which the activity it relates to takes place, which may not be the same year in which cash payments are made or received. 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, subject to a de-minimis threshold of £5,000 for revenue and £10,000 for capital.

Revenue from the sale of goods is recognised when the council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the authority. Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised at the point that the service is provided or is charged for. Value Added Tax (VAT) payable is included as an expense only to the extent that it is not recoverable from His Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income.

## Notes supporting the comprehensive income and expenditure statement

### 9.2. Segmental reporting

<b>2023/24</b>	<b>Children and Young People £m</b>	<b>Community Wellbeing £m</b>	<b>Economy and Environment £m</b>	<b>Corporate Services £m</b>	<b>Total £m</b>
Fees, charges and other service income	(6.7)	(14.3)	(17.3)	(3.0)	<b>(41.3)</b>
Employee benefits expenses	102.9	18.9	11.3	17.4	<b>150.5</b>
Premises costs	8.0	(1.2)	2.4	2.1	<b>11.3</b>
Transport costs	6.0	0.5	5.1	-	<b>11.6</b>
Supplies and services	20.1	12.7	4.2	9.1	<b>46.1</b>
Third party payments	38.6	96.3	28.2	11.7	<b>174.8</b>
Transfer payments	7.5	3.0	-	34.0	<b>44.5</b>
REFCUS, depreciation, amortisation and impairment	3.7	5.1	44.0	7.3	<b>60.1</b>

87

<b>2022/23</b>	<b>Children and Young People £m</b>	<b>Community Wellbeing £m</b>	<b>Economy and Environment £m</b>	<b>Corporate Services £m</b>	<b>Total £m</b>
Fees, charges and other service income	(6.1)	(12.2)	(18.9)	(11.4)	<b>(48.6)</b>
Employee benefits expenses	99.9	18.6	11.6	24.4	<b>154.5</b>
Premises costs	7.3	(0.5)	1.5	2.5	<b>10.8</b>
Transport costs	3.9	0.6	4.7	-	<b>9.2</b>
Supplies and services	17.1	11.8	4.5	7.6	<b>41.0</b>
Third party payments	36.0	82.5	24.9	11.4	<b>154.8</b>
Transfer payments	7.7	2.3	1.6	33.3	<b>44.9</b>
REFCUS, depreciation, amortisation and impairment	(4.7)	3.8	47.7	9.0	<b>55.8</b>

## 10. Other operating income and expenditure

2022/23 £m		2023/24 £m
5.1	Parish council precepts	5.4
0.2	Levies	0.2
3.3	(Gains)/losses on the disposal of non-current assets	0.8
<b>8.6</b>	<b>Total other operating income and expenditure</b>	<b>6.4</b>

## 11. Financing and investment income and expenditure


2022/23 £m		2023/24 £m
7.0	Interest payable and similar charges	8.3
7.6	Net interest of the defined net pension liability	0.8
(4.4)	Interest receivable	(6.3)
(3.9)	Income and expenditure of trading accounts and investment properties	(13.1)
<b>6.3</b>	<b>Total financing and investment income and expenditure</b>	<b>(10.3)</b>



## 12. Taxation and non-specific grant income

2022/23 £m		2023/24 £m
(126.1)	Council tax income	(133.2)
(30.8)	Non-domestic rates income	(34.1)
(29.1)	Non-ring fenced government grants	(39.6)
(25.0)	Capital grants and contributions	(35.5)
<b>(211.0)</b>	<b>Total taxation and non-specific grant income</b>	<b>(242.4)</b>

The council tax and non-domestic rates income is accounted for on an accruals basis and included in the comprehensive income and expenditure statement within taxation and non-specific grant income. As a billing authority, the difference between the non-domestic rates and council tax included in the comprehensive income and expenditure statement and the amount required by regulation credited to the general fund is taken to the collection fund adjustment account and reported in the movement in reserves statement.

Revenue relating to council tax and non-domestic rates is measured at the full amount receivable (net of any impairment losses) as they are non-contractual,  non-exchange transactions and there can be no difference between the delivery and payment dates.

### 13. Grant income

2022/23 £m		2023/24 £m
(0.7)	Revenue support grant	(1.0)
(28.4)	Other non-ring fenced grants	(38.6)
(126.1)	Council tax income	(133.2)
(30.8)	Non-domestic rates income	(34.1)
(25.0)	Capital grants	(35.5)
<b>(211.0)</b>	<b>Total grants credited to taxation and non-specific grant income</b>	<b>(242.4)</b>
(103.8)	Department for Education	(107.9)
(25.3)	Department for Levelling up, Housing and Communities	(27.0)
(31.9)	Department for Work and Pensions	(31.2)
(0.8)	Department for Transport	(0.8)
-	Department for Energy, Security and Net Zero	(1.5)
(3.9)	Department for Environment, Food and Rural affairs	(1.7)
(11.7)	Department for Health	(13.0)
(24.4)	Other grants and contributions	(30.4)
<b>(201.8)</b>	<b>Total grants credited to services</b>	<b>(213.5)</b>
<b>(412.8)</b>	<b>Total grant income</b>	<b>(455.9)</b>

Grants and contributions are recognised in the accounts when there is reasonable assurance that the council will comply with any conditions attached to them and the grants or contributions will be received.

Revenue grants are recognised in the comprehensive income and expenditure statement when any relevant conditions have been satisfied. Grant monies unspent at the end of the year are transferred to an earmarked reserve. When the grant is applied, an amount equal to the expenditure is transferred back from the earmarked reserve to the general fund. Where conditions attached to the grants or contributions have not been met, monies received to date are carried in the balance sheet as receipts in advance and credited to the comprehensive income and expenditure statement when the conditions are satisfied.

Capital grants are credited to the comprehensive income and expenditure statement when any relevant conditions have been satisfied. Where the grant has yet to be used to finance capital expenditure, it is transferred to the capital grants unapplied reserve; where grant conditions have not been satisfied then the monies received are carried in the balance sheet as receipts in advance.

## Notes supporting the comprehensive income and expenditure statement

### 14. Dedicated schools grant

The council's expenditure on schools is funded by the dedicated schools grant (DSG) provided by the Department for Education. DSG is a ring-fenced grant and can only be applied to meet expenditure properly included in the schools budget, as defined in the School Finance and Early Years (England) Regulations 2022. The schools budget includes elements for a restricted range of services provided on a council-wide basis and for the individual schools budget, which is divided into a budget share for each school. Over and under spends on the two elements are required to be accounted for separately.

	2022/23 Total £m		2023/24 Central expenditure £m	2023/24 Individual schools budget £m	2023/24 Total £m
	(150.5)	Final DSG allocation before academy and high needs recoupment	-	-	(159.7)
	55.7	Less academy and high needs figure recouped	-	-	59.9
	(94.8)	<b>Total DSG after academy and high needs recoupment for the year</b>	-	-	(99.8)
	-	Brought forward from previous year	-	-	-
	-	Less carry forward to following year agreed in advance	-	-	-
16	(94.8)	<b>Agreed initial budgeted distribution for the year</b>	(20.4)	(79.4)	(99.8)
	0.2	In-year adjustments	-	0.1	0.1
	(94.6)	<b>Final budgeted distribution for the year</b>	(20.4)	(79.3)	(99.7)
	19.4	Less actual central expenditure	25.3	-	25.3
	76.0	Less actual individual schools budget deployed to schools	-	79.4	79.4
	0.8	<b>In year carry forward to following year</b>	4.9	0.1	5.0
	-	Add carry forward agreed in advance	-	-	-
	0.8	<b>Carried forward to following year</b>	-	-	5.0
	0.3	DSG unusable deficit reserve at the end of the prior year	-	-	1.1
	0.8	In year addition to the DSG unusable deficit reserve	-	-	5.0
	1.1	<b>Total DSG unusable deficit reserve at the end of the year</b>	-	-	6.1

## Notes supporting the comprehensive income and expenditure statement

### 15. Pooled budgets

Pooled budgets exist where neither partner has sole control of the pooled fund. These arrangements meet the definition of a joint operation, where the partners have joint control over the arrangement, the rights to the arrangements assets and obligations for the arrangements liabilities.

2022/23 Pooled income £m	2022/23 Pooled expenditure £m	2022/23 Net pooled expenditure £m	2022/23 HC managed £m	2022/23 ICB managed £m		2023/24 Pooled income £m	2023/24 Pooled expenditure £m	2023/24 Net pooled expenditure £m	2023/24 HC managed £m	2023/24 ICB managed £m
(24.2)	24.9	0.7	16.3	8.6	Consolidated better care fund	(27.0)	26.8	(0.2)	16.7	10.1
(5.6)	5.9	0.3	5.0	0.9	Consolidated Children's Services	(5.9)	7.4	1.5	6.3	1.1
(1.9)	1.7	(0.2)	0.7	1.0	Integrated community equipment store	(1.7)	1.9	0.2	0.8	1.1
(1.3)	1.3	-	0.7	0.6	Hospital discharge fund	-	-	-	-	-
<b>(33.0)</b>	<b>33.8</b>	<b>0.8</b>	<b>22.7</b>	<b>11.1</b>	<b>Total</b>	<b>(34.6)</b>	<b>36.1</b>	<b>1.5</b>	<b>23.8</b>	<b>12.3</b>

92

The council has 3 pooled budgets covered by a single section 75 agreement between Herefordshire Council and Herefordshire and Worcestershire NHS Integrated Commissioning Board (ICB). Within the section 75 agreement there are budgets primarily managed by the ICB, budgets primarily managed by the council, pooled budgets (jointly controlled) and aligned budgets. Where services are primarily managed by the council, the income and expenditure are reflected within the net cost of services in the comprehensive income and expenditure statement. This also includes the council's proportion of jointly controlled pooled budgets. Where services are primarily managed by the ICB, the income and expenditure is not reflected in the council's accounts.

The consolidated better care fund comprises the minimum revenue pool, the capital pool, the additional revenue pool and the improved better care fund, and aims to further the integration between health and social care. The consolidated children's services fund aims to improve provision of services to young people with complex educational, social and medical needs. The integrated community equipment store fund aims to provide specialist equipment to people within the community. The hospital discharge fund ended in 2022/23 with the funding included in the consolidated better care fund for 2023/24.

## Notes supporting the comprehensive income and expenditure statement

### 16. Officers' remuneration

#### 16.1. Officers' remuneration over £50,000 per annum

Officers' remuneration is defined as 'all amounts paid to or receivable by a person, and includes sums due by way of expenses allowances (so far as those sums are chargeable to UK income tax), and the estimated money value of any other benefits received by an employee other than in cash (e.g. benefits in kind). Benefits in kind are salary sacrificed amounts for the provision of car parking and bicycles.

All amounts receivable by council employees, including salary, expenses allowances and compensation for loss of employment, where this total is more than £50,000 per annum are shown in the table below. These numbers include the employees shown in the senior employees disclosure note.

2022/23 Number of school staff	2022/23 Number of non-school staff	2022/23 Total number	Salary banding	2023/24 Number of school staff	2023/24 Number of non-school staff	2023/24 Total number
56	54	110	£50,000 to £55,000	61	53	114
17	19	36	£55,001 to £60,000	35	34	69
16	18	34	£60,001 to £65,000	20	21	41
10	6	16	£65,001 to £70,000	13	14	27
7	1	8	£70,001 to £75,000	5	5	10
4	3	7	£75,001 to £80,000	10	1	11
3	5	8	£80,001 to £85,000	5	1	6
1	3	4	£85,001 to £90,000	2	5	7
-	2	2	£90,001 to £95,000	2	2	4
1	1	2	£95,001 to £100,000	-	4	4
1	1	2	£100,001 to £105,000	1	2	3
1	1	2	£105,001 to £110,000	1	-	1
-	1	1	£110,001 to £115,000	1	2	3
-	-	-	£115,001 to £120,000	-	1	1
-	2	2	£130,001 to £135,000	-	-	-
-	-	-	£135,001 to £140,000	-	2	2
-	1	1	£155,001 to £160,000	-	-	-
-	-	-	£160,001 to £165,000	-	1	1
-	-	-	£235,001 to £240,000	-	1	1
<b>117</b>	<b>118</b>	<b>235</b>	<b>Total number of employees over £50,000</b>	<b>156</b>	<b>149</b>	<b>305</b>

33

## 16.2. Senior employees' remuneration

2023/24	Note	Salary, fees and allowances £000	Compensation for loss of office/benefits in kind £000	Pension contributions £000	Total £000
Chief Executive (Paul Walker)		165	-	-	165
Director of Resources and Assurance/Section 151 Officer		114	-	21	135
Director of Governance and Law/Monitoring Officer		114	-	-	114
Corporate Director, Children and Young People	2	139	99	26	264
Corporate Director, Community Wellbeing		139	-	24	163
Corporate Director, Economy and Environment		139	-	26	165
Director of Public Health		103	-	19	122
Director of HR and OD		95	-	18	113
Interim Director of Strategy and Performance	4	78	-	15	93
<b>Total</b>		<b>1,086</b>	<b>99</b>	<b>149</b>	<b>1,334</b>

## Notes supporting the comprehensive income and expenditure statement

2022/23	Note	Salary, fees and allowances £000	Compensation for loss of office/benefits in kind £000	Pension contributions £000	Total £000
Chief Executive (Paul Walker)		159	-	-	159
Director of Resources and Assurance/Section 151 Officer		110	-	19	129
Director of Governance and Law/Monitoring Officer	1	63	-	-	63
Corporate Director, Children and Young People		135	-	24	159
Corporate Director, Community Wellbeing (interim)	3	31	-	5	36
Corporate Director, Community Wellbeing	3	105	-	19	124
Corporate Director, Economy and Environment		135	-	24	159
Director of Public Health		99	-	17	116
Director of HR and OD		92	-	16	108
<b>Total</b>		<b>929</b>	<b>-</b>	<b>124</b>	<b>1,053</b>

**Notes:**

56

1. The Director of Governance and Law commenced in post from 5 September 2022.
2. The Corporate Director, Children and Young People left on 31 March 2024.
3. The Director for Adults and Communities left on 4 July 2021. The post was filled by temporary contract during the period to June 2022 when the permanent appointee started. The post title became Corporate Director, Community Wellbeing.
4. The Director of Strategy and Performance commenced in post from 5 June 2023.

# Notes supporting the comprehensive income and expenditure statement

## 17. Termination benefits

Termination benefits are recognised in the surplus or deficit on the provision of services at the earlier of when the council can no longer withdraw an offer of benefits, or when the council recognises the costs of restructuring. Termination benefits are payable as a result of either:

- An employer's decision to terminate an employee's employment; or
- An employee's decision to accept voluntary redundancy

The number and total cost per band of exit packages analysed between compulsory and other redundancies are set out in the table below. This includes exit packages agreed in the year although not yet actioned at the year end. The table does not include actuarial strain payable to the pension fund, which was £3.1 million (£0.1 million in 2022/23).

2022/23 Number of compulsory redundancies	2022/23 Number of other agreed departures	2022/23 Total number of exit packages	2022/23 Total cost of exit packages £000	Exit package cost banding	2023/24 Number of compulsory redundancies	2023/24 Number of other agreed departures	2023/24 Total number of exit packages	2023/24 Total cost of exit packages £000
2	12	14	103	£0 to £20,000	1	28	29	230
-	5	5	137	£20,001 to £40,000	-	5	5	152
-	-	-	-	£60,001 to £80,000	-	1	1	60
-	-	-	-	£80,001 to £100,000	-	1	1	93
<b>2</b>	<b>17</b>	<b>19</b>	<b>240</b>	<b>Total</b>	<b>1</b>	<b>35</b>	<b>36</b>	<b>535</b>



## 18. External audit costs

The fees payable to the appointed auditor, Grant Thornton UK LLP, are as follows.

2022/23 £000		2023/24 £000
	<b>Fees relating to the current year</b>	
102	Fees incurred for external audit services	344
119	Expected additional fees for external audit services	13
19	Fees incurred for certification work undertaken by external auditor	19
<b>240</b>	<b>Total current year fees</b>	<b>376</b>
	<b>Fees relating to prior years'</b>	
25	Fees incurred for external audit services	5
128	Additional fees incurred for external audit services	(67)
38	Fees incurred for certification work undertaken by external auditor	-
<b>191</b>	<b>Total prior years' fees</b>	<b>(62)</b>
<b>431</b>	<b>Total external audit fees</b>	<b>314</b>

97

This note shows all audit fees which went through the ledger in 2023/24. Anticipated fees for 2023/24 were £376k. Finalised fees for 2022/23 were £159k (of which a credit of £62k went through the ledger in 2023/24).

## 19. Property, plant and equipment

Physical assets that support the delivery of our services and have a life of more than one financial year are classified as Property, Plant and Equipment (PPE).

Expenditure on PPE is capitalised on an accrual basis in the accounts, unless it is maintenance only in which case it is charged to the Comprehensive Income and Expenditure Statement when it is incurred. Purchased assets are initially measured at cost. Non-purchased assets are measured at fair value, or at the carrying amount where there is no commercial substance (e.g. via exchange). The detailed bases for measuring assets are given below:

- Community assets and assets under construction – historical cost
- Land and buildings – current value based on existing use for operational assets where there is an active market or depreciated replacement cost for assets of a more specialist nature
- Vehicles, plant and equipment – current value based on existing use for operational assets where there is an active market or depreciated replacement cost for assets of a more specialist nature
- Infrastructure assets - depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April [1994 England], which was deemed at that time to be historical cost

86

Capital expenditure that does not result in the creation of a long-term asset (Revenue Expenditure Funded from Capital under Statute, known as REFCUS) is charged as expenditure to the relevant service in the comprehensive income and expenditure statement. Where the cost of this expenditure is met 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 so that there is no impact on the level of council tax

Depreciation is provided for on PPE assets over their useful lives, with major components depreciated separately. Assets without a determinable finite useful life (e.g. freehold land and certain Community Assets) or that are not yet available for use (e.g. assets under construction) are not depreciated. The calculation is on a straight-line basis over the remaining useful life of the assets as estimated by the valuer (for buildings this is between 23 and 56 years). For those assets classed as vehicles, plant, furniture and equipment, useful economic lives are estimated to be 5 years, unless the individual asset life is known (e.g. the waste asset is 30 years). New assets are not subject to a depreciation charge in the year of acquisition.

## Revaluations

Asset categories are revalued at least every five years on a rolling basis in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation - Global Standards 2021 and UK National Supplement. Further revaluations are carried out where there have been material changes.

The council's valuations as at 31 March 2024 have been completed by:

Mark Aldis (Hons) MRICS RICS Registered Valuer IRRV  
Wilks Head & Eve LLP  
3rd Floor 55 New Oxford Street  
London WC1A 1BS

Where increases in value are identified, the carrying amount of the asset is increased with a corresponding entry for the gain in the revaluation reserve.

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

- the carrying amount of the asset writing down the balance of revaluation gains for the asset in the revaluation reserve; or
- the carrying amount of the asset is written down against the relevant service line(s) in the comprehensive income and expenditure statement where there is no, or insufficient, balance in the revaluation reserve

Upon revaluation (upwards or downwards) previously accumulated depreciation is eliminated and the asset shown at the newly revalued figure.

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 subsequently reversed, 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

## 19.1 Property, plant and equipment movements

At 31 March 2024	Land and buildings £m	Vehicles, plant, furniture and equipment £m	Community assets £m	Surplus assets £m	Assets under construction £m	Total property, plant and equipment £m	PFI assets included in PPE £m
<b>Cost or valuation</b>							
Opening balance at 1 April	387.9	39.2	1.6	3.9	0.8	433.4	41.3
Additions	6.5	2.3	-	0.9	0.9	10.6	0.4
Disposals	(1.0)	-	-	-	-	(1.0)	-
Revaluation	9.3	(0.2)	-	(1.6)	-	7.5	0.9
Reverse accumulated depreciation	(5.5)	(1.1)	-	-	-	(6.6)	(1.2)
Asset transfers	(1.6)	-	-	1.1	0.5	-	-
<b>Closing balance at 31 March</b>	<b>395.6</b>	<b>40.2</b>	<b>1.6</b>	<b>4.3</b>	<b>2.2</b>	<b>443.9</b>	<b>41.4</b>
<b>Depreciation</b>							
Opening balance at 1 April	(0.6)	(4.4)	-	-	-	(5.0)	(0.5)
Charge for the year	(6.0)	(2.1)	-	-	-	(8.1)	(1.4)
Reverse accumulated depreciation	5.5	1.1	-	-	-	6.6	1.2
<b>Closing balance at 31 March</b>	<b>(1.1)</b>	<b>(5.4)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6.5)</b>	<b>(0.7)</b>
<b>Closing net book value at 31 March</b>	<b>394.5</b>	<b>34.8</b>	<b>1.6</b>	<b>4.3</b>	<b>2.2</b>	<b>437.4</b>	<b>40.7</b>
<b>Opening net book value at 1 April</b>	<b>387.3</b>	<b>34.8</b>	<b>1.6</b>	<b>3.9</b>	<b>0.8</b>	<b>428.4</b>	<b>40.8</b>

100

## Infrastructure assets

In accordance with the temporary relief offered by the update to the CIPFA code on infrastructure assets, the PPE note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. The council has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

The council has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

Infrastructure assets include carriageways, footways and cycle tracks, structures (eg bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network. The useful lives of the individual elements of the highways network are included in the table below.

Element of infrastructure assets	Useful life
Carriageways	20 years
Footways and cycleways	20 years
Street Furniture	30 years (Bus shelters 25 years)
Street Lighting	40 years
Structures	80 years
Traffic Management	15 years
Flood alleviation scheme	50 years

101

At 31 March 2024	£m
Infrastructure assets opening net book value at 1 April	261.7
Additions	23.1
Depreciation charge for the year	(36.4)
<b>Infrastructure assets closing net book value at 31 March</b>	<b>248.4</b>
Net book value of PPE excluding infrastructure assets	437.4
<b>Total net book value of PPE on the balance sheet at 31 March</b>	<b>685.8</b>

## Notes supporting the balance sheet

At 31 March 2023	Land and buildings £m	Vehicles, plant, furniture and equipment £m	Community assets £m	Surplus assets £m	Assets under construction £m	Total property, plant and equipment £m	PFI assets included in PPE £m
<b>Cost or valuation</b>							
Opening balance at 1 April	361.4	36.9	1.6	4.5	-	404.4	39.9
Additions	7.6	1.1	-	0.2	0.8	9.7	0.2
Disposals	(3.8)	-	-	(0.6)	-	(4.4)	-
Revaluation	31.4	2.2	-	(1.5)	-	32.1	2.2
Reverse accumulated depreciation	(7.4)	(1.0)	-	-	-	(8.4)	(1.0)
Asset transfers	(1.3)	-	-	1.3	-	-	-
<b>Closing balance at 31 March</b>	<b>387.9</b>	<b>39.2</b>	<b>1.6</b>	<b>3.9</b>	<b>0.8</b>	<b>433.4</b>	<b>41.3</b>
<b>Depreciation</b>							
Opening balance at 1 April	(2.5)	(3.5)	-	-	-	(6.0)	(0.2)
Charge for the year	(5.5)	(1.9)	-	-	-	(7.4)	(1.3)
Reverse accumulated depreciation	7.4	1.0	-	-	-	8.4	1.0
<b>Closing balance at 31 March</b>	<b>(0.6)</b>	<b>(4.4)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5.0)</b>	<b>(0.5)</b>
<b>Closing net book value at 31 March</b>	<b>387.3</b>	<b>34.8</b>	<b>1.6</b>	<b>3.9</b>	<b>0.8</b>	<b>428.4</b>	<b>40.8</b>
<b>Opening net book value at 1 April</b>	<b>358.9</b>	<b>33.4</b>	<b>1.6</b>	<b>4.5</b>	<b>-</b>	<b>398.4</b>	<b>39.7</b>

<b>At 31 March 2023</b>	<b>£m</b>
Infrastructure assets opening net book value at 1 April	283.4
Additions	24.2
Depreciation charge for the year	(45.9)
<b>Infrastructure assets closing net book value at 31 March</b>	<b>261.7</b>
Net book value of PPE excluding infrastructure assets	428.4
<b>Total net book value of PPE on the balance sheet at 31 March</b>	<b>690.1</b>

## 19.2 Revaluations

The carrying amount of assets on the rolling programme held at 31 March 2024 total £481.4 million. The effective date of the revaluations are as follows:

<b>Valued as at</b>	<b>Carrying amount of revalued assets £m</b>
31 March 2024	405.9
31 March 2023	63.1
31 March 2022	12.4
<b>Total</b>	<b>481.4</b>

### 19.3 Revaluation reserve

31 March 2023 £m		31 March 2024 £m
(147.9)	<b>Balance at 1 April</b>	(168.6)
(27.6)	Revaluations upwards	(12.0)
4.1	Revaluations downwards	1.1
0.5	Depreciation of revaluations	0.3
2.3	Disposal of revaluations	1.3
(168.6)	<b>Balance at 31 March</b>	(177.9)

### 19.4 Capital commitments

At 31 March 2024 the council had two significant capital commitments relating to the Homes Upgrade Grant schemes totalling £2.9 million. These suppliers provide energy saving installations in resident's properties. The council's policy is that significant contracts are those with a value greater than £1 million.

### 104 19.5 School assets

Where a school is under the council's control (i.e. under the responsibility of the council's Section 151 Officer) its income, expenditure, current assets, liabilities and reserves are consolidated into the council's accounts and included within the figures disclosed in the statement of accounts. Any reserves attributable to the school are earmarked and disclosed separately. If a school transfers to academy status it is no longer under the control of the council and therefore its income, expenditure, assets, liabilities and reserves are no longer consolidated into the council's accounts.

In respect of any property, plant and equipment associated with schools, the council has determined that community schools, voluntary aided and voluntary controlled schools are included in the balance sheet. Voluntary aided schools' long term assets are owned by the school trustees however under these assets have been recognised due to the probability that the future economic benefits associated with the asset will flow to the council and the cost of the asset can be measured reliably in accordance with IAS16. The fair value of schools is included using a depreciated replacement cost valuation method which comprises the market value of the land in its existing use plus the current replacement cost of the buildings less an allowance for physical deterioration.



## 19.6 Capital adjustment account

31 March 2023 £m		31 March 2024 £m
(308.5)	<b>Balance at 1 April</b>	<b>(303.3)</b>
	<b>Capital financing:</b>	
(6.2)	Capital receipts	(4.0)
(21.9)	Capital grants and contributions	(23.7)
(0.6)	Revenue contributions to capital expenditure	(3.2)
<b>(28.7)</b>	<b>Total capital financing</b>	<b>(30.9)</b>
(10.3)	Downward revaluations charged to comprehensive income and expenditure statement	(7.3)
53.4	Depreciation charged to comprehensive income and expenditure statement	44.6
(12.6)	Minimum revenue provision	(10.9)
1.2	Revenue expenditure funded from capital under statute	3.6
2.3	Disposal of non-current assets	0.4
(1.1)	PFI adjustments	-
1.0	Other adjustments	2.9
<b>(303.3)</b>	<b>Balance at 31 March</b>	<b>(300.9)</b>

## 20. Investment property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. Rentals earned are recognised as income in the comprehensive income and expenditure statement on an accruals basis. The definition is not met if the property is used in any way to facilitate the delivery of services or is held for sale. Management aim for a minimum return of 4% on investment assets.

31 March 2023 £m		31 March 2024 £m
	<b>Cost or valuation</b>	
40.1	Opening balance at 1 April	41.9
0.4	Additions	0.5
(0.4)	Disposals	(0.2)
1.8	Revaluation	10.4
<b>41.9</b>	<b>Closing balance at 31 March</b>	<b>52.6</b>

Investment property value is measured at fair value in compliance with IFRS 13. A definition of fair value is the price that would be received to sell an asset, or paid to transfer a liability, between market participants in an orderly transaction at the measurement date under current market conditions. Gains and losses on revaluation are included in the financing and investment income and expenditure line in the comprehensive income and expenditure statement. Gains or losses on disposal of an investment property are treated in the same way. Gains or losses recognised in the comprehensive income and expenditure statement are not proper charges to the general fund and are reversed out through the movement in reserves statement. For all investment properties where a fair value review is conducted, fair values are based on multiplying an estimated net income by an appropriate investment yield or having regard to the capital value of similar assets. The net income figure is based on market rent.

Fair value measurement using other significant observable inputs Level 2	£m
Investment properties at 31 March 24	52.6
Investment properties at 31 March 23	41.9

## 21. Capital expenditure and capital financing

The total amount of capital expenditure incurred in the year is shown in the table below (including those acquired under finance and PFI contracts) together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the council, the expenditure results in an increase in the capital financing requirement (CFR), a measure of the capital expenditure incurred historically by the council that has yet to be financed.

2022/23 £m		2023/24 £m
<b>308.4</b>	<b>Opening capital financing requirement</b>	<b>304.4</b>
	<b>Capital investment</b>	
34.4	Property, plant and equipment	33.5
0.1	Intangible assets	0.3
0.4	Investment properties	0.5
10.9	Revenue expenditure funded from capital under statute	12.4
0.2	Assets acquired under PFI contracts	0.2
0.6	Long term debtors (including loans and PFI prepayments)	0.6
	<b>Sources of finance</b>	
(4.6)	Capital receipts	(0.9)
(1.6)	Loan fund principal	(1.7)
(31.6)	Government grants and other contributions	(32.5)
	<b>Sums set aside from revenue</b>	
(0.2)	Direct revenue contributions	(2.8)
(12.6)	Minimum revenue provision	(10.9)
<b>304.4</b>	<b>Closing capital financing requirement</b>	<b>303.1</b>
	<b>Explanation of movements in year</b>	
10.0	Increase in underlying need to borrow	11.1
0.2	Assets acquired under PFI contracts	0.2
(1.6)	Repayment of long term debtors	(1.7)
(12.6)	Minimum revenue provision	(10.9)
<b>(4.0)</b>	<b>Adjusted to services</b>	<b>(1.3)</b>

## Minimum Revenue Provision (MRP)

Minimum Revenue Provision (MRP) is a charge to the general fund with a matching entry in the capital adjustment account. It represents an annual contribution from revenue towards the provision for the reduction in our overall borrowing requirement. MRP is charged over a period that is broadly commensurate with the period over which the council receives benefit from the asset.

The minimum revenue provision (MRP) is calculated as follows:-

- MRP on supported borrowing is written down on an annuity basis with an annuity rate of 4%
- MRP on unsupported borrowing is written down on an annuity basis with an annuity rate of 4%
- MRP on assets acquired through finance leases and Private Finance Initiative (PFI) will be equal to the cash payments that reduce the outstanding liability each year

## 22. Short term debtors

108

31 March 2023 £m		31 March 2024 £m
11.0	Trade receivables	17.4
2.1	Prepayments	2.3
2.0	Non-domestic rates	2.3
8.6	Council Tax	10.0
4.1	VAT	4.7
7.4	Other receivables	6.1
<b>35.2</b>	<b>Total</b>	<b>42.8</b>

Other receivables includes capital debtors, sundry debtors, housing benefit debtors and impairment for bad debts provision (Note T2.5).

## 23. Cash and cash equivalents

Cash is represented by cash in hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are deemed to be 'on-call' investments, where investments can be recalled immediately.

31 March 2023 £m		31 March 2024 £m
7.3	Cash held by the council	6.2
18.2	Short term deposits	18.7
<b>25.5</b>	<b>Total</b>	<b>24.9</b>
(2.2)	Bank current accounts	(1.8)
<b>23.3</b>	<b>Total</b>	<b>23.1</b>

## 24. Short term creditors

109

31 March 2023 £m		31 March 2024 £m
(5.0)	Trade payables	(2.6)
(14.5)	Receipts in advance	(14.1)
(3.2)	Employee leave accrual	(3.7)
(2.1)	Council Tax	(1.9)
(7.5)	Non-domestic rates	(7.0)
(27.0)	Other payables	(35.7)
<b>(59.3)</b>	<b>Total</b>	<b>(65.0)</b>

Other payables includes capital creditors, sundry creditors, deposits, grants creditors and payroll holding codes.

## 25. Capital grants receipts in advance

31 March 2023 £m		31 March 2024 £m
(2.2)	Central government bodies	(1.6)
(13.5)	Other grants and contributions	(14.4)
<b>(15.7)</b>	<b>Total</b>	<b>(16.0)</b>

## 26. Private finance initiatives (PFI)

Private Finance Initiative (PFI) contracts are agreements to receive services where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the council is deemed to control the services that are provided under its PFI schemes and as ownership of the property, plant and equipment will pass to the council at the end of the contracts for no additional charge, the council carries the property, plant and equipment used under the contracts on its balance sheet. The original recognition of these property, plant and equipment at their fair value is balanced by the recognition of a liability for amounts due to the PFI provider. Property, plant and equipment recognised on the balance sheet are revalued and depreciated in the same way as property, plant and equipment owned by the council.

The amounts payable to the PFI contractors each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the comprehensive income and expenditure statement
- Finance cost – a percentage interest charge on the outstanding balance sheet liability, debited to interest payable and similar charges in the comprehensive income and expenditure statement under financing, investment income and expenditure
- Contingent rent – differences in the amount to be paid for the property arising during the contract, debited or credited to interest payable and similar charges in the comprehensive income and expenditure statement
- Payment towards liability – applied to write down the balance sheet liability, current and long term, towards the PFI operator
- Lifecycle replacement costs – the annual payment implicit in the contract is funded and treated as a prepayment on the balance sheet and recognised as property, plant and equipment when the contractor incurs the expenditure

The council has two formal PFIs: Whitecross School and Waste disposal (in partnership with Worcestershire County Council) and one other contract identified as falling under IFRIC 12, the Shaw Healthcare contract.

### **Mercia Waste Management Limited – Waste management PFI contract**

In 1998 Herefordshire Council, in partnership with Worcestershire County Council, entered into a 25 year contract with Mercia Waste Management Limited for the provision of an integrated waste management system using the Private Finance Initiative. Under the contract the authorities are required to ensure that all waste for disposal is delivered to the contractor, who will take responsibility for recycling or recovering energy from the waste stream. In total the estimated cost over the life of the contract is approximately £500 million of which approximately 25% relates to Herefordshire Council. The original life of the contract was 25 years with the option to extend this by 5 years, this extension was opted in January 2024.

A variation to the contract was signed in May 2014 to design, build, finance and operate an Energy from Waste Plant. Construction was completed in 2017 with a funding requirement of £195 million and an uplift to the annual unitary charge for both councils of £2.7 million. Both councils will be providing circa 82% of the project finance requirement from their own planned borrowing from the Public Works Loan Board with the remaining 18% being provided by the equity shareholders of Mercia Waste Management Limited. The loan is shown under long term debtors on the balance sheet and the effective interest rate is shown under financial investments on the comprehensive income and expenditure statement.

**Stepnell Limited – School PFI contract**

The Whitecross School PFI project has delivered a fully equipped 900 place secondary school with full facilities management services. The contract with Stepnell Limited has an overall value of £74 million and lasts for 25 years. During the 2012/13 financial year the school transferred to academy status but the obligations under the PFI contract remain with the council.

**Shaw Homes**

The council has a contract with Shaw Healthcare for the development and provision of residential homes and day care centres previously operated directly by the council. The contract expires in 2033/34 for all homes. The level of payments are dependent on the volume and nature of service elements and Shaw Healthcare’s performance in providing services. The payments in respect of this contract were £5.0 million in 2023/24 (£4.5 million in 2022/23).

**26.1. PFI liabilities**

The payments to the contractors compensate them for the fair value of the services they provide, capital expenditure incurred and interest payable. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

31 March 2023 Total £m		31 March 2024 Shaw Healthcare £m	31 March 2024 Whitecross school £m	31 March 2024 Waste disposal £m	31 March 2024 Total £m
(44.5)	Balance outstanding at 1 April	(5.7)	(9.2)	(25.1)	(40.0)
4.5	Payments during the year	0.3	0.8	1.1	2.2
(40.0)	<b>Balance outstanding at 31 March</b>	(5.4)	(8.4)	(24.0)	(37.8)

111

**26.2. PFI payments**

The table below shows an estimate of the payments to be made under the PFI and similar contracts.

	Service charges £m	Lifecycle costs £m	Finance liability £m	Interest £m	Total £m
Within 1 year	12.9	0.5	2.4	3.3	19.1
Within 2 to 5 years	52.8	2.0	11.3	12.1	78.2
Within 6 to 10 years	24.6	1.8	5.9	8.2	40.5
Within 11 to 15 years	1.4	-	0.2	0.6	2.2
<b>Balance outstanding at 31 March</b>	<b>91.7</b>	<b>4.3</b>	<b>19.8</b>	<b>24.2</b>	<b>140.0</b>

## 27. Leases

Leases are classified as either finance leases or operating leases based on the extent to which risks and rewards of ownership of a leased asset lie with the lessor or the lessee. The council does not hold any finance leases.

### 27.1 Operating leases – the council as a lessee

Where the council is lessee – an operating lease is recognised as an expense on a straight line basis over the lease term.

31 March 2023 £m		31 March 2024 £m
0.5	In the year	0.5
0.4	Not later than 1 year	0.5
1.1	Between 1 and 5 years	1.4
1.2	Over 5 years	1.1
<b>3.2</b>	<b>Total due in future years</b>	<b>3.5</b>

### 112 27.2 Operating leases – the council as a lessor

Where the council is lessor – the asset is recognised under the relevant category of assets. Costs, including depreciation, are recognised as an expense and income is recognised in the comprehensive income and expenditure statement on a straight-line basis over the lease term.

31 March 2023 £m		31 March 2024 £m
(3.5)	Not later than 1 year	(4.2)
(9.5)	Between 1 and 5 years	(11.8)
(22.0)	Over 5 years	(29.0)
<b>(35.0)</b>	<b>Total due in future years</b>	<b>(45.0)</b>



## 28. Adjustments between accounting basis and funding basis under regulations

2023/24	General fund £m	Earmarked reserves £m	Capital receipts reserve £m	Capital grants unapplied £m	Movement in unusable reserves £m
Depreciation of non-current assets	(44.6)	-	-	-	44.6
Impairment and revaluation losses of non-current assets	7.3	-	-	-	(7.3)
Amount by which council tax and non-domestic rate income adjustment included in the comprehensive income and expenditure statement is different from the amount taken to the general fund in accordance with regulations	(0.7)	-	-	-	0.7
Statutory provision for the repayment of debt (MRP)	10.9	-	-	-	(10.9)
Amount by which pension costs calculated in accordance with IAS 19 are different from the contributions due under the pension scheme regulations	1.5	-	-	-	(1.5)
Capital grants and contributions credited to the comprehensive income and expenditure statement not applied to capital financing	24.9	-	-	(24.9)	-
Capital grants and contributions applied to capital financing	10.6	-	-	13.1	(23.7)
Other individual non material adjustments	(8.3)	-	1.9	-	6.4
<b>Total adjustments between accounting basis and funding basis under regulations</b>	<b>1.6</b>	<b>-</b>	<b>1.9</b>	<b>(11.8)</b>	<b>8.3</b>

## Notes supporting the movement in reserves statement

2022/23	General fund £m	Earmarked reserves £m	Capital receipts reserve £m	Capital grants unapplied £m	Movement in unusable reserves £m
Depreciation of non-current assets	(53.4)	-	-	-	53.4
Impairment and revaluation losses of non-current assets	10.3	-	-	-	(10.3)
Amount by which council tax and non-domestic rate income adjustment included in the comprehensive income and expenditure statement is different from the amount taken to the general fund in accordance with regulations	8.6	-	-	-	(8.6)
Statutory provision for the repayment of debt (MRP)	12.6	-	-	-	(12.6)
Amount by which pension costs calculated in accordance with IAS 19 are different from the contributions due under the pension scheme regulations	(17.4)	-	-	-	17.4
Capital grants and contributions credited to the comprehensive income and expenditure statement not applied to capital financing	11.7	-	-	(11.7)	-
Capital grants and contributions applied to capital financing	13.3	-	-	8.5	(21.8)
Other individual non material adjustments	(3.6)	-	3.1	-	0.5
<b>Total adjustments between accounting basis and funding basis under regulations</b>	<b>(17.9)</b>	<b>-</b>	<b>3.1</b>	<b>(3.2)</b>	<b>18.0</b>

## 29. Movement in usable reserves

Usable reserve	Purpose of reserve	1 April 2023 £m	Transfers out £m	Transfers in £m	31 March 2024 £m
General fund	Revenue resources available to meet future commitments	(9.6)	-	-	(9.6)
Earmarked reserves	Set aside from the general fund for future expenditure to support specific corporate priorities (see note 31)	(81.8)	30.0	(21.4)	(73.2)
Capital receipts reserve	Capital receipts available to meet future capital expenditure	(40.1)	4.0	(2.1)	(38.2)
Capital grants unapplied	Capital grants available to meet future capital expenditure	(19.0)	13.1	(24.9)	(30.8)
<b>Total</b>		<b>(150.5)</b>	<b>47.1</b>	<b>(48.4)</b>	<b>(151.8)</b>

## 30. Movement in unusable reserves

Unusable reserve	Purpose of reserve	1 April 2023 £m	Transfers out £m	Transfers in £m	31 March 2024 £m
Short term absences account	Balances relating to accumulated holiday due but not taken in year	3.3	(3.3)	3.7	3.7
Capital adjustment account	Timing differences on capital financing and consumption	(303.3)	33.3	(30.9)	(300.9)
Collection fund adjustment account	Differences in accounting treatment for council tax and business rates between IFRS and statutory arrangements	(6.7)	(9.2)	9.9	(6.0)
Financial instruments adjustment account	Valuation gains and losses on financial instruments carried at fair value	0.4	-	-	0.4
Pensions reserve	Movement in measurement of the net defined pension liability	24.1	(60.9)	46.5	9.7
Revaluation reserve	Unrealised gains and losses arising from revaluations of long term assets	(168.6)	2.7	(12.0)	(177.9)
DSG adjustment account	Accumulated deficit on the dedicated schools grant	1.1	-	5.0	6.1
<b>Total</b>		<b>(449.7)</b>	<b>(37.4)</b>	<b>22.2</b>	<b>(464.9)</b>

**31. Movement in earmarked reserves**

Earmarked reserve	Purpose of reserve	1 April 2023 £m	Transfers out £m	Transfers in £m	31 March 2024 £m
Business rates reserve	To smooth the impact of changes in business rates retention, collection and funding	(13.1)	-	(6.6)	(19.7)
Schools' balances	Balances held for individual maintained schools	(9.3)	-	(0.6)	(9.9)
Waste reserve	To support increased future costs on waste disposal and collection services	(9.4)	4.3	(1.7)	(6.8)
Financial resilience reserve	Amounts set aside to support financial risk	(1.2)	0.2	(2.1)	(3.1)
Unused grants carried forward	Unspent grant monies earmarked for future expenditure	(17.6)	8.7	(8.4)	(17.3)
Other individually non material reserves		(31.2)	16.8	(2.0)	(16.4)
<b>Total</b>		<b>(81.8)</b>	<b>30.0</b>	<b>(21.4)</b>	<b>(73.2)</b>

## 32. Cash flows from operating activities

### 32.1 Adjustments for non-cash movements

2022/23 £m		2023/24 £m
(2.4)	Movement in debtors	6.1
14.1	Movement in creditors	(5.7)
0.2	Movement in inventories	-
(43.1)	Depreciation, amortisation and impairment of non-current assets	(37.3)
(4.7)	Carrying amount of non-current assets sold	(1.3)
(17.4)	Net charges for retirement benefits	1.5
0.4	Movement in provisions	1.7
<b>(52.9)</b>	<b>Total adjustment for non-cash movements</b>	<b>(35.0)</b>

117

### 32.2 Adjustments for items included in the surplus/deficit that are investing and financing activities

2022/23 £m		2023/24 £m
1.4	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0.6
25.0	Any other items for which the cash effects are investing or financing cash flows	35.5
<b>26.4</b>	<b>Total adjustment for investing and financing activities</b>	<b>36.1</b>

**33. Cash flows from investing activities**

2022/23 £m		2023/24 £m
34.3	Purchase of property, plant and equipment, investment property and intangible assets	34.4
(4.1)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2.7
90.5	Purchase of short term investments	65.0
(96.0)	Proceeds from short term investments	(77.5)
(27.6)	Other receipts from investing activities	(38.3)
2.3	Other payments for investing activities	0.5
<b>(0.6)</b>	<b>Total cash flows from investing activities</b>	<b>(13.2)</b>

Other receipts from investing activities includes receipts of capital grants and receipts from long term loans.

**34. Cash flows from financing activities**

2022/23 £m		2023/24 £m
4.5	Cash payments for the reduction of the outstanding liability relating to finance leases and on-balance sheet PFI contracts	2.2
6.9	Repayments of short and long term borrowing	3.1
<b>11.4</b>	<b>Total cash flows from financing activities</b>	<b>5.3</b>

## T1. Pension schemes

Employees of the council are members of three separate pension schemes;

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education
- The NHS pension scheme (for Public Health transferred staff)
- The Local Government Pension Scheme administered by Worcestershire County Council (LGPS)

Pension schemes are classed as either defined contribution or defined benefit plans. The above schemes provide defined benefits to members, built up during the time that employees work for the council. The arrangements for the Teachers' and NHS schemes mean that the liabilities for these benefits cannot be identified to the council. These schemes are therefore accounted for as if they were a defined contributions scheme – no liability for future payments of benefits is recognised in the balance sheet and the revenue account is charged with the employer's contributions payable to the schemes in the year.

The Local Government Pension Scheme is accounted for as a defined benefit scheme. The liabilities are included in the balance sheet on an actuarial basis using the projected unit method, that is, an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees. Liabilities are discounted to their value at current prices using a discount rate (based on market yields and other factors). Assets are included in the balance sheet at their fair value determined through market or bid prices or using professional valuations. The change in the net pension's liability is analysed into six components;

- Current service cost: The increase in liabilities as a result of service earned in the year is allocated to the revenue account of the services for which the employee worked, within the comprehensive income and expenditure statement
- Past service cost: The increase in liabilities arising from a scheme amendment or curtailment whose effect relates to service earned in earlier years is debited to the net cost of services in the comprehensive income and expenditure statement
- Net Interest on the defined benefit liability: The change during the period that arises from the passage of time is charged to the financing and investment income and expenditure line of the comprehensive income and expenditure statement
- Return on plan assets: Charged to the pensions reserve as other comprehensive income and expenditure but excludes amounts included in net interest on defined benefit liability
- Remeasurement of the net defined benefit liability: Changes in the net pensions liability that arise because events have not coincided with assumptions previously made by the actuaries is included in other comprehensive income and expenditure
- Contributions paid to the pension fund: Cash paid as employer's contributions to the pension fund

## T1.1. Pension schemes accounted for as defined contribution schemes

Teachers employed by the council are members of the Teachers' Pension Scheme, which is a defined benefit scheme administered by the Teachers Pensions Agency. Although the scheme is unfunded, a notional fund is used as a basis for calculating the employers' contribution rate. It is not possible for the council to identify its share of the underlying liabilities in the scheme attributable to its own employees, and therefore for the purposes of the statement of accounts it is accounted for on the same basis as a defined contribution scheme, that is, actual costs are included in the revenue accounts, with no assets and liabilities in the balance sheet.

In 2023/24 the council paid employer contributions of £7.4 million (2022/23 £7.4 million) in respect of teachers' pension costs. The liability to former Hereford and Worcester teachers' unfunded added years' benefits of £0.5 million is included in the pension fund liability in the balance sheet in 2023/24 (£0.5 million in 2022/23).

## T1.2. Defined benefit pension schemes

Employees are eligible to join the Local Government Pension Scheme (LGPS) administered by Worcestershire County Council. This is a funded scheme, which means that the council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets. Although the benefits will not actually be payable until employees retire, the council has a commitment to make the payments and this needs to be disclosed at the time the employees earn their future entitlement. The pension scheme is operated under the regulatory framework for Local Government Pension Schemes.

Under IAS 19 the cost of retirement benefits is included in the cost of services when it is earned by employees, rather than when it is paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of the retirement benefits is reversed out to the pensions reserve via the movement in reserves statement.



### T1.3. Transactions relating to pension schemes

2022/23 £m		2023/24 £m
	<b>Comprehensive income and expenditure statement</b>	
	<b>Cost of services</b>	
25.5	Current service cost	11.2
0.1	Past service cost	0.9
	<b>Financing and investment income and expenditure</b>	
7.4	Net interest expense	0.5
0.2	Administration expenses	0.3
<b>33.2</b>	<b>Total post-employment benefit charged to the surplus/deficit on the provision of services</b>	<b>12.9</b>
	<b>Other comprehensive income and expenditure</b>	
82.9	Remeasurement arising on changes in experience	3.7
(315.7)	Remeasurement arising on changes in financial assumptions	0.2
(12.5)	Remeasurement arising on changes in demographic assumptions	(9.1)
(21.3)	Return on plan assets	(40.9)
-	Impact of pension net asset ceiling	33.6
-	Other pension transactions	(0.4)
<b>(266.6)</b>	<b>Total post-employment benefit charged to other comprehensive income and expenditure</b>	<b>(12.9)</b>
	<b>Movement in reserves statement</b>	
(33.2)	Reversal of net charges made to the surplus/deficit on the provision of services	(12.9)
15.6	Amount charged to the general fund balance for employer's contribution payable in the year	14.4

The council made an up-front payment of employer’s contributions payable to the scheme of £1.5 million in June 2023 for the three years 2023/24 to 2025/26. This has resulted in a difference between the value of the pensions reserve and the net pension liability on the balance sheet as noted in the table below.

	Note	31 March 2024 £m
<b>Balance on the pension reserve for LGPS</b>	<b>T1.10</b>	<b>9.2</b>
2024/25 upfront payment		(0.5)
2025/26 upfront payment		(0.5)
<b>Balance on the net pension liability for LGPS</b>	<b>T1.4</b>	<b>8.2</b>

### T1.4. Pension assets and liabilities recognised in the balance sheet

31 March 2023 £m		31 March 2024 £m
555.9	Present value of the defined benefit obligation	572.3
(532.2)	Fair value of plan assets	(564.1)
<b>23.7</b>	<b>Net liability arising from defined benefit obligation – LGPS</b>	<b>8.2</b>
0.4	Unfunded teachers pension liability	0.5
<b>24.1</b>	<b>Total net pension liability</b>	<b>8.7</b>

122

As at 31 March 2024, the fair value of plan assets were measured at greater than the present value of the defined benefit obligation, resulting in a net pension asset. The accounting standard interpretation IFRIC 14 restricts the amount of the net pension asset that can be recognised on the balance sheet to the estimated economic benefit of the net asset arising from a reduction in future contributions, amending for any additional liabilities arising from past service contributions. This asset ceiling calculation has resulted in a credit to the balance sheet value of £33.6 million.

### T1.5. Reconciliation of the present value of scheme liabilities (LGPS)

31 March 2023 £m		31 March 2024 £m
769.1	Opening balance at 1 April	555.9
25.5	Current service cost	11.2
0.1	Past service cost	0.8
21.4	Interest cost	26.0
-	Administration expenses	0.3
4.0	Contribution by scheme participants	4.3
(245.3)	Remeasurement arising from changes in assumptions	(5.2)
(18.9)	Benefits/transfers paid	(19.5)
-	Prepayment of pension deficit	(1.5)
<b>555.9</b>	<b>Closing balance at 31 March</b>	<b>572.3</b>

123

### T1.6. Reconciliation of the fair value of scheme assets (LGPS)

31 March 2023 £m		31 March 2024 £m
496.5	Opening balance at 1 April	532.2
13.9	Interest income	25.4
21.3	Return on plan assets	40.9
(0.2)	Administration expenses	-
15.6	Contribution from employer	14.4
4.0	Contributions from employees	4.3
(18.9)	Benefits/transfers paid	(19.5)
-	Impact of pension net asset ceiling	(33.6)
<b>532.2</b>	<b>Closing balance at 31 March</b>	<b>564.1</b>

The actual return on scheme assets in the year was £70.5 million, 12.5% of the period end assets (2022/23 £4.8 million, 0.9%).

### T1.7. Local government pension scheme assets

31 March 2023 £m		Quoted Y/N	31 March 2024 £m
	<b>Cash</b>		
7.8	Cash instruments	N	10.2
	<b>Equity instruments</b>		
0.6	UK quoted	Y	-
118.9	Overseas quoted	Y	-
66.9	Pooled investment vehicle – UK managed funds	N	-
194.2	Pooled investment vehicle – UK managed funds (overseas equities)	N	-
3.9	Pooled investment vehicle – overseas managed funds	N	-
-	Other	Y	63.1
-	Private equity	N	0.2
	<b>Property</b>		
5.7	UK property debt	N	32.0
3.8	Overseas property debt	N	15.8
36.2	UK property funds	N	-
	<b>Investment funds and unit trusts</b>		
-	Equities	Y	353.7
13.8	Bonds	Y	11.8
68.7	Infrastructure	N	104.4
11.7	Other	N	6.5
<b>532.2</b>	<b>Closing fair value of scheme assets (before impact of pension net asset ceiling)</b>		<b>597.7</b>
-	Impact of pension net asset ceiling		(33.6)
<b>532.2</b>	<b>Closing fair value of scheme assets</b>		<b>564.1</b>

124

## T1.8. Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries based on the latest full valuation of the scheme as at 31st March 2022. The principal assumptions used by the actuary have been:

31 March 2023		31 March 2024
	<b>Mortality assumptions</b>	
	<b>Longevity at 65 for current pensioners (in years)</b>	
22.0	Men	21.3
24.2	Women	23.6
	<b>Longevity at 65 for future pensioners (in years)</b>	
23.3	Men	22.6
26.1	Women	25.5
	<b>Financial assumptions</b>	
2.7%	Rate of CPI inflation	2.8%
4.2%	Rate of increase in salaries	4.3%
2.8%	Rate of increase in pensions	2.8%
4.8%	Rate for discounting scheme liabilities	4.8%

125

## T1.9. Impact on the council's cash flows

Total employer contributions expected to be made to the Local Government Pension Scheme by the council in the year ended 31 March 2025 is £12.5 million.

## T1.10. 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 pay any pensions for which it is directly responsible. The debit balance on the pensions 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. The LGPS deficit includes a provision for the assessed financial impact of the case law decision in respect of the protections for members nearing retirement being deemed to have given rise to an unlawful age discrimination to younger workers without those protections (McCloud).

126

31 March 2023 £m		31 March 2024 £m
273.3	Balance at 1 April	24.1
(266.7)	Return on plan assets	(46.0)
33.2	Reversal of items relating to retirement benefits debited or credited to the surplus/deficit on the provision of services in the comprehensive income and expenditure statement	12.9
(15.7)	Employer’s pension contributions and direct payments to pensioners payable in the year	(14.4)
-	Employer’s pension contributions – prepayment adjustment	(0.5)
-	Impact of pension net asset ceiling	33.6
<b>24.1</b>	<b>Balance at 31 March</b>	<b>9.7</b>
23.7	Local government pension scheme	9.2
0.4	Teachers pension scheme	0.5
<b>24.1</b>	<b>Balance at 31 March</b>	<b>9.7</b>

## T2. Financial instruments

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability (or equity instrument, such as share capital) of another entity. They are valued in line with the requirements of IFRS 13 (fair value), the recognition and measurement of financial instruments is reported in accordance with IFRS 9.

### T2.1. Income, expense, gains and losses

The following amounts relating to financial instruments are included in the comprehensive income and expenditure statement.

127

2022/23 Financial liabilities at amortised cost £m	2022/23 Financial assets: loans and receivables £m	2022/23 Total £m		2023/24 Financial liabilities at amortised cost £m	2023/24 Financial assets: loans and receivables £m	2023/24 Total £m
			<b>Interest payable and similar charges</b>			
5.0	-	5.0	On loans	4.8	-	4.8
2.0	-	2.0	On PFI liabilities	3.5	-	3.5
<b>7.0</b>	<b>-</b>	<b>7.0</b>	<b>Total expenditure in surplus/deficit on the provision of services</b>	<b>8.3</b>	<b>-</b>	<b>8.3</b>
			<b>Interest receivable</b>			
-	(2.2)	(2.2)	On loans	-	(1.7)	(1.7)
-	(2.2)	(2.2)	On investments	-	(3.7)	(3.7)
<b>-</b>	<b>(4.4)</b>	<b>(4.4)</b>	<b>Total income in surplus/deficit on the provision of services</b>	<b>-</b>	<b>(5.4)</b>	<b>(5.4)</b>
<b>7.0</b>	<b>(4.4)</b>	<b>2.6</b>	<b>Net (gain)/loss for the year</b>	<b>8.3</b>	<b>(5.4)</b>	<b>2.9</b>

## T2.2. Financial assets

The council's business model is to hold investments to collect contractual cash flows i.e. payments of interest and principal. All of the council's financial assets are therefore classified as amortised cost. Financial assets measured at amortised cost are recognised on the balance sheet when the council becomes 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 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 council, this means that the amount presented in the balance sheet is the outstanding principal receivable (plus accrued interest) and interest credited is the amount receivable for the year in the loan agreement.

The council recognises expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis. Only lifetime losses are recognised for trade receivables (debtors) held by the council. 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.

128

31 March 2023 Per balance sheet £m	31 March 2023 Financial instruments £m		31 March 2024 Per balance sheet £m	31 March 2024 Financial instruments £m
34.6	34.6	Long term debtors – loans	33.2	33.2
2.7	-	Long term debtors – PFI lifecycle costs	2.6	-
<b>37.3</b>	<b>34.6</b>	<b>Total long term debtors</b>	<b>35.8</b>	<b>33.2</b>
37.7	37.7	Short term investments	25.4	25.4
<b>37.7</b>	<b>37.7</b>	<b>Total short term investments</b>	<b>25.4</b>	<b>25.4</b>
25.5	25.5	Cash and cash equivalents	24.9	24.9
<b>25.5</b>	<b>25.5</b>	<b>Total cash and cash equivalents</b>	<b>24.9</b>	<b>24.9</b>
29.4	29.4	Short term debtors – Sales invoices and contractual rights	34.6	34.6
14.7	-	Short term debtors – Statutory debts (council tax, vat)	16.9	-
2.0	-	Short term debtors – prepayments	2.3	-
(10.9)	-	Short term debtors – bad debt provisions	(11.0)	-
<b>35.2</b>	<b>29.4</b>	<b>Total short term debtors</b>	<b>42.8</b>	<b>34.6</b>
<b>135.7</b>	<b>127.2</b>	<b>Total assets</b>	<b>128.9</b>	<b>118.1</b>



## T2.3. Financial liabilities

A financial liability is an obligation to deliver cash (or another financial asset) to another entity. Financial liabilities are recognised on the balance sheet when the council becomes 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 for interest payable are based on the carrying amount of the liability multiplied by the effective interest rate for the instrument and are charged to the financing and investment income and expenditure line in the comprehensive income and expenditure statement. The effective interest rate is the rate that 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 council has, the amount presented in the balance sheet is the outstanding principal repayable (plus accrued interest) and interest charged is the amount payable for the year in the loan agreement.

31 March 2023 Per balance sheet £m	31 March 2023 Financial instruments £m		31 March 2024 Per balance sheet £m	31 March 2024 Financial instruments £m
(2.2)	(2.2)	Cash and cash equivalents	(1.8)	(1.8)
<b>(2.2)</b>	<b>(2.2)</b>	<b>Total cash and cash equivalents</b>	<b>(1.8)</b>	<b>(1.8)</b>
(0.1)	(0.1)	Short term borrowing – bank loans	(0.1)	(0.1)
(3.9)	(3.9)	Short term borrowing – public works loan board	(7.9)	(7.9)
<b>(4.0)</b>	<b>(4.0)</b>	<b>Total short term borrowing</b>	<b>(8.0)</b>	<b>(8.0)</b>
(25.3)	(25.3)	Short term creditors – invoiced amounts and other contractual liabilities	(30.6)	(30.6)
(10.5)	-	Short term creditors – statutory liabilities (PAYE)	(10.0)	-
(22.6)	-	Short term creditors – accruals and receipts in advance	(23.4)	-
(0.9)	-	Short term creditors – funds and deposits held	(1.0)	-
<b>(59.3)</b>	<b>(25.3)</b>	<b>Total short term creditors</b>	<b>(65.0)</b>	<b>(30.6)</b>
(12.4)	(12.4)	Long term borrowing – bank loans	(12.4)	(12.4)
(107.5)	(107.5)	Long term borrowing – public works loan board	(100.6)	(100.6)
<b>(119.9)</b>	<b>(119.9)</b>	<b>Total long term borrowing</b>	<b>(113.0)</b>	<b>(113.0)</b>
(40.0)	(40.0)	Other long term liabilities – PFI and finance leases	(37.8)	(37.8)
(24.1)	-	Other long term liabilities – pensions liability	(8.7)	-
<b>(64.1)</b>	<b>(40.0)</b>	<b>Total other long term liabilities</b>	<b>(46.5)</b>	<b>(37.8)</b>
<b>(249.5)</b>	<b>(191.4)</b>	<b>Total liabilities</b>	<b>(234.3)</b>	<b>(191.2)</b>

## T2.4. Fair value of assets and liabilities

Financial liabilities and financial assets are carried in the balance sheet at amortised cost, but fair value disclosures are required by the Code. Fair value is the price that would be received/paid in an orderly transaction between market participants at the measurement date. The fair value has been assessed by calculating the present value of the anticipated cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- The fair value of Long term debtor loans have been calculated based on discounted contractual cash flows at the market rate for a similar instrument of the same remaining term with a counterparty of similar credit standing
- For PWLB and other loans, PWLB premature repayment rates and prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures
- The fair value of liabilities under PFI schemes have been calculated based on discounted contractual cash flows of the same remaining term

The fair value is higher than the carrying amount using premature repayment rates because the council's portfolio of longer-term loans are all fixed rate and the interest rates payable on these loans are generally higher than the relatively low rates prevailing at the balance sheet date. Therefore the fair value includes a premium that the council would have to pay if the lender agreed to early repayment of the loans.

The carrying amounts of other long term financial assets and liabilities in the balance sheet include commitments falling due under PFI schemes. The fair value of these commitments exceeds the carrying amount and represents the additional cost that could fall due if we were to terminate the PFI schemes as at the balance sheet date.

There are three tier levels in measuring fair value, these are:-

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities 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 or liability, either directly or indirectly
- Level 3 inputs – unobservable inputs for the asset or liability.

Fair values are shown in the table below, and have been provided by the council's treasury management advisors, using the income approach (converting future cash flows to a single current discounted amount).

31 March 2023 Carrying amount £m	31 March 2023 Fair value (premature repayment rate) £m	31 March 2023 Fair value (new loan rate) £m		Fair value hierarchy input level	31 March 2024 Carrying amount £m	31 March 2024 Fair value (premature repayment rate) £m	31 March 2024 Fair value (new loan rate) £m
			<b>Financial assets</b>				
34.6	34.6	34.6	Long term debtors	2	33.2	33.2	33.2
37.7	37.7	37.7	Short term investments	n/a	25.4	25.4	25.4
25.5	25.5	25.5	Cash and cash equivalents	n/a	24.9	24.9	24.9
29.4	29.4	29.4	Short term debtors	n/a	34.6	34.6	34.6
<b>127.2</b>	<b>127.2</b>	<b>127.2</b>	<b>Total financial assets</b>		<b>118.1</b>	<b>118.1</b>	<b>118.1</b>
			<b>Financial liabilities</b>				
(111.4)	(114.8)	(104.1)	Public works loan board	2	(108.5)	(105.6)	(96.4)
(12.5)	(13.8)	(11.6)	Bank loans (LOBOs)	2	(12.5)	(13.4)	(10.7)
(2.2)	(2.2)	(2.2)	Cash and cash equivalents	n/a	(1.8)	(1.8)	(1.8)
(25.3)	(25.3)	(25.3)	Short term creditors	n/a	(30.6)	(30.6)	(30.6)
(40.0)	(47.4)	(47.4)	PFI liabilities and finance leases	2	(37.8)	(36.3)	(36.3)
<b>(191.4)</b>	<b>(203.5)</b>	<b>(190.6)</b>	<b>Total financial liabilities</b>		<b>(191.2)</b>	<b>(187.7)</b>	<b>(175.8)</b>

## T2.5. Nature and extent of risks arising from financial instruments

The council's activities expose it to a variety of financial risks:

- Credit risk: the possibility that other parties may fail to pay amounts owing to the council
- Liquidity risk: the possibility that the council may have insufficient funds available to meet its financial commitments
- Market risk: the possibility that the council may suffer financial loss as a result of economic changes such as interest rate fluctuations

The council has adopted CIPFA's treasury management in the public services code of practice in setting out a treasury management policy and strategies to control risks to financial instruments.

### Credit risk

Credit risk arises from deposits with banks and other financial institutions, as well as credit exposures to the council's customers. Following the fiscal events of autumn 2022 and the subsequent period of significant market volatility the impact on the financial instruments held has been considered and included within the credit risk disclosures. Investments are only made in institutions recommended by the council's treasury adviser through combined credit ratings, credit watches and credit outlooks. Typically the minimum credit ratings criteria the council use will be short term rating (Fitch or equivalents) of F1 and a long term rating of A- and with countries with a minimum sovereign credit rating of AA- (Fitch or equivalents). During 2023/24 the council continued to restrict investments to only the largest and strongest of the banks, building society, other local authorities and instant access money market funds.

132 Analysis of the amount outstanding on the council debtors control account at 31 March by age is shown below:

31 March 2023 £m		31 March 2024 £m
3.8	Less than 3 months	10.3
1.0	3 to 6 months	1.3
1.6	6 months to 1 year	1.4
4.6	More than 1 year	4.4
<b>11.0</b>	<b>Total</b>	<b>17.4</b>

The general impairment allowance for debtors has decreased by £0.3 million to £0.5 million.

**Liquidity risk**

The council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the council has ready access to borrowings from the money markets and the PWLB. There is no significant risk that it will be unable to raise finance to meet its commitments. Instead the risk is that the council will need to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. Therefore the strategy is to spread the maturity of the council’s loans so that a significant proportion does not require repayment or refinancing at the same time. The maturity analysis of the loan debt is as follows:

<b>31 March 2023</b> <b>£m</b>		<b>31 March 2024</b> <b>£m</b>
(4.4)	Less than 1 year	(8.0)
(7.0)	Between 1 and 2 years	(6.2)
(17.8)	Between 2 and 5 years	(12.9)
(21.4)	Between 5 and 10 years	(20.8)
(73.3)	More than 10 years	(73.1)
<b>(123.9)</b>	<b>Total</b>	<b>(121.0)</b>

**Market risk**

The council is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates could have a significant impact on the council. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates - the interest expense charged to the surplus or deficit on the provision of services would increase
- Borrowings at fixed rates – the fair value of borrowings would fall
- Investments at variable rates - the interest received credited to the surplus or deficit on the provision of services would rise
- Investments at fixed rates – the fair value of the assets would fall

Borrowings and investments are not carried at fair value in the balance sheet and so nominal gains and losses on fixed rate financial instruments would have no impact on the surplus or deficit on the provision of services. The impact on the general fund is through changes in interest payable and receivable. The council’s loans are all fixed rate which means that when the Bank Base Rate is low the interest rate paid on borrowing is relatively high compared to the rate received on investments.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and is considered at quarterly strategy meetings with the council’s treasury advisors. The council sets an annual treasury management strategy which includes analysing future economic interest rate forecasts. This analysis will advise whether new borrowing taken out is fixed or variable and, where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The table below demonstrates the financial effect of a 1% increase in interest rates at 31 March 2024.

134

	<b>1% increase in interest rates £m</b>
Increase in interest payable on borrowing	-
Increase in interest receivable on investment balances	(0.8)
Decrease in fair value of borrowing	9.7

# Group financial statements and notes



## Group comprehensive income and expenditure statement

The group comprehensive income and expenditure statement shows the accounting costs in year of services provided by the group. This is prepared in accordance with International Financial Reporting Standards (IFRS) rather than the amount to be funded from taxation. The taxation position is shown in the movement in reserves statement.

	2022/23 Gross expenditure £m	2022/23 Gross income £m	2022/23 Net group expenditure £m		2023/24 Gross expenditure £m	2023/24 Gross income £m	2023/24 Net group expenditure £m
	173.5	(117.5)	56.0	Children and Young People	194.5	(124.7)	69.8
	115.6	(51.9)	63.7	Community Wellbeing	129.9	(59.0)	70.9
	95.3	(27.3)	68.0	Economy and Environment	93.7	(26.7)	67.0
	101.4	(60.4)	41.0	Corporate Services	97.6	(51.9)	45.7
	<b>485.8</b>	<b>(257.1)</b>	<b>228.7</b>	<b>Net cost of services</b>	<b>515.7</b>	<b>(262.3)</b>	<b>253.4</b>
	8.6	-	8.6	Other operating income and expenditure	6.4	-	6.4
	15.1	(8.8)	6.3	Financing and investment income and expenditure	9.4	(19.8)	(10.4)
	-	(211.0)	<b>(211.0)</b>	Taxation and non-specific grant income	-	(242.4)	<b>(242.4)</b>
	<b>509.5</b>	<b>(476.9)</b>	<b>32.6</b>	<b>(Surplus)/deficit on the provision of services</b>	<b>531.5</b>	<b>(524.5)</b>	<b>7.0</b>
			<b>(23.6)</b>	(Surplus)/deficit on revaluation of non-current assets			<b>(10.6)</b>
			<b>(266.5)</b>	Re-measurement of the net defined benefit liability			<b>(12.9)</b>
			<b>(290.1)</b>	<b>Other comprehensive (income) and expenditure</b>			<b>(23.5)</b>
			<b>(257.5)</b>	<b>Total comprehensive (income) and expenditure</b>			<b>(16.5)</b>

136

There is a minority interest of 20% in the subsidiary. There is £nil (2022/23 £nil) included in the surplus on the provision of services and in the total comprehensive income and expenditure figures that is attributable to the minority interest.



The group balance sheet shows the value of the assets and liabilities of the group, with the net assets matched by the reserves held. Reserves are categorised as usable (those the council can use to provide services), and unusable (those which cannot be used to provide services).

31 March 2023 £m		31 March 2024 £m
690.1	Property, plant and equipment	689.8
41.9	Investment property	52.6
0.4	Intangible assets	0.5
3.9	Heritage assets	4.1
37.3	Long term debtors	35.8
<b>773.6</b>	<b>Long term assets</b>	<b>782.8</b>
37.7	Short term investments	25.4
0.3	Inventories	0.3
36.2	Short term debtors	43.3
30.0	Cash and cash equivalents	26.3
<b>104.2</b>	<b>Current assets</b>	<b>95.3</b>

137

31 March 2023 £m		31 March 2024 £m
(4.0)	Short term borrowing	(8.0)
(61.4)	Short term creditors	(67.6)
(5.2)	Short term provisions	(3.5)
(2.2)	Cash and cash equivalents	(1.8)
<b>(72.8)</b>	<b>Current liabilities</b>	<b>(80.9)</b>
(1.8)	Long term provisions	(1.7)
(119.9)	Long term borrowing	(113.0)
(15.7)	Capital grants receipts in advance	(16.0)
(64.1)	Other long term liabilities	(46.5)
<b>(201.5)</b>	<b>Total long term liabilities</b>	<b>(177.2)</b>
<b>603.5</b>	<b>Net assets</b>	<b>620.0</b>
(153.8)	Usable reserves	(155.1)
(449.7)	Unusable reserves	(464.9)
<b>(603.5)</b>	<b>Total reserves</b>	<b>(620.0)</b>

There is a minority interest of 20% in the subsidiary. There is £0.7 million (2022/23 £0.7 million) included in Usable reserves that is attributable to the minority interest.

Andrew Lovegrove, Director of Resources and Assurance and Section 151 Officer

31/05/2024

## Group movement in reserves statement

The group movement in reserves statement shows the movement on the different reserves held, analysed into usable and unusable reserves. The net increase / decrease before transfers to / from earmarked reserves shows the statutory general fund balance before any discretionary transfers are undertaken.

	General fund £m	Earmarked reserves £m	Total General fund £m	Capital receipts reserve £m	Capital grants unapplied £m	Total usable reserves £m	Total unusable reserves £m	Total Council reserves £m	Council's share of reserves of subsidiary £m	Total group reserves £m
<b>Balance at 31 March 2022</b>	(9.6)	(96.5)	(106.1)	(43.2)	(15.8)	(165.1)	(177.6)	(342.7)	(3.3)	(346.0)
Total comprehensive income and expenditure	17.9	-	17.9	-	-	17.9	(290.1)	(272.2)	14.7	(257.5)
Adjustments between group accounts and authority accounts	14.7	-	14.7	-	-	14.7	-	14.7	(14.7)	-
<b>Net (increase)/decrease before transfers</b>	<b>32.6</b>	-	<b>32.6</b>	-	-	<b>32.6</b>	<b>(290.1)</b>	<b>(257.5)</b>	-	<b>(257.5)</b>
Adjustments between accounting basis and funding basis under regulations	(17.9)	-	(17.9)	3.1	(3.2)	(18.0)	18.0	-	-	-
Transfers (to)/from earmarked reserves	(14.7)	14.7	-	-	-	-	-	-	-	-
<b>(Increase)/decrease in year</b>	<b>-</b>	<b>14.7</b>	<b>14.7</b>	<b>3.1</b>	<b>(3.2)</b>	<b>14.6</b>	<b>(272.1)</b>	<b>(257.5)</b>	<b>-</b>	<b>(257.5)</b>
<b>Balance at 31 March 2023</b>	<b>(9.6)</b>	<b>(81.8)</b>	<b>(91.4)</b>	<b>(40.1)</b>	<b>(19.0)</b>	<b>(150.5)</b>	<b>(449.7)</b>	<b>(600.2)</b>	<b>(3.3)</b>	<b>(603.5)</b>
Total comprehensive income and expenditure	(9.9)	-	(9.9)	-	-	(9.9)	(23.5)	(33.4)	16.9	(16.5)
Adjustments between group accounts and authority accounts	16.9	-	16.9	-	-	16.9	-	16.9	(16.9)	-
<b>Net (increase)/decrease before transfers</b>	<b>7.0</b>	-	<b>7.0</b>	-	-	<b>7.0</b>	<b>(23.5)</b>	<b>(16.5)</b>	-	<b>(16.5)</b>
Adjustments between accounting basis and funding basis under regulations	1.6	-	1.6	1.9	(11.8)	(8.3)	8.3	-	-	-
Transfers (to)/from earmarked reserves	(8.6)	8.6	-	-	-	-	-	-	-	-
<b>(Increase)/decrease in year</b>	<b>-</b>	<b>8.6</b>	<b>8.6</b>	<b>1.9</b>	<b>(11.8)</b>	<b>(1.3)</b>	<b>(15.2)</b>	<b>(16.5)</b>	<b>-</b>	<b>(16.5)</b>
<b>Balance at 31 March 2024</b>	<b>(9.6)</b>	<b>(73.2)</b>	<b>(82.8)</b>	<b>(38.2)</b>	<b>(30.8)</b>	<b>(151.8)</b>	<b>(464.9)</b>	<b>(616.7)</b>	<b>(3.3)</b>	<b>(620.0)</b>

## Group cash flow statement

The group cash flow statement shows the change in cash and cash equivalents of the group, and classifies the cash as operating, investing and financing activities. The amount of net cash arising from operating activities is a key indicator of the extent to which the operations of the group are funded by way of taxation, grant income and fees and charges.

2022/23 £m		2023/24 £m
32.6	Net (surplus)/deficit on the provision of services	7.0
(52.2)	Adjust net (surplus)/deficit on the provision of services for non-cash movements	(35.9)
26.4	Adjust for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	36.1
<b>6.8</b>	<b>Net cash flows from operating activities</b>	<b>7.2</b>
(0.6)	Net cash flows from investing activities	(9.2)
11.4	Net cash flows from financing activities	5.3
<b>17.6</b>	<b>Net (increase)/decrease in cash and cash equivalents</b>	<b>3.3</b>
45.4	Cash and cash equivalents at 1 April	27.8
27.8	Cash and cash equivalents at 31 March	24.5
<b>(17.6)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(3.3)</b>

## G1. Introduction

Group accounts consolidate the single entity accounts of Herefordshire Council with its subsidiary, Hoople Ltd. The group accounts comprise:

- Group comprehensive income and expenditure statement
- Group balance sheet
- Group movement in reserves statement
- Group cash flow

Disclosure notes have only been included in the group accounts where they are materially different from those of the council's single entity accounts.

## G2. Basis of consolidation

Herefordshire Council owns 80% of the ordinary share capital of Hoople Ltd, a controlling share. Hoople Ltd is accounted for as a subsidiary in the group accounts, and is consolidated on a line by line basis using the acquisition method.

There are no other entities included in the group accounts, because they are not considered to be material to the group.

### G3. Financial performance of the subsidiary

The financial performance of Hoople Ltd is set out in the table below. These results include transactions and balances with the council, which have been eliminated in the group accounts.

Comprehensive income and expenditure statement	2022/23 £m	2023/24 £m	Balance sheet	31 March 2023 £m	31 March 2024 £m
Turnover	(23.5)	(25.8)	Non-current assets	-	4.0
(Profit) on ordinary activities before taxation	-	-	Current assets	6.6	3.4
Tax on profit on ordinary activities	-	-	Liabilities due within one year	(3.3)	(4.1)
(Profit) for the financial year after taxation	-	-	Liabilities due after more than one year	-	-
Other comprehensive income and expenditure	-	-	Net assets	3.3	3.3
Total comprehensive income and expenditure	-	-	Reserves	3.3	3.3

141

A full copy of the company's accounts can be obtained from the Directors, Hoople Ltd, Auxilium House, Legion Way, Hereford, HR1 1LN. The accounts are audited by Williamson & Croft.

### G4. Group accounting policies

In preparing group accounts, the council is required to align the accounting policies of the subsidiary with those of the council, and make consolidation adjustments if necessary. The accounting policies adopted by Hoople Ltd are considered to be consistent with the accounting policies adopted by the council, with the exception of those listed below:

#### Taxation

Corporation tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the statement of comprehensive income, profit and loss, except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax for the prior period. Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects either accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

<sup>142</sup> A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

**Supplementary accounts:  
Collection fund statement and  
notes supporting the collection  
fund statement**



## Collection fund statement

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 of council tax and business rates. From April 2013 the system of funding local authorities changed allowing council to retain 49% of the county's business rates.

2022/23 Total £m		Note	2023/24 Council tax £m	2023/24 Business rates £m	2023/24 Total £m
	<b>Amounts required to be credited to the collection fund</b>				
150.8	Council tax	C2	159.9	-	159.9
43.1	Business rates income	C1	-	41.3	41.3
-	Transitional protection payments receivable		-	4.5	4.5
	<b>Contribution towards previous year's deficit</b>				
6.8	Central government		-	-	-
0.1	Hereford and Worcester fire authority		-	-	-
6.7	Herefordshire Council		-	-	-
<b>207.5</b>	<b>Total</b>		<b>159.9</b>	<b>45.8</b>	<b>205.7</b>
	<b>Amounts required to be debited from the collection fund</b>				
	<b>Precepts, demands and shares</b>				
19.1	Central government		-	21.2	21.2
6.7	Hereford and Worcester fire authority		6.7	0.4	7.1
138.2	Herefordshire Council		127.0	20.7	147.7
5.1	Parish and town councils		5.4	-	5.4
17.5	West Mercia police		18.8	-	18.8
0.1	Transitional protection payments payable		-	-	-
	<b>Contribution towards previous year's surplus</b>				
-	Central government		-	2.2	2.2
0.1	Hereford and Worcester fire authority		0.1	-	0.1
1.3	Herefordshire Council		1.4	2.1	3.5
0.2	West Mercia police		0.2	-	0.2



## Collection fund statement

2022/23 Total £m		Note	2023/24 Council tax £m	2023/24 Business rates £m	2023/24 Total £m
	<b>Charges to collection fund</b>				
0.3	Cost of collection allowance		-	0.3	<b>0.3</b>
0.1	Write offs of uncollectable debt		0.5	0.4	<b>0.9</b>
0.9	Increase/(decrease) of bad debt provision		0.5	0.6	<b>1.1</b>
0.1	Changes in provision for appeals		-	(2.2)	<b>(2.2)</b>
0.7	Other transfers to the general fund		-	2.2	<b>2.2</b>
<b>190.4</b>	<b>Total</b>		<b>160.6</b>	<b>47.9</b>	<b>208.5</b>
<b>17.1</b>	<b>Surplus/(deficit) for the year</b>		<b>(0.7)</b>	<b>(2.1)</b>	<b>(2.8)</b>
<b>(6.6)</b>	<b>Balance bought forward</b>		<b>4.1</b>	<b>6.4</b>	<b>10.5</b>
<b>10.5</b>	<b>Balance carried forward</b>	<b>C3</b>	<b>3.4</b>	<b>4.3</b>	<b>7.7</b>

## C1. Business rates income

The total non-domestic rateable value at the year-end was £148.2 million and the national non-domestic rate multiplier for 2023/24 was 51.2p.

<b>Business rates income</b>	<b>2023/24 £m</b>
Annual debit	72.6
Less	
Empty allowances	(2.5)
Transitional relief	(5.5)
Discretionary relief	(0.7)
Mandatory relief	(8.4)
Small business rate relief	(8.8)
Funded reliefs	(5.1)
Enterprise zone relief	(0.3)
<b>Total</b>	<b>41.3</b>

## C2. Council tax income

Council tax income is derived from charges raised according to the value of residential properties, which have been classified into eight valuation bands. Estimated values as at 1 April 1991 are used for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the collection fund by the council, West Mercia Police and Hereford and Worcester Fire and Rescue Authority, and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts etc.). The amount of council tax for a Band D property is multiplied by a specified proportion to give an amount due for other property valuation bands. The average council tax for a Band D property in 2023/24 was £2,203.71 including fire, police and parish precepts, with a range of between £2,145.51 and £2,327.20. The council tax base used for setting the council tax in 2023/24 was 71,073.11. The Band D equivalents in each valuation band are shown in the table below:

Band	Valuation range	Charge factor	Band D equivalent
A	Up to £40,000	6/9	5,434.18
B	£40,001 to £52,000	7/9	11,601.64
C	£52,001 to £68,000	8/9	12,545.66
D	£68,001 to £88,000	9/9	11,902.74
E	£88,001 to £120,000	11/9	13,583.85
F	£120,001 to £160,000	13/9	9,932.44
G	£160,001 to £320,000	15/9	5,758.39
H	Over £320,001	18/9	314.21
<b>Total</b>			<b>71,073.11</b>

147

Council tax income	2023/24 £m
Council tax debit	192.3
Banding change	4.8
Less	
Discounts	(16.7)
Exemptions	(5.4)
Council tax reduction	(14.6)
Disablement relief	(0.5)
<b>Total</b>	<b>159.9</b>

### C3. Collection fund surplus/(deficit)

The Collection Fund surplus at 31 March 2024 is split as follows:

	<b>Council tax £m</b>	<b>Business rates £m</b>	<b>Total £m</b>
Central government	-	2.2	<b>2.2</b>
Hereford and Worcester fire authority	0.1	-	<b>0.1</b>
Herefordshire Council	2.9	2.1	<b>5.0</b>
West Mercia police	0.4	-	<b>0.4</b>
<b>Total</b>	<b>3.4</b>	<b>4.3</b>	<b>7.7</b>

# Governance statements 2023/24



## Introduction

The Annual Governance Statement is a review of our activities to ensure that the council is carrying out its functions effectively. This statement explains how the council has discharged its governance responsibilities during the period from 1 April 2023 to 31 March 2024, the key governance mechanisms in place and planned improvements for 2024/25 and beyond.

Our risk management process is a key part of our governance arrangements and provides assurance that:

- our business is conducted in accordance with all relevant laws and regulations;
- public money is safeguarded and properly accounted for; and
- resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people.

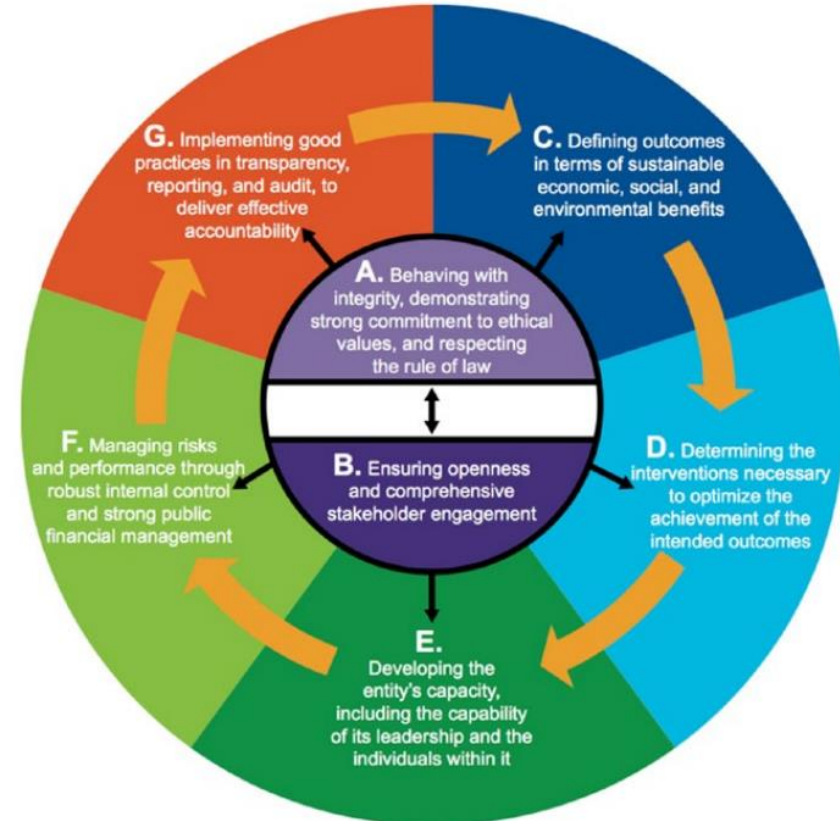
150

## The purpose of the Governance Framework

The council is committed to improving governance through a process of continual evaluation and review, delivered through the seven principles of good governance as identified in the Delivering Good Governance in Local Government Framework 2016 and supported by the council's Constitution and processes which strengthen corporate governance.

Our system of internal control is designed to manage risk to a reasonable level and is based on an ongoing process to identify and manage risks to the achievement of policies, aims and objectives, to evaluate the likelihood of those risks being realised, and to manage them efficiently, effectively and economically. It cannot eliminate all risk of failure but provides reasonable assurance of effectiveness.

This Annual Governance Statement is published in accordance with the CIPFA/SoLACE Delivering Good Governance in Local Government Framework 2016. The council aims to achieve good standards of governance by adhering to the seven core principles below:



## Overview of Governance Framework

Key elements of the council's governance framework, which have been in place throughout 2023/24 are set out below:

### Leader, Cabinet and Council

The council operates a leader and cabinet model of governance in which the Leader and Cabinet are responsible for all of the council's executive functions except those required by law or the Constitution to be undertaken by full Council.

### Decision Making

Decisions may be taken by full Council, Cabinet, individual Cabinet Members (for decisions that sit within their portfolio areas), Committees and Sub-committees and Officers who have been delegated specific responsibilities in accordance with the council's scheme of delegation and financial procedure rules. There is an approved governance process for each type of decision, supported by the legal requirements and provisions set out in the council's Constitution.

### Risk and Performance Management

The council's risk management arrangements ensure operational and strategic risks are managed effectively to support increased performance and delivery of corporate priorities. Identified risks and mitigating controls are monitored through Service, Directorate and Corporate Risk Registers, reported to the Corporate Leadership Team and Audit and Governance Committee.

### Statutory Officers

- Head of Paid Service (the Chief Executive): responsible for the operational management, leadership and strategic direction of the council, alongside the management and performance of the Corporate Leadership Team.
- Director of Governance and Legal Services (the Monitoring Officer): responsible for maintaining the Constitution and ensuring that

functions act in accordance with the Constitution and relevant legal requirements. These arrangements include overseeing the ethical conduct of the council and the production of associated codes, conventions and protocols.

- Chief Finance (Section 151) Officer: responsible for the oversight and delivery of financial management arrangements; achieved through a robust financial control framework, financial procedure rules, a scheme of delegation and an independent and objective Internal Audit function.
- Statutory Scrutiny Officer: responsible for promoting the role of the council's Scrutiny Committees within the council and providing guidance and support to Scrutiny Members. This role cannot be held by the Head of Paid Service, Monitoring Officer or Chief Finance Officer.

### Corporate Leadership Team

The council's Corporate Leadership Team (CLT) is collectively responsible for ensuring that effective governance arrangements are in place and are subject to regular review. CLT provides leadership, determines policy and upholds expected standards of behaviour.

### Scrutiny Committees

Scrutiny is a statutory role fulfilled by councillors who are not members of the Cabinet. The role of the scrutiny committees is to help develop policy, to carry out reviews of council and other local services, to provide effective challenge and to hold decision makers to account for their actions and decisions.

### Audit and Governance Committee

The Audit and Governance Committee oversees the council's audit and corporate governance arrangements and provides independent assurance on the adequacy of the risk management framework and internal controls. The Committee considers annual audit plans and reports of internal and external auditors.

## **External Audit**

External Audit provide an opinion on the council's annual Statement of Accounts and review the council's Value For Money (VFM) arrangements which are designed to secure economy, efficiency and effectiveness in its use of resources.

## **Internal Audit**

Internal Audit provides an independent and objective opinion on the council's governance, risk management and control environment; evaluating effectiveness through a risk based approach. The annual Internal Audit Plan comprises: operational audit reviews, cross-cutting governance audits, annual review of key financial system controls, IT audits, grant assurance work and any other special or unplanned review; aligned to the council's corporate risks.



## Review of Effectiveness

The review of effectiveness is informed by the work of Senior Officers and managers with responsibility for the design and maintenance of an effective governance environment. It is also informed by the work of Internal Audit and the annual opinion provided by the Head of Internal Audit.

The results of the annual review of the effectiveness of the council's governance arrangements during 2023/24 are set out below and demonstrate how the council has complied with the seven principles of the CIPFA/Solace Framework.

Areas for improvement, where it is recognised that governance arrangements could be further strengthened, are included as part of the assessment and these are supported by a detailed action plan. Progress against the plan will be reported to Audit and Governance Committee to ensure that work is undertaken to deliver the identified improvements.

153

### Assessment of the effectiveness of governance arrangements during 2023/24

**Core Principle A:** Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

### Key aspects of the council's governance arrangements during 2023/24:

We have arrangements in place to provide assurance that our values are upheld, and that members and officers demonstrate high standards of conduct and behaviour to comply with laws and regulations. These include:

- Following the May 2023 election, an induction and training programme was provided for newly and re-elected Members. Mandatory training included ethical standards and the Code of

Conduct, information governance, scrutiny and decision making, corporate parenting and children and adults safeguarding.

- A programme of governance and decision making training was made available to all staff during 2023/24 and governance training is included as part of the council induction for new starters;
- A Colleague Handbook, developed during 2023/24, provides a useful reference tool to share key information and signpost staff to policies and procedures and the council's values and behaviours.
- Codes of Conduct for officers and Members.
- The Constitution sets out how the council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.
- A Whistleblowing Policy, approved by Audit & Governance Committee in 2023/24, which provides employees, and others with a framework to raise concerns that may be in the public interest.
- An Equality Policy, to demonstrate our commitment to equality of opportunity for all citizens, in line with the Public Sector Duty as set out in the Equality Act 2010.
- Processes to support delivery of the council's ethical values including Declarations and Registers of Interests.
- A Corporate Complaints Policy ensuring effective investigation and appropriate response to formal complaints.
- The Shareholder Committee approved the appointment of new Directors to its subsidiary companies in April 2023 to ensure appropriate capacity and expertise in the representation of the council's interests.
- Arrangements and processes by which the Standards Panel consider breaches of the Code of Conduct have been strengthened during the year to improve transparency

The governance arrangements, as identified above, have been effective in the period from 1 April 2023 to 31 March 2024. Areas where it is recognised that governance arrangements could be further strengthened include:

- We will continue to review the council's Constitution and associated documents to simplify and enhance visibility across officers, Members and residents.
- We will continue to promote a culture of accountability and strong ethical values through additional training to Officers to support the documentation of evidence-based decision making and reporting.
- Improvements to governance arrangements for council business ventures will be delivered in 2024/25, to ensure lines of responsibility and accountability are clearly defined and delegations of authority are formally agreed. These principles will provide a robust control framework, supported by an adequate audit trail and promote further transparency in decision making.

**Core Principle B:** Ensuring openness and comprehensive stakeholder engagement

## Key aspects of the council's governance arrangements during 2023/24:

The Chief Executive and Corporate Leadership Team value are committed to ensuring that employee feedback is sought, listened to and acted upon. To promote engagement, maintain effective employee relations and share information, monthly all staff briefings are hosted by the Chief Executive and Leadership Group.

Activity during 2023/24 comprised:

- Strengthened engagement with staff through the Chief Executive's weekly staff update to share staff news, wellbeing advice, training and development opportunities and relevant partner news.
- Introduction of new employee network groups to strengthen the voices of employees and provide a safe environment for colleagues who share identities, life experiences or cultures to raise awareness, challenge discrimination and initiate positive change in the workplace.
- Additional officer training in respect of the Regulation of Investigatory Powers Act (RIPA) 2000.

- Political Group Consultations to inform decisions with financial or community significance; to provide a political viewpoint for officers to capture in key decision reports and ensure transparent political choices for the electorate.
- The council's four-year Workforce Strategy 2024-28 was approved following engagement with staff and consultation with the Corporate Leadership Team, Leadership Group, UNISON and Scrutiny Management Board. Refreshed values and behaviours sit at the core of the strategy to reflect the culture of the council.
- Feedback from events and surveys to inform the council's corporate priorities. Consultations and surveys, to engage the views of stakeholders, included: garden waste collection survey, Council Plan 2024-28 consultation, 2024/25 Budget proposals, Herefordshire Local Plan and the Local Transport Plan.

The governance arrangements, as identified above, have been effective in the period from 1 April 2023 to 31 March 2024. Areas where it is recognised that governance arrangements could be further strengthened include:

- Improved co-ordination of the council's internal and external inspection and regulatory framework, with a centralised record of all priority recommendations to enable proactive monitoring of implementation.
- Continuous review and update of council strategies and policies which support stakeholder engagement and transparency; aligned to the council's wider transformation programme.
- The appointment of an independent Member to the Audit & Governance Committee to provide specialist knowledge and insight and complement the skills and experience of existing Members.

**Core Principle C:** Defining outcomes in terms of sustainable economic, social, and environmental benefits

## Key aspects of the council's governance arrangements during 2023/24:

- Performance against 2023/24 Delivery Plan actions has been reported quarterly to Cabinet. Reporting identifies the lead officer and outlines progress made in the quarter against the performance measures relevant to each action and indicates the risk of delivery.
- Development of the Herefordshire Council Plan 2024-28 to provide the strategic framework for the council; outlining the vision, priorities and objectives for the next four years and inform the use of the council's resources.
- Progress towards the four corporate priorities identified in the plan will be monitored by the Delivery Plan and supporting strategic documents including the Big Economic Plan, The Local Plan, Integrated Waste Strategy, Health and Wellbeing Strategy, Children's Improvement Plan, Medium Term Financial Strategy, Capital Strategy, Carbon Management Plan, Hereford City Masterplan. The corporate priorities for 2024-28 are:

**People:** We will enable residents to realise their potential, to be healthy and to be part of great communities who support each other. We want all children to have the best start in life.

**Place:** We will protect and enhance our environment and ensure that Herefordshire is a great place to live. We will support the right housing in the right place, we will support access to green spaces and we will do everything we can to recover the health of our rivers

**Growth:** We will create the conditions to deliver sustainable growth across the county; attracting inward investment, building business confidence, creating jobs, enabling housing development along with providing the right infrastructure.

**Transformation:** We will be an efficient council that embraces best practice, delivers innovation through technology and demonstrates value for money.

- The council's Carbon Management Plan 2020/21 to 2025/26 and supporting action plan aims to deliver a 75% reduction in carbon emissions by 2025/26; an interim target on a path to carbon neutral by 2030/31.
- The Herefordshire Climate and Nature Partnership continues to drive the county's goal to become carbon net zero and nature rich

by 2030 through community engagement and the Greener Footprints campaign.

- The Herefordshire Economy and Place Board supported implementation of the Big Economic Plan during 2023/24 to deliver a collective vision for the county through collaboration and partnership working.

The governance arrangements, as identified above, have been effective in the period from 1 April 2023 to 31 March 2024. Areas where it is recognised that governance arrangements could be further strengthened include:

- Improvements to the council's performance monitoring arrangements in 2024/25 will support transparent and timely reporting aligned to the council's revised corporate priorities and key objectives.
- Development of annual Service Plans to outline service area priorities and key areas of focus to achieve the Council Plan objectives.
- Consideration of environmental, social and economic arrangements as part of the council's wider deliverables, governance and decision making processes.

**Core Principle D:** Determining the interventions necessary to optimise the achievement of the intended outcomes

## Key aspects of the council's governance arrangements during 2023/24:

- The council has robust processes in place to support financial planning and sustainability. The budget is informed by the Medium Term Financial Strategy (MTFS) with key risks and assumptions clearly identified and reported to Members. The budget setting process identifies financial pressures and savings proposals and these are subject to challenge and scrutiny by relevant stakeholders.

- Quarterly reporting to Cabinet during 2023/24 highlighted a forecast overspend against the approved budget from Quarter 1. This prompted the implementation of additional expenditure controls and management recovery actions with a resulting positive impact on the final outturn position for the financial year.
- Performance against actions from the council's Delivery Plan was reported quarterly to Cabinet during 2023/24.
- Responsibility for the delivery of the council's strategic objectives lies with individual Directorates and this is monitored through individual Directorate Plans, Service Business Plans and Individual Personal Development Plans to ensure the alignment of individual activity to corporate ambitions.

Areas where it is recognised that governance arrangements could be further strengthened include:

156

- In addition to improvements in performance monitoring arrangements, the council has identified areas for improvement in its approach to risk management to strengthen oversight of strategic risks and support the identification of robust mitigating actions.
- Work to deliver the council's programme of THRIVE transformation activity has continued during 2023/24 with engagement through regular briefings to staff and the council's Leadership Group. Work to develop a new council operating model will be finalised in 2024/25.

A key area for improvement for the council is the continued transformation of children's social care services to address areas identified for improvement following an Ofsted review of the service in July 2022.

In September 2022, the council's Children's Services were rated inadequate and a statutory direction was issued by the Secretary of State and a Commissioner for Children's Services was appointed. The council has responded positively to the findings of these reviews with enhanced governance and oversight arrangements and significant financial

investment. Further planned actions to improve are noted below under Significant Governance Issues.

**Core Principle E:** Developing the entity's capacity, including the capability of its leadership and the individuals within it

## Key aspects of the council's governance arrangements during 2023/24:

- To deliver the council's objectives in 2023/24, activity has been underpinned by the PEOPLE values; a set of principles to shape our culture, guide activity and aid decision making:

**People:** treating people fairly, with compassion, respect and dignity.

**Excellence:** striving for excellence, and the appropriate quality of services, care and life in Herefordshire.

**Openness:** being open, transparent and accountable.

**Partnership:** working in partnership and with all our diverse communities.

**Listening:** actively listening to, understanding and taking into account people's views and needs.

**Environment:** protecting and promoting our outstanding natural environment and heritage for the benefit of all.

- The Workforce Strategy 2024-28, developed during the year, commits to nurturing a culture of excellence, empowerment and growth with the THRIVE core values as the guiding principles to shape the culture and behaviours within the council: **TRUST, HONESTY, RESPONSIBILITY, INCLUSIVITY, VALUE** and **EMPATHY**.
- Mandatory learning is in place for all staff and monitored by Directorate Leadership Teams. A Coaching Culture development programme was launched in 2023 to support managers in developing coaching skills using three key tools: Mindset, Lessons and Assessments; available to all leaders across the council.

- Review of the council's recruitment and retention strategies has continued during 2023/24 including regular pay benchmarking, adjustments to ensure a competitive employment offer and improved controls in the use of agency staff.
- The Head of Paid Service and political leadership of the council continue to review organisational capacity and capability.
- The council's performance and development planning process: My Conversation, covers employee health and wellbeing, a review of performance, individual outcomes and personal development and this process promotes discussion and sharing of feedback and recognition.
- The council benefits from leadership, training and development opportunities offered by the Local Government Association to enhance council leadership, skills and capacity and support officers and Members to deliver effectively in their roles.

157 Areas where it is recognised that governance arrangements could be further strengthened include:

- Continued development of leadership skills across the organisation to empower leaders at all levels with the skills to inspire, guide others and drive the council forward.
- Promotion of accountability and responsibility for delivery of budget and performance objectives by front line managers through additional training and development of regular information and enhanced reporting tools.

**Core Principle F:** Managing risks and performance through robust internal control and strong public financial management

**Key aspects of the council's governance arrangements during 2023/24:**

- The council's performance management framework sets out the approach to business planning, monitoring performance and risk management and this structure enables the alignment of resources,

people and finance to the ambitions outlined in the County Plan. Quarterly budget and performance reports are presented to Cabinet to report progress against the agreed revenue budget, capital programme, savings and service delivery targets.

- Risk management involves the identification, analysis and control of threats or events that adversely affect the achievement of the council's strategic and operational objectives. It also enables positive risks to be taken to innovate and improve service provision. The council's Risk Management Plan details the methodology for evaluating corporate risk management arrangements and its delivery is monitored by Audit and Governance Committee.
- The council operates 3 levels of risk registers; Corporate, Directorate and Service. The highest risks are included in the Corporate Risk Register, with lower level operational risks recorded in Service Risk Registers. Alongside these, project risks are identified in Project and Programme Risk Registers.
- The council's Counter Fraud and Corruption Strategy promotes a culture in which fraud, bribery and corruption are not tolerated and supports the prevention and detection of fraud across the organisation. Work to raise awareness internally and externally has been carried out in 2023/24: additional training has been delivered to staff and Members, additional resources to raise awareness of fraud have been made available to staff and we have continued to develop methods of partnership working to identify and investigate fraud.
- The council supports and submits data for the National Fraud Initiative (NFI) and assesses all matches for review and, where appropriate, mitigation.
- The Financial Procedures Rules (FPRs) control the way the council manages its finances and safeguards its assets. They form part of the Constitution and outline the financial roles and responsibilities for staff and Members and provide a framework for financial decision-making.

- Enhancements to internal financial reporting have supported early identification and effective management of financial risks during 2023/24; enabling recovery plans and additional expenditure controls to be implemented to influence the final outturn position. A budget monitoring report is prepared for Directorate and Corporate Leadership Teams on a monthly basis. These reports are also presented at Cabinet Briefings in addition to the quarterly monitoring reported to Cabinet.
- Transformation Boards have been introduced during 2023/24 to manage the implementation of Directorate Transformation Strategies.

The governance arrangements, as identified above, have been effective in the period from 1 April 2023 to 31 March 2024. Areas where it is recognised that governance arrangements could be further strengthened include:

- 158
- A review of the council’s risk management arrangements to ensure consistency, improved accountability and robust identification of actions to mitigate risk.
  - Self-assessment against the CIPFA Financial Management Code to identify actions for improvement to support financial sustainability through effective financial management.

**Core Principle G:** Implementing good practices in transparency, reporting and audit to deliver effective accountability

**Key aspects of the council’s governance arrangements during 2023/24:**

- Information is published on the council’s website to provide details of the working of the organisation, what we spend, and how our decisions are made. All council decisions are published, along with agendas and minutes for Committees.
- Cabinet or Cabinet Member decisions are in place for all related activity, with appropriate delegations identified.

- Cabinet members are briefed at monthly portfolio briefing meetings, and regular cabinet meetings.
- The council’s Monitoring Officer has a specific duty to ensure the council, its Officers and Members maintain the highest standards in their values and behaviours.
- Arrangements are in place to ensure that we fully comply with the requirements of the Public Sector Internal Audit Standards (PSIAS) and CIPFA Statement on the Role of the Head of Internal Audit.
- The council is registered as a Controller under the General Data Protection Regulation (GDPR) which governs how we manage and process the information we collect and retain. There is a nominated Data Protection Officer and procedures in place that explain how we use and share information, as well as arrangements for members of the public to access information.
- Additional dedicated scrutiny training has been provided for Members and officers by the Centre for Governance and Scrutiny.

The governance arrangements, as identified above, have been effective in the period from 1 April 2023 to 31 March 2024. Areas where it is recognised that governance arrangements could be further strengthened include:

- Improved monitoring of recommendations arising from the council’s internal and external audit framework to ensure timely delivery of management actions.
- Integration of equality impact assessments at the initial stages of developing new strategic, policies, functions or services to understand the potential impacts on individuals, and groups, in our communities and ensure effective consideration of equality, diversity and cohesion in all key decision making.

## Significant Governance Issues

Actions taken to address significant governance challenges during 2023/24 are noted below.

- Improvements in Children’s Services:** During 2023/24, the council has continued to work hard to deliver the improvements required in Children’s Services. In July 2023, the council began its long-term improvement partnership with Leeds Relations Practice Centre (LRPC) who provide knowledge, skills, expertise and valuable experience to accelerate the council’s onward improvement journey. Delivery against the Children’s Services Improvement Plan has been monitored through the Children’s Improvement Board, chaired by an independent Improvement Advisor, with progress reported to Cabinet. Arrangements to strengthen the monitoring of progress against priority areas have been implemented during the year. Findings and feedback from Ofsted monitoring visits during the year have been published by the council and Member briefings have taken place to improve awareness and understanding of key challenges and review latest performance. The Children’s Commissioner has continued to provide expert insight and guidance throughout the year, undertaking formal six-monthly reviews to present recommendations for improvement, and the service has benefitted from the advice and support of the Department for Education Improvement Advisor.
- Financial Management and Resilience:** Enhancements to internal financial reporting have supported early identification and effective management of financial risks during 2023/24; enabling recovery plans and additional expenditure controls to be implemented to have a positive impact on the final outturn position. Directorate control panels have been established to review expenditure on goods and services, as well as changes in staffing arrangements, to provide increased rigour and challenge over expenditure.

The review of governance arrangements during 2023/24 has identified the following areas which will be a key focus for the council’s leadership in 2024/25:

- Continued improvement in Children’s Services:** As the council’s number one priority, we will continue to make improvements to the services that we provide to children and their families. We will continue to work closely with our improvement partners and expert advisors to accelerate the pace of improvement and secure a better service.
- Financial Sustainability:** The council’s financial position continues to be challenging. The council has set a balanced budget for 2024/25 and we will continue to monitor the outturn position and achievement of savings targets throughout the year. Directorate expenditure controls will continue, as part of financial management arrangements, in 2024/25 to ensure delivery of services within the approved budget.
- Dedicated Schools Grant:** At 31 March 2024, the council’s Dedicated Schools Grant (DSG) cumulative deficit is £6.0 million and this is expected to increase further during 2024/25. The DSG deficit is accounted for as an unusable reserve on the council’s Balance Sheet, as permitted via statutory instrument which will remain in place up to March 2026; beyond the period of the statutory override, any balance on the DSG unusable reserve will transfer back to the council’s Earmarked Reserves. The council is committed to identifying actions to mitigate the DSG deficit, through the Deficit Management Plan, to reduce the potential impact on the council’s overall financial position.

The key governance challenges facing the council in 2024/25 will be monitored by the Corporate Leadership Team and Audit & Governance Committee.

## Audit and Audit Assurances

The council's Statement of Accounts are audited by Grant Thornton UK LLP. In accordance with statutory requirements, the annual audit includes an examination and certification of the financial statements to confirm they are 'true and fair' and free from material misstatements and an assessment of the council's arrangements to secure economy, efficiency and effectiveness in its use of resources. In 2022/23, Grant Thornton gave an unqualified audit opinion on the financial statements.

The external auditors work on the council's arrangements to secure value for money in 2022/23 did not identify any significant weaknesses in respect of the themes of financial sustainability and governance. The auditors reported a significant weakness, first identified in 2021/22, which remains in respect of improvement in children's services under the theme of improving economy, efficiency and effectiveness in the use of resources.

160

Internal audit services are provided South West Audit Partnership (SWAP) and these services are managed and delivered in accordance with the Public Sector Internal Audit Standards (PSIAS). SWAP is responsible for reviewing the adequacy of internal controls across all areas of the council's services, providing risk-based and objective assurance, advice and insight.

The annual Internal Audit plan and Internal Audit Charter are presented to and approved by the Audit and Governance Committee. The plan includes a range of activity designed to provide appropriate coverage of key business objectives, associated risks and the risk management process and the council's corporate governance arrangements.

Further assurance is provided by reviews undertaken by external agencies including OFSTED, the Care Quality Commission, the Office of the Information Commissioner and other Local Authority Inspectorates.

For the year ended 31 March 2024, the Head of Internal Audit issued a Reasonable Assurance opinion on the overall adequacy and effectiveness of the council's governance, risk management and internal control environment.

## Certification

To the best of our knowledge, the governance arrangements, as defined above have been effective for the period from 1 April 2023 to 31 March 2024. We will use the areas for improvement identified through this review of effectiveness to ensure that these governance arrangements, alongside identified areas for improvement, continue to provide effective foundations for the council to achieve its objectives.

**Paul Walker**  
**Chief Executive**  
**Date: XX/XX/2024**

**Jonathan Lester**  
**Leader of the Council**  
**Date: XX/XX/2024**



**Independent auditor's report to the members of Herefordshire Council**

This version of the Statement of Accounts is presented in advance of audit. The published version will include the Audit Certification on these pages.

This version of the Statement of Accounts is presented in advance of audit. The published version will include the Audit Certification on these pages.

This version of the Statement of Accounts is presented in advance of audit. The published version will include the Audit Certification on these pages.

This version of the Statement of Accounts is presented in advance of audit. The published version will include the Audit Certification on these pages.

This version of the Statement of Accounts is presented in advance of audit. The published version will include the Audit Certification on these pages.

This version of the Statement of Accounts is presented in advance of audit. The published version will include the Audit Certification on these pages.

Term	Definition
Accounting policies	Specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.
Accrual	The recognition of income and expenditure as goods and services are provided, not when cash is received or paid.
Assets	A resource controlled by the council as a result of past events and from which future economic or service potential is expected to flow to the council.
Borrowing costs	Interest and other costs that an entity incurs in connection with the borrowing of funds. This includes finance charges in respect of finance leases.
Capital adjustment account	<p>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.</p> <p>The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the council.</p> <p>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.</p>
Carrying amount	The amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.
CIES	Comprehensive income and expenditure statement.
Contingent liability	<p>A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the council, or</p> <p>A present obligation that arises from past events but is not recognised because</p> <ol style="list-style-type: none"> <li>a) it is not probable that an outflow of resources embodying economic benefits or</li> <li>b) services potential will be required to settle the obligation, or</li> <li>c) the amount of the obligation cannot be measured with sufficient reliability.</li> </ol>

Term	Definition
Creditors	Financial liabilities arising from the contractual obligation to pay cash in the future for goods or services or other benefits that have been received or supplied and have been invoiced or formally agreed with the supplier.
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 compared with the statutory arrangements for paying across amounts to the general fund from the collection fund.
Debtors	Financial assets not traded in an active market with fixed or determinable payments that are contractual rights to receive cash or cash equivalents.
Depreciation	The systematic allocation of the depreciable amount of the asset over its useful life.
Exchange transactions	Transactions in which one entity receives assets or services, or has liabilities extinguished, and gives approximately equal value (cash, goods, services, or use of assets) to another entity in exchange.
Fair value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
Finance lease	A lease that transfers substantially all the risks and rewards incidental to ownership of an asset.
Financial instruments adjustment account	The financial instruments adjustment account records the timing differences between the rate at which gains and losses are recognised for accounting purposes and the rate at which debits and credits are required to be made against council tax.
Financial instrument	Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.
Grants and contributions	Transfers of resources to the council in return for past or future compliance with certain conditions relating to the operation of activities.
Historical cost	The carrying amount of an asset as at 1 April 2007 or at the date of acquisition, whichever date is the later, and adjusted for any subsequent depreciation or impairment.
HR and OD	Human Resources and Organisational Development.
IFRIC	International Financial Reporting Interpretations Committee (IFRIC) prescribes accounting treatment within the IFRS standards.
IFRS	International Financial Reporting Standards (IFRS) provide understandable, enforceable and globally accepted accounting standards.
Impairment loss	The amount by which the carrying amount of an asset exceeds its recoverable amount.



Term	Definition
Intangible asset	An identifiable asset without physical substance e.g. computer software.
Inventories	These are assets; <ul style="list-style-type: none"> <li>a) In the form of materials or supplies to be consumed in the production process</li> <li>b) In the form of materials or supplies to be consumed or distributed in the rendering of services</li> <li>c) Held for sale or distribution in the ordinary course of operations, or</li> <li>d) In the process of production for sale or distribution</li> </ul>
Investment property	Property held solely to earn rentals or for capital appreciation or both.
Liabilities	Present obligations arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.
Material	Items are material if they could, individually or collectively, influence the decisions or assessments of users. Materiality depends on the nature or size of the item, or both.
Minimum revenue provision (MRP)	A provision made for the repayment of notional borrowing used to finance capital expenditure.
Non-exchange transactions	Transactions in which an entity either receives value from another entity without giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.
Operating lease	A lease other than a finance lease.
Private finance initiative (PFI)	A long term contractual public private partnership under which the private sector takes on the risks associated with the delivery of public services in exchange for payments tied to standard of performance.
Property, plant and equipment (PPE)	Tangible assets held for use in the supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one year.
Provision	A liability of uncertain timing or amount.
Related party	Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Term	Definition
Revaluation reserve	<p>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:</p> <ul style="list-style-type: none"> <li>a) revalued downwards or impaired and the gains are lost</li> <li>b) used in the provision of services and the gains are consumed through depreciation, or</li> <li>c) disposed of and the gains are realised.</li> </ul> <p>The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date were consolidated into the capital adjustment account.</p>
Revenue	The gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net worth.
Short term absences account	The short term absences account absorbs the differences that would otherwise arise on the general fund balance from accruing for absences earned but not taken in the year. Statutory arrangements require that the impact on the general fund balance is neutralised by transfers to or from the account.

# Summary Financial Statements 2023/24

## The Cost of Council Services for 2023/24

The Comprehensive Income & Expenditure Statement reflects the cost of providing the council's services. The top section of the statement reflects the full cost of providing services under International Financial Reporting Standards and shows whether the council's operations resulted in a surplus or deficit for the year.

The bottom section 'Other Comprehensive Income & Expenditure' includes details of the gains or losses in the measurement of the assets and liabilities of the council which arise as a result of changes in market valuations, interest rates or changes in measurement assumptions relating to pension assets and liabilities.

The Statement includes accounting adjustments as prescribed by legislation.

## Comprehensive Income & Expenditure Account

2022/23 £m		2023/24 £m
57.2	Children & Young People	71.1
67.2	Community Wellbeing	76.2
68.5	Economy & Environment	67.6
35.8	Corporate Services	38.4
<b>228.7</b>	<b>Net Cost of Services</b>	<b>253.3</b>
8.6	Other Operating Income & Expenditure	6.4
6.3	Financing & Investment Income & Expenditure	(10.3)
(211.0)	Taxation & Non-specific Grant Income	(242.4)
<b>32.6</b>	<b>(Surplus)/Deficit on the Provision of Services</b>	<b>7.0</b>
(23.6)	(Surplus)/Deficit on Revaluation of Non-current Assets	(10.6)
(266.5)	Re-measurement of the Net Defined Benefit Liability	(12.9)
<b>(290.1)</b>	<b>Other Comprehensive (Income) &amp; Expenditure</b>	<b>(23.5)</b>
<b>(257.5)</b>	<b>Total Comprehensive (Income) &amp; Expenditure</b>	<b>(16.5)</b>

The Revenue Outturn shows the council's actual spend for the year against its planned with the difference shown as the variance. The negative figures represent areas where spend was less than planned and positive figures where spend was greater than planned.

## Revenue Outturn

Service Area	Budget £m	Outturn £m	Variance £m
Children & Young People	51.8	63.5	11.7
Community Wellbeing	71.8	71.8	-
Economy & Environment	27.0	26.5	(0.5)
Corporate Services	26.0	26.3	0.3
<b>Sub Total: Services</b>	<b>176.6</b>	<b>188.1</b>	<b>11.5</b>
Central, Treasury Management	16.7	13.9	(2.8)
<b>Total</b>	<b>193.3</b>	<b>202.0</b>	<b>8.7</b>

## Balance Sheet

The Balance Sheet summarises the council's financial position at 31 March 2024 and reports the assets, liabilities and reserves which show what the council owns and how much it owes.

2022/23 £m	Summary Financial Position	2023/24 £m
872.3	Assets (owned by the council)	872.2
(272.1)	Liabilities (owed by the council)	(255.5)
<b>600.2</b>	<b>Net Financial Position (Assets less Liabilities)</b>	<b>616.7</b>
	<b>Held in reserves as follows:</b>	
150.5	General Reserves (Usable)	151.8
449.7	Other Reserves (Unusable)	464.9
<b>600.2</b>	<b>Total Reserves</b>	<b>616.7</b>

## Reserves

**Usable reserves** are those reserves that can be spent on future services and include general reserves as well as those earmarked for specific purposes. The council also holds a number of **unusable reserves**, which arise as a result of statutory or accounting adjustments and cannot be used for expenditure on services.

2022/23 £m	Reserves	2023/24 £m
(141.2)	Usable Reserves	(141.9)
(9.3)	School Reserves	(9.9)
(449.7)	Unusable Reserves	(464.9)
<b>(600.2)</b>	<b>Total Reserves</b>	<b>(616.7)</b>

## Capital Expenditure

Additions to the council's Non-Current Assets are included in the Balance Sheet. These amounts represent capital expenditure in the year across the relevant category.

These assets are depreciated over their useful lives to match the cost of an asset to the period over which the council benefits from its use.

2022/23 £m	Additions	2023/24 £m
7.6	Land & Buildings	6.7
0.2	Surplus Assets	1.1
0.8	Assets Under Construction	0.7
1.1	Vehicles, Plant, Furniture & Equipment	1.9
24.1	Infrastructure Assets	23.2
0.1	Software & Licences	0.3
0.4	Investment Assets	0.5
0.8	Heritage Assets	0.1
<b>35.1</b>	<b>Total</b>	<b>34.5</b>
	<b>Financed by:</b>	
(4.6)	Capital Receipts	(0.9)
(30.5)	Government Grants & Other Contributions	(33.6)
<b>(35.1)</b>	<b>Total</b>	<b>(34.5)</b>

# Title of report: Internal Audit Update Report Quarter 1 2024/25

**Meeting: Audit and Governance Committee**

**Meeting date: Tuesday 11 June 2024**

**Report by: Head of Internal Audit / Head of Strategic Finance**

## **Classification**

Open

## **Decision type**

This is not an executive decision

## **Wards affected**

All Wards

## **Purpose**

To update members on the progress of internal audit work and to bring to their attention any key internal control issues arising from work recently completed.

To assure the committee that action is being taken on risk related issues identified by internal audit. This is monitored through acceptance of agreed management actions and progress updates in implementing the action plans. In addition, occasions where audit actions not accepted by management are documented if it is considered that the course of action proposed by management presents a risk in terms of the effectiveness of or compliance with the council's control environment.

## **Recommendation(s)**

**That the committee:**

- a) **reviews the areas of activity and concern and be satisfied that necessary improvements are outlined and delivered; and**
- b) **note the report and consider the assurances provided and the recommendations which the report makes, commenting on its content as necessary.**

## **Alternative options**

1. There are no alternative recommendations; it is a function of the committee to consider these matters in fulfilling its assurance role.

## **Key considerations**

2. The Committee should consider the report to gain assurance that, from the work undertaken by internal audit, the Council have a robust internal control environment that effectively manages risk.
3. The internal audit progress report is attached at Appendix A. A glossary of terms is provided in the report.

## **Community impact**

4. The council's code of corporate governance commits the council to managing risks and performance through robust internal control and strong public financial management and to implementing good practices in transparency, reporting, and audit to deliver effective accountability. By ensuring robust management responses to identified risks, the council will be better able to meet its corporate plan priority to secure better services, quality of life and value for money.

## **Environmental Impact**

5. The council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.
6. Whilst this is a decision on back office functions and will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the Council's Environmental Policy.

## **Equality duty**

7. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

- a. eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
  - b. advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
  - c. foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
8. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a decision on back-office functions, we do not believe that it will have an impact on our equality duty.

## Resource implications

9. None arising from the recommendations; any additional recommendations made by the committee will be considered by the relevant manager or cabinet member and the financial implications of accepting those recommendations will be considered then.

## Legal implications

10. None.

## Risk management

11. There is a risk that the level of work required to give an opinion on the council's systems of internal control is not achieved. This is mitigated by the regular active management and monitoring of the programme of internal audit work, and subsequent coverage assessments.
12. Risks identified by internal audit are mitigated by actions proposed by management in response. Progress on implementation of agreed actions has historically been reported to this committee every six months by the Councils Corporate Performance Team.

## Consultees

13. None.

## Appendices

Appendix A SWAP Internal Audit Progress Report Quarter 1 2024-25

## Background papers

None identified.

## Report Reviewers Used for appraising this report:

Governance	Jen Preece	Date 03/06/2024
Finance		
Legal	Sean O'Connor	Date 31/05/2024
Communications	Luenne Featherstone	Date 31/05/2024
Equality Duty		
Procurement		
Risk		

Approved by	Claire Porter / Andrew Lovegrove	Date 03/06/2024
-------------	----------------------------------	-----------------





In partnership with



## Appendix A

# Herefordshire Council

## Internal Audit Update Report

As @ 17<sup>th</sup> May 2024

177

**Internal Audit ■ Risk ■ Special Investigations ■ Consultancy**

Unrestricted

# Internal Audit Progress Report Q1 2024/25

## Indicative Rolling Opinion



There is generally a sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives.





### Summary of high corporate risks, limited or no assurance opinions and high priority actions agreed.

No High organisational risks identified.

14 Priority 2 Findings identified.

3 Limited Assurances identified.

## The Headlines for audits completed or planned to date for 2024/25.

	<p>Ongoing coverage of internal audit work is aligned to the corporate priorities, the Council's corporate risks, SWAPS sector wide top 10 risk areas and the 8 strands of our 'Healthy Organisation' framework to demonstrate coverage across these key areas.</p> <p>Links to corporate risks are limited at present due to the influx of new corporate risks identified in March 2024.</p>
	<p>34 assignments are complete for 2023/24 and have fed into the annual opinion.</p> <p>11 assignments have been completed since our last progress report. The audit reports for the limited assurances are included at the end of the report.</p> <p>8 audits are currently in progress for 2024/25, one of these is at draft report stage.</p>
	<p>SWAP has recently agreed responsibility for the tracking of internal audit actions and will bring the first update to committee in July 2024.</p>
	<p>Audit Management dashboards provide oversight on internal audit activity. This functionality has been rolled out to Senior Officers and Members.</p>

Assurance Opinions	
Substantial	1
Reasonable/Certified	2
Limited	3
No Assurance	0
Advisory	4
Follow Up	1
Investigations	0
Internal Audit Agreed Actions	
Priority 1	0
Priority 2	14
Priority 3	7

178

# Internal Audit Progress Report Q1 2024/25

A risk assessment for 2024/25 has been undertaken which maps internal audit work to the Councils Corporate risks and SWAPs Top 10 Organisation Risks. This will ensure that internal audit coverage is focused into key areas.

A continuous risk assessment will be undertaken throughout 2024/25 which will inform the 2024/25 internal audit work programme.

The assessment of none, some, and good is based on the number of audits in these areas and the scope of the audits. This gives the Committee assurance that internal audit is aligned to the corporate priorities and risks although we would not expect all audits to align to all corporate risks.

Definitions of coverage and average opinion shown below.

## Internal Audit Work Programme and Coverage

We have assessed internal audit coverage based on the corporate risk registers taken from Herefordshire Council's Corporate Risk Register presented to committee in March 2024 and SWAPs top 10 risks.

The risk coverage will be updated as and when the risk register and SWAP Top 10 risks are updated as part of rolling plan approach. Please note as future proposed audits are not scoped yet there is potential for coverage to increase.

Coverage against the Councils Corporate Risks is very limited at present as there was an influx of new risks to the risk register in March 2024. As part of the rolling plan, we hope to see coverage increase over the year.

Strategic Risk	Coverage	Average Opinion
HC R64 - Inability to recruitment and retain social care staff and other key roles within the service	None	
HC R74 - School Assets	None	
HC R75 - SEND Inspection - Risk of adverse inspection	None	
HC R77 - Increase in out of county educational placements	None	
HC R80 - Supply chain capacity	None	
HC R81 - Reviews - capacity, timeliness and statutory duty of care	None	
HC R82 - Contract Fleet Lease Expiry	None	
HC R83 - BBLP Payment Mechanism Value for Money	None	
HC R84 - Contract Management Software	None	
HC R85 - Waste Management services contract	None	
HC R86 - Insufficient range and quantity of placements for children in our care and care experienced young people	None	
HC R87 - Lack of pace in development of Performance	None	
HC R88 - Lack of pace in development of Mosaic	None	
HC R89 - Business Support	None	
HC R90 - EYFS Sufficiency	None	
HC R91 - Secondary School Places	None	
HC R92 - Special School Demand	None	

Top 10 Risks	Coverage	Average Opinion
Planning, Housing, Environment and the Local Economy	None	
Governance	In Progress	
Sustaining Care	In Progress	
Finance	In Progress	
Health & Safety	None	
Education	None	
Contracts, Procurement and Commissioning	None	
Workforce	None	
Technology, Digital and Security	None	
Strategic Asset Management	None	

179

# Internal Audit Plan Progress Q1 2024/25

A risk assessment for 2024/25 has been undertaken which maps internal audit work to Corporate Priorities, the Council Directorates, and Healthy Organisation Theme. This will ensure that internal audit coverage is focused into key areas.

A continuous risk assessment will be undertaken throughout 2024/25 which will inform the 2024/25 internal audit work programme.

The assessment of none, some, and good is based on the number of audits in these areas and the scope of the audits. This gives the Committee assurance that internal audit is aligned to the corporate priorities and risks although we would not expect all audits to align to all corporate risks.

Definitions of coverage and average opinion shown below.

## Internal Audit Work Programme and Coverage

We have assessed internal audit coverage based on the corporate priorities taken from Herefordshire Council’s County Plan 2020-24, the Council Directorates and Core Areas of Recommended Assurance (Healthy Organisation Theme).

Corporate Priority	Coverage	Average Opinion
HC P01 - Environment - Protect and enhance our environment and keep Herefordshire a great place to live	In Progress	
HC P02 - Community - Strengthen communities to ensure everyone lives well and safely together	In Progress	
HC P03 - Economy - Support an economy which builds on the county’s strengths and resources	In Progress	

Council Directorate	Coverage	Average Opinion
HC - Children and Young People	In Progress	
HC - Community Wellbeing	In Progress	
HC - Corporate Services	In Progress	
HC - Economy and Environment	In Progress	

Healthy Organisation Theme	Coverage	Average Opinion
Corporate Governance (incorporating performance management, culture & ethics, fraud, & climate change)	In Progress	
Financial Management	In Progress	
Risk Management	In Progress	
Contract Management, Commissioning, and Third Party Resilience	None	
Information Management (incorporating data protection & cyber security)	None	
Programme & Project Management	None	
Workforce (incorporating recruitment/ retention, staff health & safety, and staff wellbeing)	None	
Asset Management	None	

We are aware the Council is currently in the process of updating the corporate plan and coverage will be updated to reflect any changes to the corporate priorities.

Please note as future proposed audits are not scoped yet there is potential for coverage to increase.

180

# Internal Audit Progress Report Q1 2024/25

Definitions of coverage and average opinion.

## Internal Audit Work Programme and Coverage

Description of coverage and the assurance are outlined here.

Coverage	Description
Good	Good audit coverage completed
Adequate	Adequate audit coverage completed
Some	Some aspects of audit coverage completed
In Progress	Some aspects of audit coverage in progress
None	No audit coverage to date

Assurance	Description
Substantial	Sound system of governance, risk management and controls exist
Reasonable	Generally sound system of governance, risk management and control in place
Limited	Significant gaps, weaknesses or non-compliance were identified
No Assurance	Fundamental gaps, weaknesses or non-compliance identified

181

High corporate risks are brought to the Committee’s attention.

## Significant Corporate Risks 2024/25 and Limited Assurance Opinions

Limited Assurance Audits are brought to the Committee’s attention.

There are no high corporate risks identified.

Since our last progress update there have been 3 limited assurance reports. These are:

- Hereford Enterprise Zone- Sales,
- Destination Business Improvement District (DBID), and
- Procurement Card Proactive Fraud Review.

The one-page reports for these limited assurance audits are included at the end of this report.

# Internal Audit Progress Report Q1 2024/25 – In Progress and Waiting to go Live



**ROLLING AUDIT PLAN as at:**

17/05/2024



Filter by Directorate

All 'IN PROGRESS' audits

All

Audit Progress

Audit Title	Fieldwork Complete				Draft Report Issued	Final Report Issued	Type of Work	Fieldwork Start Date	Notes
	25%	50%	75%	100%					
HC Foster Care Placements	█	█	█	█	25/04/2024		Assurance	13/04/2023	Draft report with client to comment and agree.
HC Planning Benchmarking	█						Advisory	18/01/2024	
HC ICT Security Assurance Framework Review (SAFR)	█						ICT	08/04/2024	
HC Planning Enforcement	█	█					Assurance	14/04/2024	
HC Registration Service Follow Up	█	█	█	█			Follow up	23/04/2024	
HC Supporting Families Q1 24/25	█						Grant Certification	26/04/2024	April claims complete. May due to be completed 31st May.
HC Court of Protection 2024-25	█						Proactive fraud work	01/05/2024	
Risk Management Consultancy							Advisory	03/05/2024	Advice and consultancy work to support the Council with their risk management processes.

Filter by Directorate

All 'WAITING TO GO LIVE' audits

All

Audit Title	Type of Work	Notes
HC All Ages Commissioning - Use of Spot Purchasing	Assurance	Audit brief provided to client for comment 09/04/24. Meeting with client rearranged for 20/05/2024.
HC Safeguarding in Recruitment Processes	Assurance	Audit brief issued 16/05/2024
HC Waste Contract Mobilisation	Assurance	Client agreed brief 15/05/2024
Local Authority Designated Officer (LADO) and Referrals to the DBS		Audit brief issued 16/05/2024

182



Full details of our audit approach, as well as our assurance framework and definitions can be found here ([www.swapaudit.co.uk/audit-framework-and-definitions](http://www.swapaudit.co.uk/audit-framework-and-definitions)). SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

# Internal Audit Progress Report @ Q1 2024/25 – Limited Assurance Audits

## Hereford Enterprise Zone - Sales – Final Report – May 2024

In partnership with



### Audit Objective

To provide assurance that the Council and Herefordshire Enterprise Zone Ltd exercised due diligence and operated open and transparent processes during the plot sales negotiations and the sales transactions, to certify that best value have been achieved for the Local Authority.

### Executive Summary

	<b>Assurance Opinion</b>	<b>Management Actions</b>	<b>Organisational Risk Assessment</b>	<b>Medium</b>								
	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	<table border="1"> <tr> <td>Priority 1</td> <td>0</td> </tr> <tr> <td>Priority 2</td> <td>3</td> </tr> <tr> <td>Priority 3</td> <td>1</td> </tr> <tr> <td><b>Total</b></td> <td><b>4</b></td> </tr> </table>	Priority 1	0	Priority 2	3	Priority 3	1	<b>Total</b>	<b>4</b>	The audit work included areas considered to have a medium organisational risk and potential impact.	
	Priority 1	0										
	Priority 2	3										
Priority 3	1											
<b>Total</b>	<b>4</b>											
		The key audit conclusions and resulting outcomes warrant further discussion and attention at senior management level.										

### Key Conclusions

	Assurance that market value was achieved cannot be provided for 1 of the 7 plot sales sampled. Whilst valuations were evidenced by the Council, the sale price differs and there is limited audit trail to explain the difference.	<b>Audit Scope</b> The audit aimed to sample contracts from the HEZ Sales receipt records between 2013/14 to 2023/24 (a minimum of one per financial year). Due to delays in obtaining documentation, seven samples were tested.
	Improvements to governance processes are required: <ul style="list-style-type: none"> <li>The Council to review whether its expectations have been clearly outlined to the HEZ Board in sufficient detail to ensure the success of the delivery.</li> <li>A terms of reference outlining roles and responsibilities for HEZ Board members is required.</li> </ul>	
	The HEZ Board will ensure all discussions and decisions are consistently recorded in board meeting minutes with sufficient detail ensuring an audit trail is available for decisions made.	
	Regular review of the Placement Statement Criteria would ensure a comprehensive outline of suitable businesses and criteria is maintained that supports the aim of the enterprise zone. Two businesses are to be re-reviewed to provide assurance they meet criteria.	
	The Council to consider whether additional due diligence checks are beneficial prior to business approval to purchase land.	

### Other Information

Enterprise Zones were created by the Government to attract new companies with high growth businesses looking to expand, offering simplified planning rules and super-fast broadband. Hereford Enterprise Zone, Skylon Park, was designated by the Government as one of 48 Enterprise Zones in 2012, designed to boost local growth and create jobs. To date 32 plots have been disposed of or otherwise developed with a remaining 20 plots available for purchase. The audit should provide lessons learnt opportunities for the remainder of this project and future business ventures.

183

# Internal Audit Progress Report @ Q1 2024/25 – Limited Assurance Audits

## Destination Business Improvement District (DBID) Final Report – April 2024



### Audit Objective

To review the processes, governance and decision making in place across key stages of the Destination Business Improvement District (DBID) to ensure satisfactory due diligence was undertaken to support informed Council decisions. The audit will focus on areas where the Council held responsibility in the process.

### Executive Summary



#### Assurance Opinion

Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

#### Management Actions

Priority 1	0
Priority 2	5
Priority 3	1
<b>Total</b>	<b>6</b>

#### Organisational Risk Assessment

**Medium**

Our audit work includes areas that we consider have a medium organisational risk and potential impact.

The key audit conclusions and resulting outcomes warrant further discussion and attention at senior management level.

### Key Conclusions

	Increased oversight, governance, and management of future BIDs (including re ballots) and similar initiatives is required. There was no project plan, roles and responsibilities were not outlined and communication across the Council was ineffective with a lack of input from relevant teams at key points. Project documentation was not reviewed by the Council and there were substantial delays in agreeing an operating agreement that then had an operational impact on delivery.
	The rate payer information was taken from the Council's website, it was not clear at the time that this was not a full record of business rate payers.  There is no audit trail to support the decision, made by the external task force group, to include the exemption: Retail businesses with a rateable value greater than £100,000 as it was initially identified to be exclusion of supermarkets only. Council can advise sufficient minutes are recorded for external groups they are involved in.
	The Council needs to ensure there is a clear agreed approach regarding nonpayment of the BID levy by ratepayers. The Council may wish to understand reasons for non-payment and may need further legal advice for clarity regarding issuing summons to ratepayers.
	The potential risk of the DBID failing has not been identified on the relevant risk register. Risk registers were not maintained by the task force group or the Council during the development of the BID.
	Although the Business Case included the proposal, the Council could have requested a separate proposal and business case from the BID. This would have outlined key information at an earlier stage.

### Audit Scope

Key areas/points of the process included in the audit review were:

- Due diligence, risk assessments, financial impact considered/completed by the Council of the initial proposal from [DBID](#);
- Governance and financial impact in place regarding the Council funding the feasibility study and development of the [business case](#);
- Due diligence completed by the Council of the drafting of the business case being (responsibility of this was with the DBID task group with Council representation in attendance);
- Due diligence/risk assessment/financial impact completed by the Council regarding the business case prior to decisions being made and the governance of such [decisions](#);
- Information sources used to compile the list of ratepayers subject to the DBID, what assurances the Council had that the list of ratepayers was a full list; and
- Review of the DBID Task Group including terms of reference and minutes.

### Other Relevant Information

The Herefordshire County Business Improvement District (BID) commenced on 01 January 2022 and is for a period of five years. Once the five-year period ends the BID will automatically cease, if the Business Improvement Company wants to extend the [BID](#) then the ballot has to be re-run. There is also a City BID which is currently in its third term. Whilst the actions outlined in this report may not be able to be implemented in the current delivery phase of the BIDs the actions should be considered to ensure any re ballots are done with these agreed actions in consideration.



In partnership with



## Procurement Card Proactive Fraud Review – Final – March 2024

**Audit Objective** Review procurement card transactions from 1st April 2021 to date to identify those non-compliant with Policy and to consider the risks of fraudulent use.

### Executive Summary



Assurance Opinion	Management Actions	Organisational Risk Assessment
Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	<b>Priority 1</b>	Our audit work includes areas that we consider have a medium organisational risk and potential impact.  The key audit conclusions and resulting outcomes warrant further discussion and attention at senior management level.
	<b>Priority 2</b>	
	<b>Priority 3</b>	
	<b>Total</b>	
		<b>Medium</b>

### Key Conclusions

- 11 transactions across 2 procurement cards require further review by the Council to confirm they are appropriate spend. We were not able to gather this assurance due to lack of receipts and information from officers. Reviewing these transactions will provide assurance there has been no fraudulent spend or circumvention of the policy (e.g., split transactions).
- Availability and retention of receipts (23 transactions) is an issue, and 12 transactions were identified to be non-compliant with policy (purchase of fuel, subsistence and carparking).
- Approval of procurement card spend both pre and post purchase requires a review to ensure the Council has appropriate controls in place to reduce the risk of fraud in procurement card spend. The Council should consider the use of the systems preapproval functionality as well as ensuring any specific preapproval that is required, as per the policy, is in place.
- Cardholder approvals were found to be non-complaint with policy. Some forms were undated by the cardholder and there were two without finance signatory approval on file. This increases the risk of unauthorised and inappropriate transactions.
- Internal movers within the Council require the use/need of a procurement card to be reviewed when they change role, any movers in the last 6 months have been checked. A further review is to take place of those movers pre this period.

### Audit Scope

The scope of the audit included:

- Using data analysis, we will identify ‘red flags’ and select a proportionate sample of transactions to identify instances of non-compliance with policy or where spend is considered fraudulent.
- Review of the policies and procedures governing the use of procurement cards and how users are made aware of this.
- Monitoring, reporting and management oversight of procurement cards.

A follow-up on the actions raised in the Procurement Card audit issued in 2020 will be conducted.

This review will focus on procurement card transactions from the 1st of April 2021 to date.

### Other Information

Procurement cards can be convenient and efficient tools for organisations to streamline the purchasing process, but they also come with inherent fraud risks. Recognising and addressing these risks is crucial to maintaining a secure and efficient procurement card program. SWAP has provided a list of sampled transactions to the Council so that the detail can be considered when determining any appropriate action to be undertaken.

185





# Title of report: Internal audit annual report and opinion 2023/24

**Meeting: Audit and Governance Committee**

**Meeting date: Tuesday 11 June 2024**

**Report by: Head of Internal Audit / Head of Strategic Finance**

## **Classification**

Open

## **Decision type**

This is not an executive decision

## **Wards affected**

All Wards

## **Purpose**

The purpose of this report is to enable the committee to provide independent assurance on the adequacy of the risk management framework together with the internal control of the financial reporting and annual governance processes by considering the head of internal audit's annual report and opinion, and the level of assurance it gives over the council's corporate governance arrangements.

## **Recommendation(s)**

**That the committee:**

- a) **notes the report and consider the assurance provided by the annual opinion report.**

## **Alternative options**

1. There are no alternative recommendations. This summary of the findings of internal audit and the opinion are not matters which the committee may alter.

## **Key considerations**

2. The annual report is required to ensure that the committee is informed of the internal audit work undertaken in 2023/24.

3. The report provides an overall opinion, reached in light of the work undertaken, on the adequacy and effectiveness of the council's governance, risk management and control processes. The work of internal audit supports the annual governance statement and action plan.
4. Sufficient internal audit work has been carried out to enable the head of internal audit to draw a reasonable conclusion about the adequacy and effectiveness of the council's risk management, control and governance processes.
5. In the opinion of the head of internal audit, and having considered the balance of audit work, the assurance levels provided and outcomes together with the response from senior management and the audit and governance committee, the head of internal audit can offer 'reasonable assurance' in respect of the areas reviewed during the year. The control framework is adequate and controls to mitigate key risks are generally operating effectively, although a number of controls need to improve to ensure business objectives are met. Where this is the case, there has been a positive response to ensuring that action is taken to improve the adequacy of controls.

### **Community impact**

6. The council's code of corporate governance commits the council to managing risks and performance through robust internal control and strong public financial management and to implementing good practices in transparency, reporting, and audit to deliver effective accountability. By ensuring robust management responses to identified risks, the council will be better able to meet its corporate plan priority to secure better services, quality of life and value for money.

### **Environmental Impact**

7. The council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.
8. Whilst this is a decision on back office functions and will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the Council's Environmental Policy.

### **Equality duty**

9. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

- a. eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- b. advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- c. foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

10. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a decision on back-office functions, we do not believe that it will have an impact on our equality duty.

**Resource implications**

11. None arising from the recommendations; any additional recommendations made by the committee will be considered by the relevant manager or cabinet member and the financial implications of accepting those recommendations will be considered then.

**Legal implications**

12. Section 5 of the Accounts and Audit Regulations 2015 require the council to 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.
13. It is a function of this committee, under 3.5.10 (a) of the council's constitution to consider the Head of Internal Audit's annual report and opinion, and the level of assurance it can give over the Council's corporate governance arrangements.

**Risk management**

14. There is a risk that the level of work required to give an opinion on the council's systems of internal control is not achieved. This is mitigated by the regular active oversight and monitoring of progress of the programme of internal audit work.
15. Risks identified by internal audit are mitigated by actions proposed by management in response. Progress on implementation of agreed actions has historically been reported to this committee every six months.

**Consultees**

16. None.

**Appendices**

Appendix A Internal Audit Annual Report and Opinion 2023/24

**Background papers**

None identified.

**Report Reviewers Used for appraising this report:**

Governance	Jen Preece	Date 03/06/2024
Finance	N/A	
Legal	Sean O'Connor	Date 31/05/2024
Communications	Luenne Featherstone	Date 31/05/2024

Equality Duty	N/A
Procurement	N/A
Risk	N/A

Approved by Andrew Lovergrove / Claire Porter Date 03/06/2024

In partnership with



Appendix A

# Herefordshire Council

## Internal Audit Annual Opinion Report 2023/24

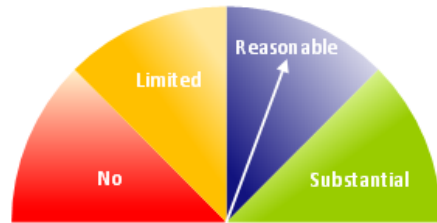
191

Internal Audit ■ Risk ■ Special Investigations ■ Consultancy

Unrestricted

# Internal Audit Annual Opinion – 2023/24: ‘At a glance’

## Annual Opinion



There is generally a sound system of governance, risk management and control in place. We identified some issues, instances of non-compliance or scope for improvement which may put at risk the achievement of objectives.

## The Headlines



Our overall opinion on the governance, risk management and internal control environment in place at Herefordshire Council is Reasonable. This is based on the balance of the individual internal audit reviews delivered throughout the year, as well as considering other sources of assurance, any notable changes to the organisation, and the results of our follow up work.



There were no ‘High’ residual organisational risks that we identified in our work throughout the year. Our assurance framework that explains the categorisation of our work is included below.



There were 34 individual internal audit reviews that were delivered as part of the 2023/24 internal audit programme of work. This includes a balance of assurance work, grant certifications, advisory work, follow up of agreed management actions, and special investigations.



Throughout the year we have aimed to align our programme of internal audit work with the authority’s strategic risk register to provide coverage and assurance over these risks. We note that risk management arrangements at the authority are changing and still developing, and therefore we were unable to fully dovetail our programme of work with the existing risk management framework.



There were no instances of material risks throughout the year where management did not accept the need for mitigating action.

## Internal Audit Assurance Opinions 2023/24

Substantial	1
Reasonable /Certified	15
Limited	5
No Assurance	0
Advisory	7
Follow Up	5
Investigations	1

## Organisational Risk Assessments 2023/24

High	0
Medium	9
Low	12

## Internal Audit Agreed Actions 2023/24

Priority 1	0
Priority 2	25
Priority 3	17



**Internal Audit provides an independent and objective opinion on the effectiveness of the Authority's risk management, control and governance processes.**



## Purpose

The Head of Internal Audit (SWAP Assistant Director) should provide a written annual report to those charged with governance to support the Authority's Annual Governance Statement (AGS). This report should include the following:

- An opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and internal control environment.
- The potential for the occurrence of fraud and how the organisation manages fraud risk.
- Disclose any qualifications to that opinion, together with the reasons for the qualification.
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies.
- Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement.
- Provide the opportunity to review the work undertaken during the year, and summarise the performance of the Internal Audit function against its performance measures, criteria and standards; and
- Comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

The purpose of this report is to satisfy this requirement and Members are asked to note its content and the Annual Internal Audit Opinion given.



## Background

The Internal Audit service for Herefordshire Council is provided by SWAP Internal Audit Services. The team's work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note. The work of the team is guided by the Internal Audit Charter which is reviewed annually.

This report summarises the activity of the Internal Audit team for the 2023/24 year. The framework used as the basis for the overall opinion is included as the final page to this report.

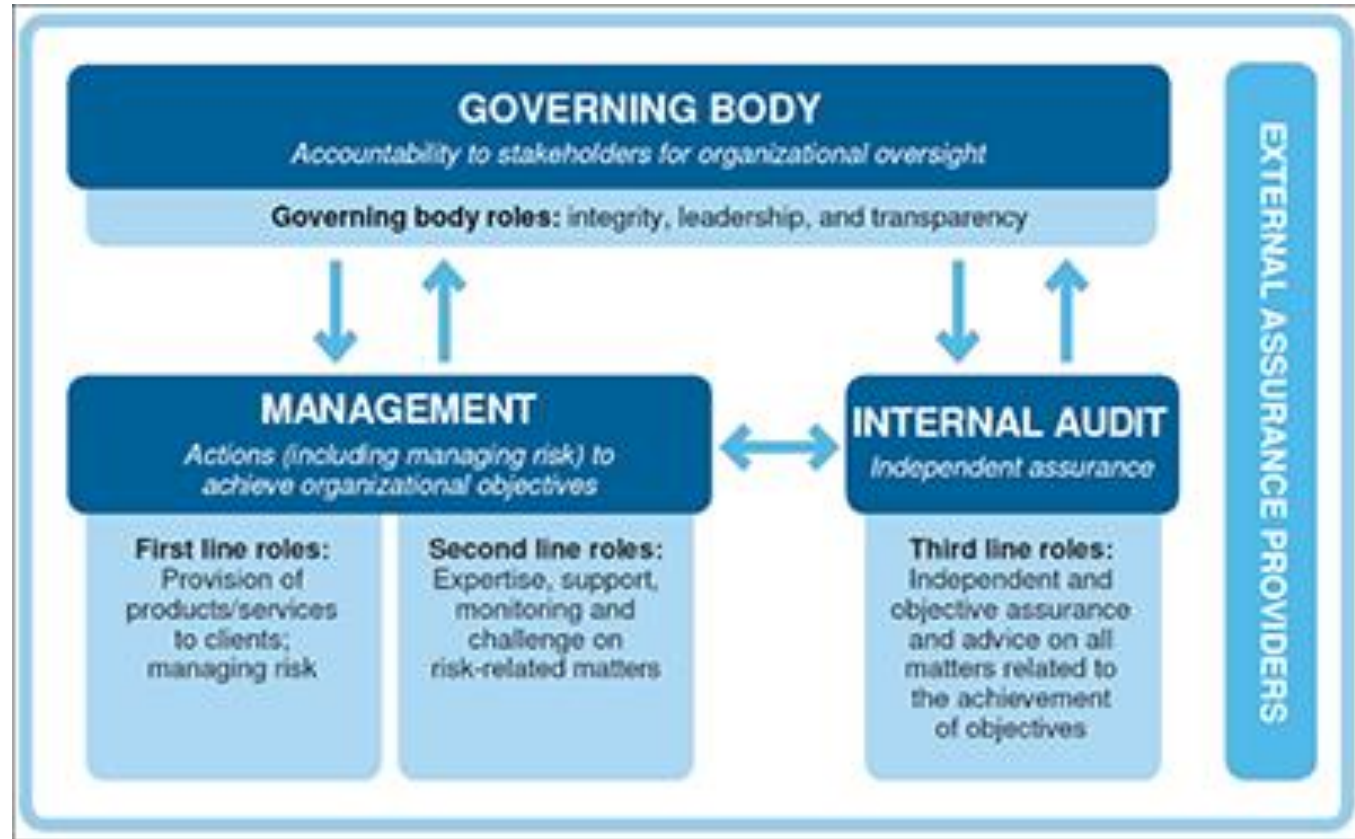
The position of Internal Audit within an organisation's governance framework is best summarised in the 'Three Lines' model.

The Three Lines model looks to explain the relationship between various functions in an organisation, as well as setting out a guide as to how responsibilities should be divided:

- the first line – functions that own and manage risk.
- the second line – functions that oversee or specialise in risk management and/or compliance.
- the third line – functions that provide independent assurance.



## Three Lines Model



The Head of Internal Audit is required to provide an opinion to support the Annual Governance Statement.



## Annual Opinion

On the balance of our 2023/24 audit work for Herefordshire Council, enhanced by the work of external agencies, I am able to offer a **Reasonable Assurance** opinion in respect of the areas reviewed during the year.

The Annual Opinion is made based on the following sources of information:

- Completed audits during 2023/24 which evaluate risk exposures relating to the organisation's governance, operations and information systems, reliability and integrity of information, efficiency and effectiveness of operations and programmes, safeguarding of assets and compliance with laws and regulations.
- Observations from advisory/ consultancy-type pieces of work.
- Follow-up of previous audit activity, including agreed audit actions.
- Any significant risks where management has not accepted the need for mitigating action.
- Notable changes to the organisation's strategy, objectives, processes or IT infrastructure.
- Assurances from other providers, including third parties, and counter fraud arrangements etc.

Most areas reviewed were found to be adequately controlled. There were also no outcomes from our individual audits where we rated the residual risk to the organisation as 'High'.

There are certain aspects of the risk management and/ or internal control environment that would benefit from enhancement, as these have been briefly detailed below:

### Risk Management

The current risk management framework is due to be reviewed, with a view to enhancing the current processes. The corporate risk register has recently been refreshed and we would support the regular update, monitoring and reporting of these risks moving forwards. SWAP is providing insight and support in relation to the development of the risk management framework, based on our experiences in other local authorities.

### Follow Up of Agreed Actions

The Councils Corporate Performance team have historically reported an update regarding agreed actions from the audit work completed to the Audit & Governance committee. Due to recent changes at the authority, this process has now ceased. SWAP intend to refresh the follow up process, utilising AuditBoard to provide a live view to key council stakeholders of all outstanding audit actions across the authority.

One of the roles of the Audit & Governance Committee is to oversee the independence, objectivity, performance and professionalism of internal audit.

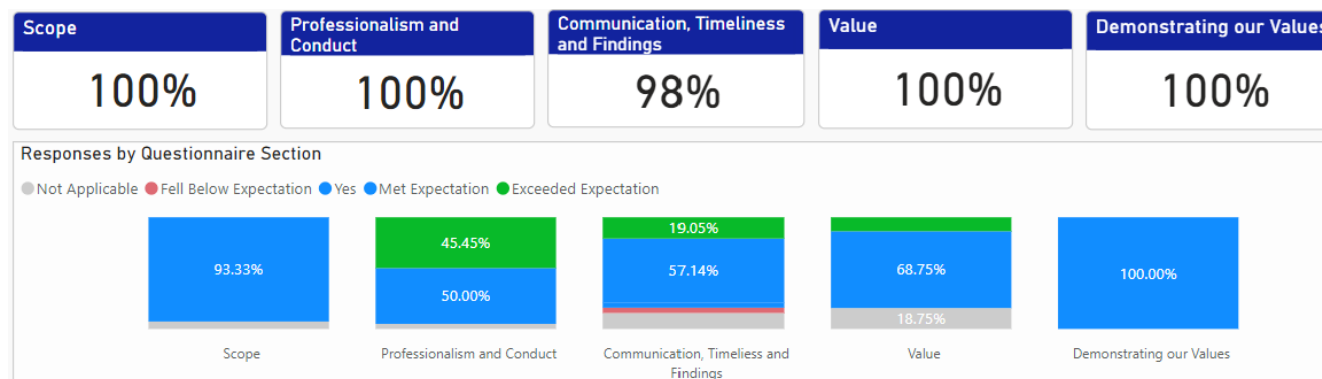
SWAP promote a range of performance areas and indicators to assess our effectiveness and professionalism.



## SWAP Performance

Following the conclusion of internal audit work, a customer satisfaction questionnaire is issued to the key audit contact to complete. This asks a range of questions; including the value that the audit delivered, the professionalism and conduct of the auditor, and the communication and timeliness of the review.

From the 17 returned questionnaires (a return rate of 74%, from the 23 issued), feedback was strong; especially in relation to our professionalism and conduct. The below visual summarises this feedback across five themes:



Throughout the year, we have tried to add additional value wherever possible. We have now provided senior management and Audit & Governance committee members access to our audit management system AuditBoard. We hope that this provides greater real-time visibility of our work, including any emerging risks, gaps in assurance coverage, and thematic insights.

Within 2023/24 we have continued to support the authority's counter fraud efforts through the provision of Cifas. Cifas uses shared data, intelligence and learning to detect and prevent financial and other crime. We will continue the provision of this service into 2024/25, and hope to expand its current use case, along with the tangible prevention and detection benefits that it can bring.

SWAP continues to provide benchmarking data, intelligence, and insights back to service areas from our work at over 25 other local authorities.

We are satisfied that sufficient internal audit work has been undertaken to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and control.

In giving this opinion, it should be noted that assurance can never be absolute.



## Completed internal audit reviews

Full details of all our completed work can be accessed by senior managers and Audit & Governance Committee members [through our audit management system AuditBoard](#). A summary of completed work in 2023/24, along with the respective assurance opinion and our organisational risk assessment has been provided below:

Filter by Audit Period		Filter by Directorate		Number of Actions & Priority			Organisational Risk Assessments	Completed Date	Link to Final Report
2023/24		All		1	2	3			
Audit Title	Assurance Opinion	1	2	3	Organisational Risk Assessments	Completed Date	Link to Final Report		
HC Supporting Families Q4	Reasonable (High)				N/A	14 May 2024	<a href="#">Link</a>		
HC Hereford Enterprise Zone - Sales	Limited (Medium)		5		N/A	09 May 2024			
HC Project Management (Public Realm/BBLP Related Audits) Follow Up	Follow Up			2	N/A	02 May 2024			
HC Museum Project Review	Advisory				Medium	26 April 2024			
HC Destination BID Lessons Learned (Herefordshire DBID)	Limited (Low)		5	1	Medium	18 April 2024	<a href="#">Link</a>		
HC Direct Payments Support Services: Managed Accounts	Reasonable (Medium)		2		Medium	15 April 2024	<a href="#">Link</a>		
HC Data Breaches	Substantial (High)			1	Low	09 April 2024	<a href="#">Link</a>		
HC Taskforce Commissioning & Resources Delivery Board	Advisory				N/A	31 March 2024			
HC Taskforce Service and Practice Delivery Board	Advisory				N/A	31 March 2024			
HC Taskforce Workforce Delivery Board	Advisory				N/A	31 March 2024			
HC Procurement Card Proactive Fraud Review	Limited (Medium)		2	3	Medium	14 March 2024			
HC Accounts Payable	Reasonable (Low)		3	1	Medium	04 March 2024			
Food Waste Collections – Capital Transitional Grant No. 31/7069	Grant Certification				Medium	01 March 2024			
HC Supporting Families Q3	Limited (High)		1		Low	01 March 2024	<a href="#">Link</a>		
HC HUG2 (Ph.2) Grant - Contract Status Review	Advisory				Medium	27 February 2024			
HC Blue Badge	Reasonable (Low)			2	Low	09 January 2024			
HC Payroll	Reasonable (Low)		2	4	Medium	20 December 2023			

The opinion is based solely on the work undertaken as part of the agreed internal audit plan.

There might be weaknesses in the system of internal control that we are not aware of because they did not form part of our programme of work, were excluded from the scope of individual internal audit assignments or were not brought to our attention.



## Completed internal audit reviews (continued)

Filter by Audit Period		Filter by Directorate		Number of Actions & Priority			Organisational Risk Assessments	Completed Date	Link to Final Report
2023/24		All		1	2	3			
Audit Title	Assurance Opinion	1	2	3	Organisational Risk Assessments	Completed Date	Link to Final Report		
HC ICT Backup	Limited (High)		2		Medium	15 December 2023			
HC Green Homes Grant LAD 3 31/5775	Grant Certification				Low	04 December 2023			
HC - Local Transport Capital Block Funding Grant 2022/23	Grant Certification				Low	29 September 2023			
HC Bus Subsidy Grant 2022/23	Grant Certification				N/A	29 September 2023			
HC Education Health Care Plan Follow Up	Follow Up				N/A	29 September 2023			
HC Supporting Families Q2 2023/24	Reasonable (Medium)			1	Low	29 September 2023			
HC - Biodiversity Net Gain Grant Determination 2022/23, Grant No.:31/6499	Advisory				Low	28 September 2023			
HC Disaster Recovery - Follow Up	Follow Up				N/A	20 September 2023			
HC Housing England Compliance Audit 2023/24	Grant Certification				Low	20 September 2023			
HC Whistleblowing	Reasonable (High)		3	1	Low	28 July 2023			
HC Home Upgrade Grant HUG 1 - 31/5775	Grant Certification				Low	27 July 2023			
Audit #1382					N/A	25 July 2023			
HC Green Homes Grant HUG 2 Mobilisation- 31/6400 - 2022/23	Grant Certification				Low	21 July 2023			
HC Supporting Families Q1 2023/24	Reasonable (Medium)				Low	17 July 2023			
HC S106 Agreement Follow up	Follow Up			1	N/A	20 June 2023			
HC Whitbourne S106 Follow Up	Follow Up				N/A	16 June 2023			
HC Grants Working Group	Advisory				N/A				

Over the year, the internal audit team have found senior management of Herefordshire Council to be supportive of internal audit work and findings, and responsive to the actions that are agreed. In addition, there is a good relationship with management whereby they feel they can approach the Internal Audit Team openly in areas where they perceive potential problems.

The work of internal audit should align strategically with the aims and objectives of the organisation, taking into account key risks, operations and changes.

The coverage assessments provide an assessment from an internal audit perspective. It is possible that other sources of assurance exist for those areas where our coverage assessment is 'None'.



## Internal audit work programme coverage

### Year-end assessment of internal audit coverage mapped to strategic risk:

Strategic Risk	Coverage	Average Opinion
HC DEESCALATED R61 - Market workforce economy	None	
HC DEESCALATED R63 - Hereford City Centre Transport Package	Some	Non Opinion Audits
HC DEESCALATED R67 - Ash Dieback (Chalara)	None	
HC DEESCALATED R70 - Hereford City Centre Improvements - delivery within LEP timescale	Some	Non Opinion Audits
HC DEESCALATED R73 - Removal or reduction of ring-fence around Public Health budget	None	
HC DEESCALATED R60 - Development of Sufficiency strategy to support best value model	In Progress	
HC DEESCALATED R68 - Waste Collection Vehicles - lead time for supply of new vehicles	None	
HC DEESCALATED R69 - Hereford City Centre Improvement (HCCI) Programme	Some	Reasonable
HC DEESCALATED R71 - Hereford City Centre Improvement - decision making and VfM	Some	Non Opinion Audits
HC DEESCALATED R72 - Adult Social Care Reform	None	
HC DEESCALATED R76 - Educational Placements	Some	Non Opinion Audits
HC DEESCALATED R78 - Impact of Statutory Direction	Some	Non Opinion Audits
HC DEESCALATED R79 - Herefordshire fuel poverty level	None	

*It should be noted that the authority's strategic risk register was significantly updated in March 2024. We have therefore provided a coverage assessment against the risks that appeared on the strategic risk register throughout 2023/24. The risks removed in this refresh have been prefixed with 'Deescalated in the above visual'.*

**Year-end assessment of internal audit coverage mapped to Corporate Priority:**

Corporate Priority	Coverage	Average Opinion
HC P01 - Environment - Protect and enhance our environment and keep Herefordshire a great place to live	Adequate	Non Opinion Audits
HC P02 - Community - Strengthen communities to ensure everyone lives well and safely together	Good	Reasonable
HC P03 - Economy - Support an economy which builds on the county's strengths and resources	Good	Limited

**Year-end assessment of internal audit coverage mapped to Council Directorate:**

Council Directorate	Coverage	Average Opinion
HC - Children and Young People	Adequate	Reasonable
HC - Community Wellbeing	Good	Reasonable
HC - Corporate Services	Adequate	Reasonable
HC - Economy and Environment	Good	Limited

**Key:**

Coverage	Description
Good	Good audit coverage completed
Adequate	Adequate audit coverage completed
Some	Some aspects of audit coverage completed
In Progress	Some aspects of audit coverage in progress
None	No audit coverage to date



At the conclusion of audit assignment work each review is awarded a “Audit Assurance Definition”.

Where relevant, we also categorise to what extent the conclusions from our audit represent a risk to the organisation overall.

Agreed audit actions are also rated according to their respective priority.



## Internal Audit Definitions

Audit Assurance Definitions	
<b>No</b>	The review identified fundamental gaps, weaknesses or non-compliance, which require immediate action. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
<b>Limited</b>	The review identified significant gaps, weaknesses, or instances of non-compliance. The system of governance, risk management, and control requires improvement to effectively manage risks to the achievement of objectives in the area audited.
<b>Reasonable</b>	The review highlighted a generally sound system of governance, risk management and control in place. We identified some issues, non-compliance or scope for improvement which may put at risk the achievement of objectives in the area audited.
<b>Substantial</b>	The review confirmed a sound system of governance, risk management and control, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Organisational Risk Assessment Definitions	
Assessment	Organisational Risk & Reporting Implications
<b>High</b>	Our audit work includes areas that we consider have a high organisational risk and potential significant impact. Both senior management and the Audit Committee should consider key audit conclusions and resulting outcomes.
<b>Medium</b>	Our audit work includes areas that we consider have a medium organisational risk and potential impact. The key audit conclusions and resulting outcomes warrant further discussion and attention at senior management level.
<b>Low</b>	Our audit work includes areas that we consider have a low organisational risk and potential impact. We believe the key audit conclusions and any resulting outcomes still merit attention, but could be addressed by service management in their area of responsibility.

Categorisation of Actions	
In addition to the organisational risk assessment it is important to know how important the individual management actions are. Each action has been given a priority rating with the following definitions:	
<b>Priority 1</b>	Findings that are fundamental to the integrity of the service’s business processes and require the immediate attention of management.
<b>Priority 2</b>	Important findings that need to be resolved by management.
<b>Priority 3</b>	Finding that requires attention.

*Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS).*





# Title of report: Work programme

**Meeting: Audit and Governance Committee**

**Meeting date: 11 June 2024**

**Report by: Democratic Services Officer**

## Classification

Open

## Decision type

This is not an executive decision.

## Wards affected

(All Wards)

## Purpose

To consider the committee's work programme (Appendix A).

## Recommendation(s)

- (a) **That, subject to any further updates made by the committee, the work programme for the Audit and Governance Committee be noted.**

## Alternative options

1. There are no alternative options, as the committee requires such a programme in order to set out its work for the coming year.
2. Updating the work programme is recommended, as the committee is required to define and make known its work. This will ensure that matters pertaining to audit and governance are tracked and progressed in order to provide sound governance for the council.

## Key considerations

3. The routine business of the committee has been reflected as far as is known, including the regular reporting from both internal and external auditors.
4. The committee is asked to consider any adjustments.

## Community impact

5. A clear and transparent work programme provides a visible demonstration of how the

committee is fulfilling its role as set out in the council's constitution.

### **Environmental impact**

6. Whilst this is an update on the work programme and will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the council's Environmental Policy.

### **Equality duty**

7. This report does not impact on this area.

### **Resource implications**

8. There are no financial implications.

### **Legal implications**

9. The work programme reflects any statutory or constitutional requirements.

### **Risk management**

10. The programme can be adjusted in year to respond as necessary to risks as they are identified; the committee also provides assurances that risk management processes are robust and effective.

### **Consultees**

11. The Director of Finance and Assurance / S151 Officer, Director of Governance and Legal Services / Monitoring Officer, and committee members contribute to the work programme; the work programme is reviewed at each meeting of the committee.

### **Appendices**

Appendix A Work programme for the Audit and Governance Committee

### **Background papers**

None identified.

Audit and Governance Committee Constitution		Report	January 2024	March 2024	June 2024	July 2024	September 2024	October 2024	January 2025	March 2025	June 2025
<b>3.5.10</b>	<b>Internal Audit</b>	<b>Internal Audit</b>									
a	To consider the Head of Internal Audit's annual report and opinion, and a summary of internal Audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.	Internal Audit Plan and Internal Audit Charter Progress Report on Internal Audit Plan (see part b for timing) Internal Audit Annual Report and Opinion		Internal Audit Plan and Charter	Annual Report and Opinion					Internal Audit - Planning Approach and Charter	Internal Audit - Progress Report (including update on audit actions)
b	To consider summaries of specific Internal Audit reports and the main issues arising and seek assurance that action has been taken where necessary.	Progress Report on Internal Audit Plan	Progress Report	Progress Report	Internal Audit Progress Report	Internal Audit - Progress Report (including update on audit actions)		Internal Audit – Progress Report (including update on audit actions)		Internal Audit - Annual Report and Opinion	
c	To consider reports dealing with the management and performance of the providers of Internal Audit Services.										
d	To consider a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale.	Update on Audit Recommendations Report									
e	To be able to call senior officers and appropriate members to account for relevant issues within the remit of the Committee.	No specific activity required as part of normal questioning activity									
f	The Committee will not receive detailed information on investigations relating to individuals. The general governance principles and control issues may be discussed, in confidential session if applicable, at an appropriate time, to protect the identity of individuals and so as not to prejudice any action being taken by the Council.	Progress report on internal audit plan (see part b for timing)									
<b>3.5.11</b>	<b>External Audit</b>	<b>External Audit</b>									
a	Review and agree the External Auditors annual plan, including the annual audit Fee and annual letter and receive regular update reports on progress.	External Audit Annual Plan Annual Audit Fee Letter External Audit Progress Update External Audit Findings Report External Auditor's Annual Report Update on Audit Recommendations Report	2022/23 External Auditors Annual Report (VFM findings)			Possible External Audit Progress Report	External Audit Findings Report		External Audit – Auditor's Annual Report 2023/24	External Audit - Audit Plan 2024/25	External Auditor's Draft Plan (including indicative fee)
b	To consider specific reports from the External Auditor.	External Audit Progress Update	External Audit Progress Report and Sector Update	External Audit Plan /Progress Report							
c	To meet privately with the External Auditor once a year if required.	Not required to be scheduled on work programme									
d	To comment on the scope and depth of external audit work and to ensure it gives value for money.	No specific activity required as part of normal questioning activity									
e	To recommend appointment of the council's local (external) auditor.										
f	Ensure that there are effective relationships between external and internal audit that the value of the combined internal and external audit process is maximised.	No specific activity required as part of normal questioning activity. External Audit can place limited reliance on Internal Audit Work.									
<b>3.5.12</b>	<b>Governance</b>										
a	To maintain an overview of the council's Constitution, conduct a biennial review and recommend any changes to council other than changes to the contract procedure rules, finance procedure rules which have been delegated to the committee for adoption.	Accounting Policy Update Contract and Finance Procedure Rules Proposed Changes to the Constitution	Contract and Financial Procedure Rules Update (if required)	Accounting Policy Update (if required)			Contract procedure and financial procedure rules Update		Contract and Financial Procedure Rules Update (if required)	Accounting Policy Update (if required)	
b	To monitor the effective development and operation of risk management and corporate governance in the council.	Work Programme Corporate Risk Register	Work Programme	Work Programme Risk Registers  Approach to Strategic Risk Management Update	Work Programme Dates of Future Meetings  Draft Annual Report of the Audit & Governance Committee Appointment to Standards Panel	Work Programme Corporate Risk Registers	Work Programme	Work Programme	Work Programme	Work Programme	Work Programme  Risk Registers Dates of future meetings / work programme Draft Annual Report of the Audit & Governance Committee
c	To maintain an overview and agree changes to the council policies on whistleblowing and the 'Anti-fraud and corruption strategy'.	Whistleblowing Policy Anti-Fraud, Bribery and Corruption Strategy	Annual Fraud Report					Whistleblowing Policy	Annual Fraud Report		
d	To oversee the production of the authority's Statement on Internal Control and to recommend its adoption.	Statement of Accounts			2023/24 Draft Statement of accounts						2023/24 Draft Statement of accounts
e	To annually conduct a review of the effectiveness of the council's governance process and system of internal control which will inform the Annual Governance statement.	Annual Governance Statement			Draft Annual Governance Statement		Final Annual Governance Statement	Governance Statement Progress Report on Actions			Draft Annual Governance Statement
f	The council's arrangements for corporate governance and agreeing necessary actions to ensure compliance.	Annual Governance Statement Progress Report									

Audit and Governance Committee Constitution		Report	January 2024	March 2024	June 2024	July 2024	September 2024	October 2024	January 2025	March 2025	June 2025
g	To annually review the council's information governance requirements.	Annual Review of Information Access / Governance							Annual Review of Information Access / Governance		
h	To agree the annual governance statement (which includes an annual review of the effectiveness of partnership arrangements together with monitoring officer, s151 officer, caldicott guardian and equality and compliance manager reviews).	Annual Governance Statement Annual Governance Statement Progress Report									
i	To adopt an audit and governance code.										
j	To undertake community governance reviews and to make recommendations to Council.	On an ad hoc basis only									
3.5.13	<b>Waste Contract</b>										
a	To review, in conjunction with external advisers advising the council as lender, the risks being borne as a result of the funding provided by the council to Mercia Waste Management Ltd and consider whether the risks being borne by the council, as lender, are reasonable and appropriate having regard to the risks typically assumed by long term senior funders to waste projects in the United Kingdom and best banking practice.	Energy from Waste Loan Update						Energy from Waste Loan Update			
b	To monitor the administration of the loan to the waste project in line with best banking practice having regard to any such external advice, including the terms of any waivers or amendments which may be required or are desirable.	Energy from Waste Loan Update						Energy from Waste Loan Update			
c	Consider what steps should be taken to protect the interests of the council as lender in the event of a default or breach of covenant by Mercia Waste Management Ltd, and make recommendations as appropriate to Council, the council's statutory officers or cabinet as appropriate to ensure the appropriate enforcement of security and litigation in relation to the loan to Mercia Waste Management Ltd	Energy from Waste Loan Update						Energy from Waste Loan Update			
d	Consider and recommend appropriate courses of action to protect the position of the council as lender to the waste project: (i) make recommendation as appropriate to Council with regards to its budget and policy framework and the loan to the waste project (ii) generally to take such other steps in relation to the loan within the scope of these terms of reference as the committee considers to be appropriate.	Energy from Waste Loan Update						Energy from Waste Loan Update			
3.5.14	<b>Code of Conduct: To promote and maintain high standards of conduct by members and co-opted members of the Council</b>										
a	To support Town and Parish Councils within the county to promote and maintain high standards of conduct by members and co-opted members of the Council.	Annual Code of Conduct Report					Annual Monitoring Officer Report				
b	To recommend to Council the adoption of a code dealing with the conduct that is expected of members and co-opted members of the Council.										
c	To keep the code of conduct under review and recommend changes/replacement to Council as appropriate.		Code of Conduct for Councillors - 6 monthly update						Code of Conduct for Councillors - 6 monthly update		
d	To publicise the adoption, revision or replacement of the Council's Code of Conduct.										
e	To oversee the process for the recruitment of the Independent Persons and make recommendations to Council for their appointment.	Recruitment done on an as required basis									
f	To annually review overall figures and trends from code of conduct complaints which will include number of upheld complaints by reference to individual councillors within unitary, town and parish councils and when a code of conduct complaint has been upheld by the Monitoring Officer or by the Standards Panel, after the option of any appeal has been concluded, promptly to publish the name of the councillor, the council, the nature of the breach and any recommendation or sanction applied.	Annual Code of Conduct Report									
g	To grant dispensations under Section 33 (2)(b)(d) and (c) Localism Act 2011 or any subsequent amendment.	On an ad hoc basis only									
h	To hear appeals in relation to dispensations granted under section 33 (2)(a) and (c) Localism Act 2011 by the monitoring officer.	On an ad hoc basis only									
3.5.15	<b>Accounts</b>										
	To review and approve the Statement of Accounts, external auditor's opinion and reports on them and monitor management action in response to the issues raised by external audit.	Statement of Accounts External Auditor Report						Final Statement of Accounts			