

Agenda

Audit and Governance Committee

Date: **Tuesday 10 June 2025**

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

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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

Kerry Diamond

**Independent Expert - Audit and Governance
Committee**

Agenda

	Pages
1. APOLOGIES FOR ABSENCE To receive apologies for absence.	
2. NAMED SUBSTITUTES (IF ANY) To receive details of any councillor nominated to attend the meeting in place of a member of the committee.	
3. DECLARATIONS OF INTEREST To receive declarations of interest in respect of items on the agenda.	
4. MINUTES To approve and sign the minutes of the meeting held on Tuesday 25 March 2025.	11 - 16
HOW TO SUBMIT QUESTIONS Deadline for receipt of questions is 5pm on Wednesday 4 June 2025. Questions must be submitted to councillorservices@herefordshire.gov.uk . Questions sent to any other address may not be accepted. 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 www.herefordshire.gov.uk/getinvolved	
5. QUESTIONS FROM MEMBERS OF THE PUBLIC To receive any questions from members of the public.	
6. QUESTIONS FROM COUNCILLORS To receive any questions from councillors.	
7. DRAFT ANNUAL REPORT OF THE AUDIT AND GOVERNANCE COMMITTEE To provide the committee with the draft annual report covering the work undertaken by the Committee, during the 2024/25 municipal year.	17 - 26
8. APPOINTMENT TO STANDARDS PANEL To appoint to the membership of the Standards Panel.	27 - 30
9. EXEMPTIONS FROM CONTRACT PROCEDURE RULES – 1 APRIL 2024 TO 31 MARCH 2025 To provide an update on the number of exemptions (waivers) to Contract Procedure Rules (CPRs) which have been granted for the period 1 April 2024 to 31 March 2025 and provide a baseline for future monitoring. To provide assurance to Audit & Governance Committee that Contracts are awarded in line with CPRs wherever possible, and exemptions are only	31 - 36

granted where there is a sound rationale for approval.		
10.	DRAFT ANNUAL GOVERNANCE STATEMENT 2024/25 To seek the view of the committee as to whether the draft Annual Governance Statement (AGS) for 2024/25 properly reflects the internal control environment the council is operating in and the appropriateness of actions identified to improve governance arrangements.	37 - 56
11.	2024/25 DRAFT STATEMENT OF ACCOUNTS To note the draft, unaudited Statement of Accounts for 2024/25.	57 - 192
12.	INTERNAL AUDIT ANNUAL REPORT AND OPINION 2024/25 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.	193 - 216
13.	WORK PROGRAMME To consider the work programme for the committee.	217 - 220
14.	DATES OF FUTURE MEETINGS To agree the dates of future meetings. The following dates are suggested: Tuesday, 15 July 2025 2pm Thursday, 25 September 2025 10am Tuesday, 28 October 2025 2pm Tuesday, 27 January 2026, 2pm Tuesday, 24 March 2026, 2pm Tuesday, 9 June 2026, 2pm	

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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.

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- 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
- 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
- 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
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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-

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.

Councillor David Hitchiner (Chairperson)	Independents for Herefordshire
Councillor Mark Woodall (Vice Chairperson)	The Green Party
Councillor Chris Bartrum	Liberal Democrats
Councillor Frank Cornthwaite	Conservative Party
Councillor Peter Hamblin	Conservative Party
Councillor Robert Highfield	Conservative Party
Councillor Aubrey Oliver	Liberal Democrats
K Diamond	Independent Person

The Audit and Governance Committee oversees the audit and corporate governance arrangements of the Council including the annual audit plans and reports of the internal and external auditors, the Council's system of internal control, risk management framework and prevention and detection of fraud and corruption. In particular, the Committee has responsibility for considering and approving the annual statement of accounts. Further details about the committees function can be found [here](#).

Minutes of the meeting of the Audit and Governance Committee held in Conference Room 2, Herefordshire Council Offices, Plough Lane, Hereford, HR4 0LE on Tuesday 25 March 2025 at 2.00 pm

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

Non-Voting Committee Person: K Diamond

[Note: Committee members participating via remote attendance, i.e. through video conferencing facilities, may not vote on any decisions taken.]

Others in attendance:

J Bollen	Principal Auditor, South West Audit Partnership
G Hawkins	Senior Manager, Grant Thornton
R Sanders	Director of Finance
Cllr P Stoddart	Cabinet Member Finance and Corporate Services
J Preece	Democratic Services Officer
A Probert	Head of Internal Audit, South West Audit Partnership
C Smith	Public Sector Audit Manager. Grant Thornton
R Taggar	Senior Auditor, South West Audit Partnership

43. APOLOGIES FOR ABSENCE

There were no apologies for absence.

44. NAMED SUBSTITUTES (IF ANY)

There were no named substitutes.

45. DECLARATIONS OF INTEREST

There were no declarations of interest.

46. MINUTES

RESOLVED:

That the minutes of the meeting held on 28 January 2025 be confirmed as a correct record and signed by the chairman.

47. QUESTIONS FROM MEMBERS OF THE PUBLIC

There were no questions received from members of the public.

48. QUESTIONS FROM COUNCILLORS

There were no questions received from councillors.

49. EXTERNAL AUDITOR'S DRAFT ANNUAL PLAN 2024/25

The Senior Manager (SM), Grant Thornton (GT) introduced the report of which the following principal points were noted:

1. The report outlined 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 [pages 36-39](#) of the report and were consistent with what the committee had seen in prior years.
3. GT's approach to materiality was outlined on [page 45](#) , It was noted that the percentage applied had increased since the prior year due to an update in their internal guidance. A maximum 2% had been applied as they did not consider there to be any specific risks in the control environment at Hereford.
4. Risks of significant weakness in Value For Money (VFM) arrangements were outlined on [pages 55 and 56](#). 3 risks of significant weakness had been identified within the financial sustainability and improving economy, efficiency and effectiveness criteria. These linked back to the prior year's recommendations that were raised around the budget gap, Designated Schools Grant deficit and improvements need in the Children's Social Care Services. These would remain under review and would be followed up as part of GT's work and report alongside the audit findings report to be delivered in September.
5. The audit logistics and team were outlined on [page 58](#). A consistent team is in place to deliver the audit, logistics and the time frame. It was confirmed that the audit would be going into Phase 1 audit running from mid-June until late September, hoping for a timely sign off, of the accounts towards the end of September early October.

In response to committee questions, it was noted;

- i. The SM confirmed that the improvements noted by Ofsted and the Children's Commission's Commissioner had been taken into account.
- ii. GT identify potential signification risks as part of their planning enquiries by communicating with the Chair of Audit and management to see if anything had happened in year that they should pay particular attention to.
- iii. It was confirmed that Inflo is a digital audit platform that they used which integrates advanced data analytics, client collaboration, and quality management. This was not a new software programme and had been used for a number of years.
- iv. The SM advised she was not aware of any new auditing standards coming in the next few years.
- v. It was confirmed that Herefordshire are opted into the Public Sector Audit Appointment (PSSA) national scheme who are responsible for appointing an auditor and setting scales of fees for relevant principal authorities. It was highlighted that GT are market leaders in public sector audit.
- vi. Audits are conducted on a sample basis and based on materiality level.
- vii. In the SM's opinion Herefordshire is in a very positive position being one of three that had their accounts signed off on time with no previous backlogs and compared to others in the region and nationally are considered to be low risk.
- viii. Devolution and local government reorganisation were highlighted as new drivers that would be influencing their work.
- ix. Discussions were had around the Dedicated Schools Grant (DSG) and the measures that were being implemented to mitigate and contain overspend as part of the management plan. It was highlighted the core problem was the lack of government funding. It was noted that this was a national issue effecting all Local authorities and that Herefordshire compared to others was in a better position than most.
- x. Delivery of savings in the budget would be explored through the Value for Money work.

Resolved

That the proposed external audit annual plan for 2024/25 in Appendix A is approved.

50. INTERNAL AUDIT UPDATE REPORT QUARTER 4 2024/25

The Head of Internal Audit (HIA) introduced two members of her team, Josie Bollen - Principal Auditor and Ravi Taggar - Senior Auditor. She highlighted that there was currently a vacancy in her team but said this would not impact on the delivery of the annual opinion.

The HIA introduced the report of which had been issued as a supplement to the agenda.

The principal points were noted:

1. No high organisational risks, limited assurances, or priority one or two findings had been identified.
2. Two audits had been completed since the last progress report with 15 currently in progress and 3 at draft report stage.
3. There had been some delays in finalising some of the work this quarter but in anticipation of the annual opinion, it was hoped that at least 13 of those 15 audits would have moved through and would feed into the annual opinion.
4. Risk coverage covered on [pages 10-11](#) showed coverage against Swaps top 10 risks having decided to remove the coverage of the current corporate risks whilst these were being finalised. Once the corporate risk registers were finalised, she would go back to the rolling plan and map future audits to the risks, identifying any gaps in coverage and then go back out to the key officers and senior management in the Council to determine if any extra audits were needed or if there were sufficient assurance from other sources.
5. Action tracking was still successful and a further 5 actions had been closed off since the last update. No actions had revised time scales. It was her aim that the 91 actions that still remained would be closed off by the annual opinion.
6. At present a 100% feedback score was being achieved.

In response to committee questions, it was noted.

- I. Audit #3772 and #3749 as recorded on [page 6](#) were requested by the Director of Finance and currently are classed as confidential but as testing and as the journey progresses this may change. The HIA had no significant concerns but would bring that to the attention of the committee if necessary.
- II. Determining what projects, are looked at would be done on a risk-based approach and would involve key officers, looking at reputational damage, financial damage the size of the project and where an audit can offer the most value.

The committee noted the report.

51. INTERNAL AUDIT PLANNING PAPER 2025/26

The Head of Internal Audit (HIA) introduced the report the purpose of which was to present the approach to Internal Audit Planning and the Internal Audit Charter for 2025-26. The following principal points were noted.

1. It was proposed that the rolling approach that was used last year would continue.
2. Swap had been subject to an external quality assessment (eqa) in December 2024 which confirmed their conformance with the 2017 International Professional Practises Framework.

3. They are working to the new global internal audit standards. The next eqa that they will be preparing for will be to the new standards that have been introduced effective from April, and she hoped to bring some information to the committee and a training session on those new standards, what that means and the changes it will bring.

Resolved

That the Committee approved the rolling audit plan approach, and the Audit Charter.

52. STATUTORY ACCOUNTS 2024/25 PROGRESS, ACCOUNTING POLICIES AND ESTIMATES

The Director of Finance (DOF) introduced the report the purpose of which was to provide an update on progress made against the 2024/25 statutory accounts workplan and present the accounting policies and estimates which informed the financial statements. The following principal points were noted.

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 10 June for approval.
2. Attention was drawn to [appendix 2](#), the accounting estimates and judgements that are made in the preparation for those statements. They are subject to robust audit procedures and no changes had been made in making those estimates and judgements in this financial year.
3. Attention was drawn to [appendix 1](#), the Accounting Policies 2024/25 which are included in the statutory accounts. Improvements had been made to these in previous years to provide a narrative explanation relative against each note so that the user of the accounts can look at the referenced numbers and understand the accounting policy that had been applied within the same page to experience a more user-friendly experience.
4. Changes to the accounting policies include the implementation of IFRS 16. This is a new accounting standard effective 1 April 2024 impacting the accounting treatment for leases/right of use assets, with an associated impact on the accounting treatment for Public Finance Initiatives (PFI).

In response to committee questions, it was noted in terms of risk of misstatement the DOF was confident the auditors would be satisfied.

Resolved

The committee deemed the arrangements for the preparation of the 2024/25 statutory accounts as satisfactory; and approved the accounting policies.

53. UPDATE TO RISK MANAGEMENT ARRANGEMENTS

The Director of Finance (DOF) introduced the report the purpose of which was to update the committee on the council's approach to risk management arrangements. The following principal points were noted.

1. The committee were reminded that under the constitution it was not their function to examine specific risks but was to monitor the development and operation of risk management processes and receiving assurance from internal and external sources of the effectiveness of arrangements.
2. The revised Risk Management Strategy had been completed, incorporating a new Risk Appetite Statement which defined the level of risk the council would be willing to accept to deliver the priorities of the Herefordshire Council Plan 2024-28 and annual Delivery Plan.

3. The Strategy set out the approach and principles of risk management, outlining the council's risk appetite, risk management objectives and confirms the roles and responsibilities of elected Members and Officers across the council.
4. Effective risk management is essential to the delivery of the priorities set out in the Council Plan. Specially, the Council plan commits the council to 'develop a Corporate Risk Strategy to improve the process for managing corporate and directorate risks.
5. A risk manager had been appointed and was responsible for co-ordinating the approach, ensuring consistency in scoring and highlighting areas of best practise. They would report the corporate risks to the corporate leadership team (CLT) and the Audit & Governance Committee and work with colleagues across the council to help identify, assess and manage strategic risks.
6. The Draft Strategy was included at [Appendix A](#) and would be formally approved by Cabinet in June 2025. Risk management arrangements in 2025/26 would include monitoring and reporting of Corporate Risks via quarterly reports to Cabinet.

In response to committee questions it was noted.

- I. Part of the role of the risk manager is to champion risk activity across the organisation as well as promoting and providing training and development. Their role is to ensure risks are consistently being scored using the same risk appetite set against the Council priorities.
- II. Risk owners are responsible for ensuring arrangements are in place within their directorates and services to identify and manage risks in accordance with the council's risk management framework.
- III. Spreadsheets are currently in design to ensure consistency in data collection, reporting and aligns back to the risk appetite statement and the Council plan priorities. Risk owners are responsible for this action.
- IV. The strategy is a live document that would be reviewed annually to ensure the risk appetite remains and to review the ever-evolving strategic risks. *The committee suggested that the frequency of review be recorded in the "Step 6: Monitor and update" section.
- V. The corporate risk registers had been reviewed in collaboration with the Cabinet member, CLT and Cabinet. Historically it had been a large document which had been made leaner to include the corporate risks and strategic risks that were being managed that threatened the delivery of the Council plan objectives.
- VI. Members were now clearly identified as having a role in understanding risk management arrangements. Collaborative work with Democratic Services to ensure members understand and have ownership of risk management through training would be explored. Risk forms part of any decision report and members have the opportunity to voice any concerns through this process. *It was suggested by the committee that member engagement and training be included somewhere in the strategy or reports going to cabinet.
- VII. The DOF and HIA were producing a risk assurance piece for the committee to demonstrate across all of the current risks where the source of assurance was for example, Internal or external audit, a task and finish group assigned by Scrutiny Management Board etc.
- VIII. It was highlighted that "Appendix B. Risk appetite" the yellow highlight represented the risk fact selected by the council, and this would be made clear on the document to cabinet.
- IX. It was explained why certain post holder titles were named and that these were statutory posts within the Council and had specific risk responsibilities attached to them.

Resolved

That the committee notes the activity completed to develop the Risk Management Strategy and recommends risk management be added to the members induction programme as mandatory training for all councillors. The Chair would ensure that this recommendation is communicated through the appropriate channels.

*Suggestions made by the committee.

54. WORK PROGRAMME

The committee's updated work programme was presented. The following changes were to be implemented.

1. The External Auditors Progress Report to be removed from June to July given the timeframe of the audit.
2. The Corporate Risks Registers to be removed from June.
3. The Internal Audit Annual Opinion to be added to June.
4. The clerk would investigate a slightly later date in September to provide more flexibility to ensure the timely sign off, of the statutory accounts.

RESOLVED

That subject to the amendment noted, the updated work programme be agreed.

55. DATE OF NEXT MEETING

Tuesday 10 June 2025, 2pm.

The meeting ended at 3.56 pm

Chairperson



Title of report: Draft Annual Report of the Audit and Governance Committee

Meeting: Audit and Governance Committee

Meeting date: Tuesday 10 June 2025

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 2024/25 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 2024/25 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

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 arrangements and information governance) and financial processes in accordance with the functions scheme. The responsibility 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 and Governance CommitteeDraft Annual Report of the Audit and Governance Committee

Background papers

None identified.

Draft Annual Report of the Audit and Governance Committee

Role of the Audit and Governance Committee

The purpose of the audit and governance committee is 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. The responsibility 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
Risk Framework
Shareholder Committee
Waste Contract

1. Chairman's Introduction

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. Completion of the Audit gives assurance that the Accounts are accurate and can be relied upon. This cannot be said for many Councils whose 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 been able to recruit an Independent Person to the Committee who has relevant experience and qualifications. They have contributed to our discussions already.

The year saw work on the approach to risk in the Council. This will involve greater engagement with all Councillors. The Committee will continue to play its part in ensuring that there is a good process in place which will improve decision making for the benefit of the County.

2. Accounts

Statutory Accounts 2023/24

The Finance Team prepared the council's Statement of Accounts for 2023/24 and published in line with the statutory deadline of 31 May 2024: presenting the draft, unaudited accounts to Audit & Governance Committee in June 2024.

In September 2024, the Audit & Governance Committee approved the audited Statement of Accounts and the Annual Governance Statement for 2023/24, providing assurance to Members and residents on the council's timely financial reporting processes, governance framework and internal controls in place throughout the financial year.

3. Code of Conduct

During 2024/25, the Monitoring Officer received 32 complaints about alleged breaches of the Code of Conduct; 2 proceeded to formal investigation. There were 45 complaints in the previous year. 84% of complaints related to elected members of Town or Parish Councils.

A review of the process was approved by Council on 8th March 2024, following recommendation by the Audit and Governance Committee.

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.

A change to transparency provisions, in respect of officer decisions made under the arrangements for investigations, was agreed by the Committee in December 2023. The change ensures that the Standards Panel is aware of all decisions taken, even where the outcome is no further action. This has been in effect throughout 2024/25.

4. Governance

Independent Expert

Kerry Diamond was appointed as the independent expert to the Committee on 11 October 2024.

Whistleblowing

During 2024/25, 4 whistleblowing disclosures were made to the Council under the formal Whistleblowing Policy.

Of these, two were relating to other organisations and were not progressed by Herefordshire. The persons making the disclosures were provided with 'signposting' to enable them to redirect their complaint to the correct organisation.

In relation to the third complaint, this was considered and the Council agreed there was a shortcoming in training for a group of staff. The recommendation was that training was performed and this was completed. The final complaint led to recommendations for communication improvements with service users and further performance monitoring with an improved escalation process. This has been implemented.

5. Internal Audit

The Committee has received quarterly Internal Audit progress reports during 2024/25 to review audit work completed and receive assurance in respect of the internal controls and governance arrangements across the council. Internal Audit have also provided regular updates on the implementation of audit recommendations to enable the Committee to consider the effectiveness of the agreed management actions and impact of improvements.

Through the presentation of the annual Internal Audit Plan, the Committee has had the opportunity to review coverage across Directorates and Service areas and consider whether planned work is sufficient to give an opinion on the adequacy and effectiveness of the council's internal control and governance framework. During 2024/25, 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 recommendations and agreed actions will strengthen controls and deliver improvements.

6. External Audit

The council's external auditors issued an unqualified audit opinion in September 2024, 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.

Herefordshire Council was the first and only local authority to receive an audit opinion, including Value for Money opinion, by this date. The issue of an unqualified audit opinion for 2023/24 is a significant achievement for the council and is the result of high-quality financial statements and supporting 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.

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

In September 2024, the Audit & Governance Committee considered a report from the Information Governance Manager entitled 'Information Requests & Complaints 2023/24'. This report detailed performance information for the municipal year 2023/24, specifically around information security incidents and data breaches and information requests received by the council. These included 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 set out the volume of requests received. The number of Freedom of Information and Environmental Information requests received had fallen compared to the previous year. This was attributed to the increased use of the disclosure log, which publishes requests / responses previously answered, and an increase in the number of requests dealt with as business as usual. However, the volume of other information requests received continued to be high.

The report also detailed the other work undertaken by the Information Governance team during the year, which included assessing data protection impact assessments for new programmes, projects

and systems involving the processing of personal data, and the review of information security policies and procedures.

Complaints

The report recorded that the council dealt in 2023/24 with 483 corporate complaints, a significant decrease from the previous year when 734 were recorded. In addition, the Complaints team managed 158 service requests, and 102 complaints were processed under the children's complaints procedure. 55 complaints were referred to the LGSCO of which they considered 10. This means 80% of complaints the LGSCO investigated were upheld. This compares to an average of 79% in similar organisations. In 100% of cases the council has complied with the recommendations made by the LGSCO to resolve the case. In some cases, compensation was recommended. The council paid out a total sum of £250 as advised by the LGSCO for the period of 1 April 2023 to 31 March 2024, a notable decrease from the £2200 paid to complainants 1 April 2022 to 31 March 2023.

The Committee will receive a report on the 2024/25 year at their meeting in September 2025.

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 RIPA authorisations have been requested in 2024/25.

RIPA training was offered to those involved in investigations over 3 sessions in May and June 2024. Specific further training was provided to Authorising Officers, Senior AO, Senior Responsible Officer and RIPA Monitoring Records Officer in June 2024.

9. Risk Framework

The constitutional role of the Committee includes ensuring that the council's risk management process is carried out effectively. It is not the function of the Committee to examine specific risks in detail, but should it have specific concerns it will raise these with officers or make a recommendation to the relevant Scrutiny Committee. The Committee has supported the development of the revised Risk Management Strategy, Risk Appetite Statement and refresh of the Corporate Risk Register throughout 2024/25.

10. Shareholder Committee

The Shareholder Committee has met in a decision-making capacity on three occasions since April 2024. The main business of the Shareholder Committee relates to the council's investment in Cyber Quarter Ltd and Hoople Ltd. The protocol in respect to the reporting of company performance was adopted by the Shareholder Committee and a variation to the new service contract with Hoople includes and has a basis within this protocol.

11. Waste Contract

In October 2024, 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: Appointment to Standards Panel

Meeting: Audit and Governance Committee

Meeting date: Tuesday 10 June 2025

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 as Chair of the Standards Panel;**
- b) **appoints the representative recommended by HALC as the Parish/Town Council appointee;**
- c) **Appoints two further two Councillor members of the Panel as the standing members; and**
- d) **Appoints two substitute 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 a parish/town 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. The Public Sector Equality Duty requires the Council to consider how it can positively contribute to the advancement of equality and good relations, and demonstrate that it is paying 'due regard' in our decision making in the design of policies and in the delivery of services.
12. The mandatory equality impact screening checklist has been completed for this project/decision/activity and it has been found to have low impact for equality. The Code of Conduct for Members will ensure that members adhere to the standards needed in respect to equality under the Code and appointment of this Panel will play their part in this.

Legal implications

13. 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

14. There are no specific risks

Consultees

15. None.

Appendices

None

Background papers

None

Report Reviewers Used for appraising this report:

Governance	Jen Preece	Date 27/05/2025
Finance	N/A	
Legal	Sean O'Connor	Date 27/05/2025
Communications	N/A	
Equality Duty	N/A	
Procurement	N/A	
Risk	N/A	

Approved by	Approved
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Title of report: Exemptions from Contract Procedure Rules – 1 April 2024 to 31 March 2025

Meeting: Audit and Governance Committee

Meeting date: Tuesday 10 June 2025

Report by: Director of Finance

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose

To provide an update on the number of exemptions (waivers) to Contract Procedure Rules (CPRs) which have been granted for the period 1 April 2024 to 31 March 2025 and provide a baseline for future monitoring.

To provide assurance to Audit & Governance Committee that Contracts are awarded in line with CPRs wherever possible, and exemptions are only granted where there is a sound rationale for approval.

Recommendation(s)

That the committee:

- a) Notes the number of exemptions from CPRs for the financial year 2024/25; and**
- b) Notes the annual reporting frequency, of exemptions to the CPRs, to this committee going forward.**

Alternative options

1. The CPRs at section 1.5 of Appendix 2 states that the Deputy S151 Officer is responsible for preparing an annual report on exemptions recorded for the Solicitor to the Council. The council could decide not to report this information to the Audit and Governance committee. This is not

Further information on the subject of this report is available from
Rachel Capon, Carrie Christopher, Tel: 01432 261783,, email: rachel.capon@herefordshire.gov.uk,
carrie.christopher@herefordshire.gov.uk

recommended as this report provides valuable assurance to Audit & Governance Committee in respect of compliance with the CPRs.

Key considerations

2. The council's CPRs provide the policy for procurement activity across the council, setting out how contracts for goods, works, services, concessions and utilities should be put in place and managed, and detailing the record keeping and reporting requirements related to procurement activity.
3. The CPRs at section 4.6.105 to 4.6.110 sets out the circumstances for which an exemption may be granted and that exemptions to the CPRs is only to be used in exceptional circumstances.
4. An exemption to the CPRs form must be completed by the authorised officer/ contract manager seeking the exemption.
5. Exemptions must be approved in writing by the relevant Director or Service Director or the Chief Executive, in consultation with the S151 Officer and the Monitoring Officer and then sent to Commercial services who keep a comprehensive record of exemptions on the exemption register.
6. There will always be some requests for exemptions from CPRs as not all contracts can be let through a formal tendering or quotation process for various reasons. An example is where the nature of the supplies, works or services are of a unique or specialised nature and so renders only one or two sources of supply appropriate.
7. The following table outlines the number of exemptions approved during the financial year 1 April 2024 to 31 March 2025 and the number of contracts which commenced during the same period. Appendix 1 to this report lists the approved exemption requests and the reason they were supported during the period.
8. A total of 5 exemptions were approved in accordance with the CPRs in the year ended 31 March 2025.

Period	No of approved exemptions	No of contracts which commenced during the period*
Q1 April 2024 to June 2024	1	126
Q2 July 2024 to September 2024	3	139
Q3 October 2024 to December 2024	1	96
Q4 January 2025 to March 2025	0	56
Total	5	417

*source: Council Contracts Register

9. This will provide a baseline for monitoring and reporting to Audit and Governance Committee going forward.
10. Commercial and legal services work with council departments to ensure exemptions only come forward when there is no alternative. Wherever possible alternative solutions are found that do not require an exemption.

Community impact

11. In accordance with the adopted code of corporate governance, the council must ensure that it has an effective performance management system that facilitates effective and efficient delivery of planned services. Effective financial management, risk management and internal control are important components of this performance management system.

12. To ensure clear and transparent processes are in place to govern how resources of the council are effectively managed and supports the Herefordshire Council Plan objectives to manage finances effectively and to demonstrate one of the council's values, namely, to be open, transparent and accountable.

Environmental Impact

13. 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.
14. Whilst this is a factual update 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

15. The Public Sector Equality Duty requires the Council to consider how it can positively contribute to the advancement of equality and good relations and demonstrate that it is paying 'due regard' in our decision making in the design of policies and in the delivery of services.
16. The mandatory equality impact screening checklist has been completed for this activity, and it has been found to have low impact for equality. Due to the potential impact of this activity being low, a full Equality Impact Assessment is not required.

Resource implications

17. There are no specific resource implications for this report.

Legal implications

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

Risk management

19. The relevant risks identified below will be managed at a service level and added to the service risk register.

Risk/opportunity	Mitigation
There is a risk that officers do not follow the exemption process as set out in the CPRs and contracts are let outside of the rules.	The CPRs and Contracting Toolkit are available on the intranet. Regular communication goes out via the CE briefing to remind staff of the resources available to support the procurement and contract monitoring activity. Procurement and contract management training is available to all staff.
Lack of robust central oversight may lead to inconsistencies in how exemptions are recorded or applied across service areas.	Ongoing central monitoring by the Commercial Services Team combined with reporting to Audit and Governance Committee will support consistent application and governance of exemptions.

Consultees

20. None.

Appendices

Appendix 1 – List of exemptions for period 1 April 2024 to 31 March 2025.

Background papers

None identified

Report Reviewers Used for appraising this report:

Governance	Jen Preece	Date 22/05/2025
Finance	Karen Morris/ Wendy Pickering/ Judith Tranmer	Date -
Legal	Sean O'Connor	Date 22/05/2025
Communications	Luenne Featherstone	Date 21/05/2025
Equality Duty	Harriet Yellin	Date -
Procurement	Carrie Christopher	Date -
Risk	Paige McInerney	Date -
Approved by	Rachael Sanders	Date 02/06/2025

Appendix 1 – List of exemptions for period 1 April 2024 to 31 March 2025.

Title of exemption	Directorate	Date Signed	Supplier	Value	Description of works/goods/ services and Rationale for exemption	Reason for Supporting
Old House Museum / Black and White House, Hereford, Improvement works to the roof and façade.	Economy and Environment	29/04/2025	Splitlath Ltd	£262,202.82	Building works to listed building that could not be completed in time due to lime mortar application during certain months. Where in the opinion of the Director or Service Director in consultation with the Director of Finance and the Monitoring Officer considers that the works to be executed are urgent.	The exemption is supported on the basis the work needs to be completed before the winter which leaves insufficient time to undertake a procurement process. The value of the contract is below the Public Contract Regulations 2015 works threshold.
Jacobs Court Scaffolding	Economy and Environment	24/07/24	Lyndon SGB	£31,901.00	Urgent repairs to council owned scaffolding which has become unsafe and poses a significant risk to public safety. Where in the opinion of the Director or Service Director in consultation with the Director of Finance and the Monitoring Officer considers that the works to be executed are urgent.	The exemption is supported on the basis that the works are required urgently due to health and safety risks. The value of the contract is below the Public Contract Regulations 2015 works threshold.
Schools Capital Maintenance Programme – Wellington Boy's Toilet (Sinking Floor)	Children and Young People	02/08/2024	S C Joseph Ltd	£84,120.30	Urgent repair works under the schools' capital maintenance programme to Wellington school toilet floor which has sunk due to damp. The area has been deemed unsafe by council's health and safety team and closed immediately. Works need to be carried out when school is closed to pupils to minimise disruption. Where in the opinion of the Director or Service Director in consultation with the Director of Finance and the Monitoring Officer considers that the works to be executed are urgent.	The exemption is supported on the basis that the works are required urgently and can be completed by a contractor who is already undertaking work on site. Costs have been benchmarked to ensure value for money. The value of the contract is below the Public Contract Regulations 2015 works threshold.

Title of exemption	Directorate	Date Signed	Supplier	Value	Description of works/goods/ services and Rationale for exemption	Reason for Supporting
Resource Allocation System (RAS)	Community Wellbeing	19/09/24	Imosphere Ltd	£67,668.00	<p>The Resource Allocation System (RAS) software is interlinked with the Mosaic system. Both are integral to the care assessment process. The RAS contract is due to end and has no extension option remaining. Currently no other supplier's software can interface with Mosaic. A new RAS contract is required with the existing supplier for the period October 2024 to September 2026. This will align the end date of the RAS and Mosaic system contracts whilst a new integrated contract is procured.</p> <p>Where the services are of a unique or specialised nature or are identical or similar to or compatible with an existing provision so as to render only one or two sources of supply appropriate.</p>	It is acknowledged that options are currently being explored to procure an integrated contract which will commence in 2025. Further exemptions will not be supported due to a delay in the procurement of the service. The value of the contract is below the Public Contract Regulations 2015 goods/services threshold.
Hereford Crematorium Air Blast Cooler Matrix Replacement	Economy and Environment	10/12/24	Facultatieve Technologies Ltd	£31,460.80	<p>Replacement of the air blast cooler matrix at Hereford Crematorium by the original manufacturer and installer. This is required urgently due to a water leak and will enable the continuation of services and compliance with environmental permits.</p> <p>Where the supplies, works or services are of a unique or specialised nature or are identical or similar to or compatible with an existing provision so as to render only one or two sources of supply appropriate and Where in the opinion of the Director or Service Director in consultation with the Director of Finance and the Monitoring Officer considers that the services to be provided or the work to be executed or the supplies or materials to be purchased are urgent.</p>	The exemption is supported on the basis that the works are required urgently and can only be carried out by the original manufacturer and installer. The value of the contract is below the Public Contract Regulations 2015 works threshold.



Title of report: Draft Annual Governance Statement 2024/25

Meeting: Audit and Governance Committee

Meeting date: Tuesday 10 June 2025

Report by: Director of 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 2024/25 properly reflects the internal control environment the council is operating in and the appropriateness of actions identified to improve governance arrangements.

Recommendation(s)

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 2024/25 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 2024/25 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 2024/25 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. Herefordshire 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. The Public Sector Equality Duty requires the Council to consider how it can positively contribute to the advancement of equality and good relations, and demonstrate that it is paying 'due regard' in our decision making in the design of policies and in the delivery of services.
15. The mandatory equality impact screening checklist has been completed for this activity and it has been found to have no impact for equality.

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.

Risk / opportunity	Mitigation
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 2024/25

Background papers

None identified.

Governance statements



Annual governance statement

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 2024 to 31 March 2025, the key governance mechanisms in place and planned improvements for 2025/26 and beyond.

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

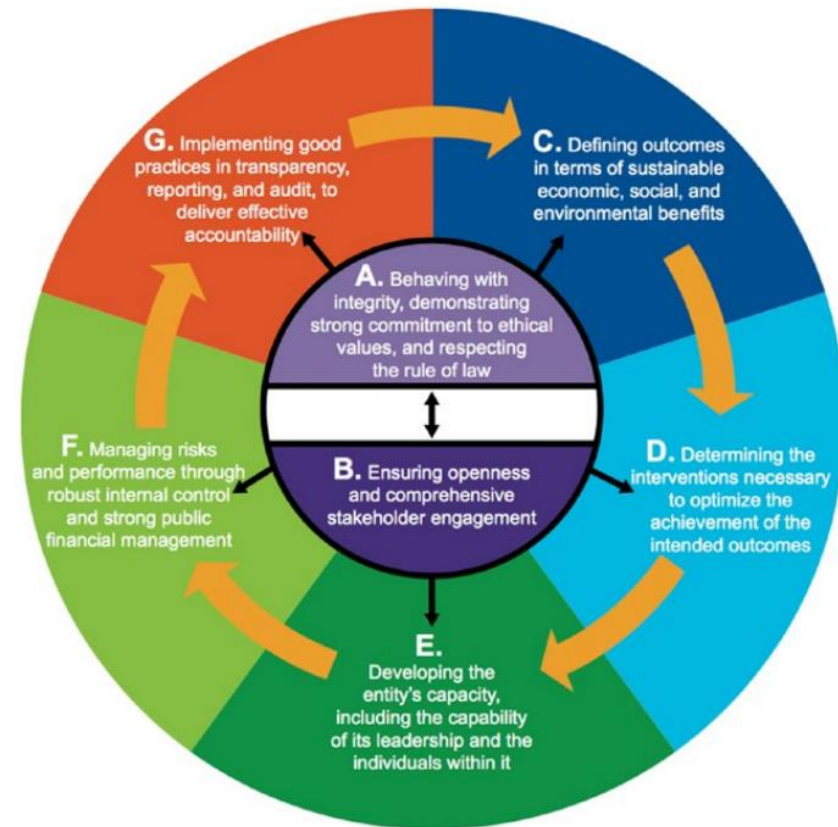
- our business is conducted in accordance with all relevant laws and regulations;
- public money is safeguarded and properly accounted for; and
- resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people.

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:



Annual governance statement

Overview of Governance Framework

Key elements of the council's governance framework, which have been in place throughout 2024/25 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.

Annual governance statement

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.

Annual governance statement

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 2024/25 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 2024/25

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 2024/25:

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:

- We have continued to review the council's Constitution and associated documents to simplify and enhance visibility across officers, Members and residents.

- In October 2024, a report was taken to full Council to propose amendments to the constitution in relation to: functions of the Audit & Governance Committee including recruitment and appointment of an Independent Person; functions of Planning and Regulatory Committee; clarification of the Planning Code and rules; amendment to the Fostering Panel membership to reflect practice; amendment to employment rules; amendment to the corporate scheme of delegation; amendment to enable consequential changes to be made to the Constitution; clarification to call-in; and role description for position of chair and vice chairperson.
- An update on the operation of the employee Whistleblowing Policy was reported to Audit & Governance Committee in October 2024 to provide assurance on the effectiveness of arrangements in place for employees, and others, to raise concerns that may be in the public interest.
- The Equality Policy 2024-2027 was approved in May 2024. The policy supports compliance with the Equality Act 2010 and details the council's equality objectives, work across the council to address equality issues and highlights areas where additional actions are proposed.
- The Corporate Complaints and Compliments Policy and Procedure 2025-2029 has been updated to ensure customers are informed about the complaints process and are aware of the rights and obligations. This ensures effective investigation and appropriate response to formal complaints and compliments received from service users.
- The Shareholder Committee forms part of the overall governance arrangements for Herefordshire Council in relation to companies and other legal entities which are wholly or partly owned or controlled by the Council. The Committee has met during 2024/25 to review the position and performance of companies in which the council has a legal interest. The Committee ensures transparent reporting of the council's interests.
- Engagement through Leadership Group, All Staff Briefings and collaboration across Corporate Leadership Team and individual Directorate Teams has taken place throughout 2024/25 ensuring that information about the council's strategic priorities and planned

Annual governance statement

activity is shared in a timely way to enable informed decision making at all levels across the organisation.

- Mandatory training completed in 2024/25 included modules which support decision making and reporting: Information Access & Information Governance, Information Security, Equality, Diversity & Inclusion (EDI).
- Additional training has been delivered through the council's Leadership Group in 2024/25 for officers to share across their teams: Equality Impact Assessments, the role of Scrutiny, Impact of Procurement Reforms and regular updates on the council's financial position and performance.

The governance arrangements, as identified above, have been effective in the period from 1 April 2024 to 31 March 2025. Areas where it is recognised that governance arrangements could be further strengthened include:

- 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, aligned to the revised Risk Management Strategy and Risk Appetite Statement.
- Improvements to the process for declaring employee interests will be delivered in 2025/26 to enable simplified reporting and updating by employees and support improved oversight by managers.
- Incorporation of equality considerations in service planning templates to improve ownership of equality within each service area.

Core Principle B: Ensuring openness and comprehensive stakeholder engagement

Key aspects of the council's governance arrangements during 2024/25:

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 2024/25 comprised:

- Continued 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.
- Active promotion of 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.
- 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 Herefordshire Council Plan 2024-28, approved by Council in May 2024, identifies the council's strategies and plans that will support delivery of priorities. As part of routine activity during 2024/25, these plans and strategies have been subject to in-year review and updates made accordingly. Collaboration and engagement across teams, and review by the Corporate Leadership Team, ensures that relevant strategies and policies are aligned to the Transformation Strategy.
- The Audit & Governance Committee appointed an Independent Member in September 2024 to provide specialist knowledge and insight and complement the skills and experience of existing Members. Training and information have been provided to the newly appointed Member to support delivery in the role.

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- Feedback from events and surveys to inform the council's corporate priorities. Consultations and surveys, to engage the views of stakeholders, during 2024/25 included: Library Strategy, Active travel improvements, 2025/26 Budget proposals, Herefordshire Domestic Abuse Strategy, Wraparound Childcare requirements and proposed expansion of Aylestone School.
- As part of consultation on proposals for the 2025/26 revenue budget and capital programme, the council developed an online budget simulator tool, enabling residents and other stakeholders to consider funding choices and the impact of changes in income and expenditure on the delivery of services. Engagement also asked for feedback on priorities for the 2025/26 budget and council tax increase options. A further event to engage with the business community was held in December 2024.
- Implementation of a People's Voice questionnaire at the conclusion of each Care Act Assessment in adult social care to secure feedback from individual residents on their experience to inform ongoing service improvement.

The governance arrangements, as identified above, have been effective in the period from 1 April 2024 to 31 March 2025. Areas where it is recognised that governance arrangements could be further strengthened include:

- Arrangements to enhance and strengthen governance, internal challenge and oversight of the council's major and capital projects will be implemented in 2025/26 with the establishment of a Major Projects Forum. This body will provide oversight with representation from a variety of stakeholders across the council to provide internal check and challenge.
- A further layer of assurance will be provided via a Corporate Services Gateway board to be chaired by the Deputy Monitoring Officer and Deputy S151 Officer to provide an opportunity for cross-cutting legal, financial, governance issues and risks to be considered separately for upward reporting to the Major Projects Forum.

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

Key aspects of the council's governance arrangements during 2024/25:

- The Herefordshire Council Plan 2024-28 sets out the council's vision across four priority areas: People, Place, Growth and Transformation. The annual Delivery Plan underpins the Council Plan and individual Service Plans provide a framework to support effective performance management and to ensure activity is aligned to the priorities and principles of the Delivery Plan and Council Plan.

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.

- Performance against 2024/25 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.
- Work to finalise Service Plans has progressed during 2024/25; in June 2024, a workshop took place with the council's Leadership Group to review existing service plans and standardise processes to develop the plans. The outcomes from this workshop have been

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taken forward to inform the production of Service Plans to support monitoring of performance at Service level in 2025/26.

- 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.
- Decision making across the council is supported by a clear governance framework and this ensures appropriate review and challenge of information across relevant teams including Finance, Legal, Governance, Risk, Equalities. Where appropriate, decisions are aligned to the priorities of the approved Council Plan. Cabinet and Committee reports set out the environmental implications of recommendations for consideration as part of decision making.
- The Contract Procedures Rules were updated in 2024/25 to incorporate the legislative requirements of the Procurement Act 2023 and Procurement Regulations 2024. The revised Rules ensure that service specifications for procurement of new or existing services identify social value outcomes and how they will contribute to the council's strategic priorities.

The governance arrangements, as identified above, have been effective in the period from 1 April 2024 to 31 March 2025. Areas where it is recognised that governance arrangements could be further strengthened include:

- Development of an updated Carbon Management Plan and associated action plan.
- Continued work with strategic partners, residents and local organisations to develop a revised countywide carbon dioxide reduction strategy aspiring for carbon neutrality by 2030.

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

Key aspects of the council's governance arrangements during 2024/25:

- 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.
- Development of the 2025/26 revenue budget and capital programme included increased engagement and transparency across Group Leaders, and their political groups, to share information throughout each stage of development and as new challenges to the council's financial position arose.
- Monthly Budget Board meetings of Corporate Directors and Service Leads, the Chief Executive and S151 Officer, have taken place throughout 2024/25 to monitor key Directorate pressures and challenges in the delivery of savings, and to identify action plans to manage cost pressures and mitigations for 'at risk' savings.
- Quarterly reporting of financial performance to Cabinet during 2024/25 has highlighted key financial pressures and risks, prompting the continuation of 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 2024/25.
- 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.
- The council's future target operating model was launched in 2024 and has been communicated across the organisation through staff briefings and the staff conference. The Strategic Transformation Board has been established to finalise work programmes and improvement activity that will support the implementation of the council's new target operating model.

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- Enhanced monitoring of children's residential placements has been delivered in 2024/25 through the Children & Young People Directorate's 'Better Outcomes' Panel, chaired by a Senior Officer.

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 improvements in the integration of social care case management and financial systems to support consistency and accuracy in data used to drive activity and financial forecasts.
- Improved links between All Age Commissioning and operational service areas to ensure joint understanding of commissioned services, to support service developments and enhanced financial management.

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 2024/25:

- The Workforce Strategy 2024-28, was approved for implementation in April 2024. The Strategy 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: developing and maintaining relationships based on a culture of transparency and open communication

HONESTY: demonstrating truthfulness, integrity, and transparency in all communications, decisions, and relationships

RESPONSIBILITY: taking ownership of individual and collective actions, decisions, and delivering on commitments

INCLUSIVITY: embracing diversity, equity and inclusion by recognising and valuing the unique perspectives, backgrounds and experiences of staff, customers and residents

VALUE: upholding high standards, ethics and integrity to guide actions and decisions by demonstrating commitment to creating and delivering value

EMPATHY: demonstrating a genuine and caring understanding of others' feelings, perspectives, and experiences

- A Children & Young People Workforce Strategy, aligned to the Corporate Workforce Strategy with a specific focus on ambitions for staff in the C&YP Directorate, is in place to support permanent recruitment and development of staff internally.
- The council provides a range of learning and development opportunities for staff, delivered through the Learning & Organisational Development Team. This includes Mandatory Training modules as well as opportunities through 'My Learning Hub'.
- In 2024/25, investment in the council's learning offer, shaped by feedback from staff, resulted in a programme of learning across a variety of topics. The All Staff learning offer includes 10 topics covering core skills as well as areas identified as a learning gap in the employee survey and through employee feedback. Themes include: Productivity, Impact & Influence, Change Mindset and Presenting. For Managers and Leaders, an additional suite of training is available to support leadership and management skills.

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This includes topics such as coaching skills, managing change and performance and delegation and empowerment skills.

- Staff are able to discuss and agree training and development needs through the annual 'My Conversation' process.
- In 2024/25, the Corporate Leadership Team approved a suite of leadership training for leaders at all stages of their careers, which will be implemented in 2025/26: Lead@HC.
- The council has continued to develop and update its financial reporting arrangements during 2024/25, to tailor financial information to the risks of each Directorate, working collaboratively with stakeholders.
- During 2024/25, regular updates on the council's financial position and performance in the year to date, have been shared with the council's Leadership Group (staff who report directly to a member of the Corporate Leadership Team) and through All Staff Briefings. At the Staff Conference in September 2024, an update by the Director of Finance was shared with all attendees.

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

- The council's leadership development programme (@LeadHC) will be launched in 2025/26 to address gaps in the learning and development offer and strengthen leadership skills and capabilities. The Lead@HC Programme will aim to develop inspirational leaders across four themes: Grow, Aspire, Empower, Innovate.
- A review of the reporting tools available through the council's finance system (Business World) will be undertaken in 2025/26 to increase automation and simplification of financial information to aid budget management and decision making.

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 2024/25:

- 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 Council Plan. Quarterly budget and performance reports are presented to Cabinet to report progress against the agreed revenue budget, capital programme, savings and achievement of key milestones in the Delivery Plan.
- Risk management forms an integral part of the council's governance arrangements and decision-making processes and is fundamental to the successful delivery of strategic objectives. Effective risk management enables the council to make informed decisions in respect of challenges and risks within the boundaries of risk appetite, available resources and legislative and regulatory requirements and strengthens the council's ability to be agile to respond to challenges and opportunities.
- Activity to review and update the council's risk management arrangements was undertaken in 2024/25 to update the Risk Management Strategy and strengthen the management and monitoring of risks across the council.
- This activity has included feedback from the council's external risk management consultants, Corporate Leadership Team Risk Management workshops, facilitated by the council's Internal Auditor's Chief Technical Advisor for Risk and Head of Internal Audit, and engagement with Cabinet Members and Audit & Governance Committee.
- A revised Risk Management Strategy has been completed, incorporating a new Risk Appetite Statement which defines the level of risk the council is willing to accept to deliver the priorities of the Herefordshire Council Plan 2024-28 and annual Delivery Plan.
- The Strategy sets out the approach and principles of risk management, outlining the council's risk appetite, risk management objectives and confirms the roles and responsibilities of elected Members and Officers across the council.
- 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

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organisation. Work to raise awareness internally and externally has continued in 2024/25: 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.
- Internal financial reporting and monthly Directorate Budget Board meetings have supported early identification and effective management of financial risks during 2024/25; enabling recovery plans and 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.
- A self-assessment against the CIPFA Financial Management Code has been completed in 2024/25 and actions to address areas for improvement have been developed for implementation in 2025/26.

The governance arrangements, as identified above, have been effective in the period from 1 April 2024 to 31 March 2025. Areas where it is recognised that governance arrangements could be further strengthened include:

- Risk management takes place across the council at Corporate, Directorate and Service levels and activity will continue in 2025/26 to review the council's risk management framework which outlines the processes and activities by which risks are identified, evaluated, managed, monitored and reported, in line with the revised Risk Management Strategy.

- This activity will include engagement through the council's Leadership Group and training for risk owners at all levels within the risk management framework including elected members.

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

Key aspects of the council's governance arrangements during 2024/25:

- 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.
- Internal and external recommendations for ongoing monitoring are managed through 'AuditBoard': an integrated tool which is now used by Council Staff, Internal Audit (SWAP) and Members of the Audit & Governance Committee. Training has been provided to users and the Internal Audit in-year quarterly update reports are informed by data recorded in this tool.

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- Individual Directorate Delegations of Authority have been reviewed to strengthen and reinforce financial accountability and responsibility.
- The process to assess the equality impact of council decisions, activity and policies has been reviewed during 2024/25 and refreshed Equality Impact Assessment Guidance is available on the council's intranet for all Officers to consider. In addition, an interactive training session was delivered to the council's Leadership Group in October 2024.

The governance arrangements, as identified above, have been effective in the period from 1 April 2024 to 31 March 2025. Areas where it is recognised that governance arrangements could be further strengthened include:

- A review of the council's Internal Audit Plan for 2025/26, following the approval of the updated Risk Management Strategy and Corporate Risk Register, to ensure that planned work provides adequate coverage of the council's key risks and control environment.
- 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.
- Equality, Diversity and Inclusion (EDI) training is included in the council's Mandatory Training Programme for 2025; opportunities to enhance and share information to strengthen consideration of equality impact assessments for staff and Members will continue in 2025/26.

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Significant Governance Issues

Actions taken to address significant governance challenges during 2024/25 are noted below.

- Improvements in Children's Services:** During 2024/25, the council has continued to work hard to deliver the improvements required in Children's Services. In September 2024, Phase 2 of the Children's Services Improvement Plan was endorsed by Cabinet, following engagement and scrutiny of the Plan by the Children & Young People Scrutiny Committee. Findings and feedback from the Ofsted monitoring visit and SEND Area Inspection 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 Improvement Board, has reviewed its terms of reference and membership and has been independently chaired by the Department of Education Commissioner with meetings held on a six-weekly basis. 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. In March 2025, Council unanimously endorsed the Corporate Parenting Strategy 2025-2027 which sets out the council's ambitions, actions and outcomes to achieve as Corporate Parent of children and young people in Herefordshire.
- Financial Management and Resilience:** Monthly Directorate Budget Boards have provided improved oversight of key cost pressures and challenges in the delivery of savings during 2024/25, supporting the early identification and effective management of financial risks. Directorate control panels have continued to review expenditure on goods and services, as well as changes in staffing arrangements, to provide increased rigour and challenge over expenditure. This activity has enabled recovery plans to be implemented to have a positive impact on the final outturn position.

The review of governance arrangements during 2024/25 has identified the following areas which will be a key focus for the council's leadership in 2025/26:

- 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 to deliver improvements to address Ofsted recommendations and will monitor activity and report on measures of success through the Improvement Plan.
- Financial Sustainability and Resilience:** The council's financial position continues to be challenging with significant uncertainty in terms of future funding arrangements and allocations across local authorities over the medium term period. Government have confirmed that there will be significant reform of funding arrangements in future years, including a Fair Funding Review and reset of Business Rates during 2025 for implementation from 2026/27. Monitoring of financial position and performance in 2025/26 will include enhanced monitoring of delivery of the capital programme, cashflow position and improved reporting of the council's assets and liabilities including debt, long-term borrowing and use of earmarked reserves.
- The council has set a balanced budget for 2025/26 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 2025/26 to ensure delivery of services within the approved budget. Budget Boards, established in 2024/25 will monitor achievement of savings targets, key financial pressures and risks and delivery of capital and major projects by Directorate.
- Dedicated Schools Grant:** At 31 March 2025, the council's Dedicated Schools Grant (DSG) cumulative deficit is £20.0 million and this is expected to

Annual governance statement

increase further during 2025/26. 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 monitoring of the impact of actions in the DSG Deficit Management Plan, and by reviewing opportunities to increase sufficiency and reduce the use and cost of out-of-county and independent provision, through the council's capital programme in 2025/26 and 2026/27. The risk of a lack of local special educational needs and disabilities (SEND) placement provision to meet current and future levels of demand, is included in the Corporate Risk Register and the impact of mitigating actions and controls will be reported to Cabinet throughout 2025/26.

The key governance challenges facing the council in 2025/26 will be monitored by the Corporate Leadership Team and Audit & Governance Committee.

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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 2023/24, 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 2023/24 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.

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 2025, 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 2024 to 31 March 2025. 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/2025

Jonathan Lester
Leader of the Council
Date: XX/XX/2025



Title of report: 2024/25 Draft Statement of Accounts

Meeting: Audit and Governance Committee

Meeting date: Tuesday 10 June 2025

Report by: Director of 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 2024/25.

Recommendation(s)

That:

- a) **Audit and Governance Committee notes, and comments on as appropriate, the draft, unaudited Statement of Accounts for 2024/25.**

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 2024/25 Code of Practice on Local Authority Accounting in the United Kingdom, issued by the 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

Further information on the subject of this report is available from
Rachael Sanders, Judith Tranmer, Tel: 01432 383775, Tel: 01432 261867, email:
Rachael.sanders@herefordshire.gov.uk, judith.tranmer@herefordshire.gov.uk

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 2024/25 (Appendix 1) and published them on 30 May 2025, one month ahead of 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 June to September, with audited Statement of Accounts and audit findings to be presented at the September meeting of this committee, in advance of the statutory deadline of 27 February 2026.
5. The financial outturn position reported for 2024/25 is an underspend of £0.5 million against a budget of £212.8 million. The net deficit on the provision of services presented in the comprehensive income and expenditure statement is £11.1 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 increased by £0.5 million to £10.1 million and earmarked reserves have increased from £73.2 million to £80.7 million. These figures included balances of £11.7 million held for individual maintained schools.
7. The cumulative dedicated schools grant (DSG) deficit brought forward from the last financial year of £6.1 million has increased by £13.9 million, representing the deficit in 2024/25, to £20.0 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 2024/25 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 2025 which are reflected in the 2024/25 draft Statement of Accounts.
9. A new accounting standard was implemented from 1 April 2024; IFRS 16 Leases. The impact of this is to create a right of use asset and a lease liability on the balance sheet, instead of charging the lease payments to the comprehensive income and expenditure statement. A full review of council contracts and lease contracts was undertaken to determine those in scope of the accounting standard. The impact on the 2024/25 draft Statement of Accounts of the new accounting standard is not material in respect of right of use assets, and the note in the Statement of Accounts reflects this assessment.
10. 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 £3.4 million, which includes reserves applicable to the minority interest of £0.7 million.
11. 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

12. 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

13. Herefordshire 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.
14. This report is to note the draft 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 will be mostly completed remotely, reducing travel impact and paper usage.

Equality duty

15. The Public Sector Equality Duty requires the Council to consider how it can positively contribute to the advancement of equality and good relations, and demonstrate that it is paying 'due regard' in our decision making in the design of policies and in the delivery of services.
16. The mandatory equality impact screening checklist has been completed for this activity and it has been found to have no impact for equality.

Resource implications

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

Legal implications

18. 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 2 June 2025 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

19. 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

20. The Statement of Accounts was made available for public inspection for a six week period commencing 2 June 2025.

Appendices

- Appendix 1 Draft Statement of Accounts 2024/25
Appendix 2 Summary Financial Statements 2024/25

Background papers

None identified.

Herefordshire Council Draft Statement of Accounts 2024/25 (Subject to Audit)

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Narrative report



Narrative report

Foreword from the Chief Executive

In my fourth year as Chief Executive, Councillors and staff have continued to work together to deliver improvements against our corporate priorities: protecting and enhancing our environment, enabling residents to realise their potential in safe and supportive communities, delivering sustainable economic growth across the county and providing services efficiently to demonstrate value for money.

In February 2024, Council approved its budget for 2024/25 and performance against the budget is set out in this Statement of Accounts and the revenue outturn report presented to Cabinet. Our sustainable financial strategy for 2025/26 and onwards, builds on the prudent approach and robust financial management exercised in 2024/25 and previous years. This strategy aims to preserve and protect the council's future financial resilience and sustainability at a time of increasing cost pressures and uncertainty over future funding arrangements, to ensure the council can achieve an ambitious programme of innovation and improvement to deliver the best for Herefordshire.

As a result of the robust management of the revenue budget and responsible stewardship of the council's financial resources, the council is in a strong and resilient position to respond to and withstand future financial pressures and deliver improvements for residents. Some notable successes in 2024/25 included:

- We have continued to make progress to improve the quality of services and improve outcomes for our children and young people; reviews by Ofsted and the Children's Commissioner have recognised evidence of progress and the council's commitment to ensure the voices of children, young people and families are heard and actively involved in service development and delivery.
- The council received additional funding from Arts Council England in 2024 to support the major refurbishment and extension of Hereford Museum and Art Gallery. This exciting project, alongside renovation of the Shirehall as the city's new library and learning centre, will put Herefordshire on the map as a destination for art, history and culture.

- We continued to support 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 and Food Programme.
- The Herefordshire Youth Employment Hub officially opened in February, offering advice and support to help young people aged 16-24 into work, education and apprenticeships. The hub, which is a partnership between the council and the Department for Work and Pensions, will provide a positive start to the future working lives of many young people in the county.
- Council staff and partner agencies worked tirelessly to respond to severe weather events in the winter months; minimising the impact of flooding to keep households, businesses and road users safe and supporting vulnerable residents, including providing shelter for those sleeping rough.
- Work has commenced on the development of detailed plans for the first phase of the Hereford Western Bypass. The planned route will ease traffic flow in south Hereford and make it easier to access employment land and support economic growth south of the river.
- Innovation and excellence across the council has received national recognition in 2024/25; the Luston Wetland project was awarded the Local Government Chronicle (LGC) Award for Environmental Services and the Royal Town Planning Institute West Midlands Awards for Planning Excellence, and the council's Finance Team won the Public Finance Award for Excellence in Governance, Reporting and Assurance.

Looking forward to 2025/26 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 deliver service improvements and enable the council to take advantage of opportunities to 'get ahead' of risks, financial pressures, planned local government reform and be fit for the future.

Paul Walker, Chief Executive

Narrative report

About Herefordshire Council

Herefordshire is a county with a rich history and proud heritage, covering a geographic area of 840 square miles. 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, temporary accommodation and home to school and SEND transport services has placed the council's resources under significant pressure during 2024/25.

Robust, timely monitoring of the revenue budget and responsible stewardship of financial resources throughout 2024/25 has enabled the council to respond to and mitigate these financial pressures. The Corporate Leadership Team has continued to exercise robust financial management of the forecast position throughout the year; monitoring the impact of planned mitigations and recovery actions on the in-year forecast and the progress of delivery of approved savings targets.

The council has continued to make arrangements to secure value for money in its use of resources throughout the year; strengthening governance and risk management arrangements and managing key financial pressures to deliver corporate objectives, service improvements and transformation.

Our Vision and Corporate Priorities

The Herefordshire Council Plan 2024-2028, approved in May 2024, 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.

The Plan is supported by an annual delivery plan which outlines the activities to be undertaken to the identified outcomes. Achievement against the delivery plan is monitored through a robust performance monitoring framework incorporating a suite of management and performance information reports used across teams and services.

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

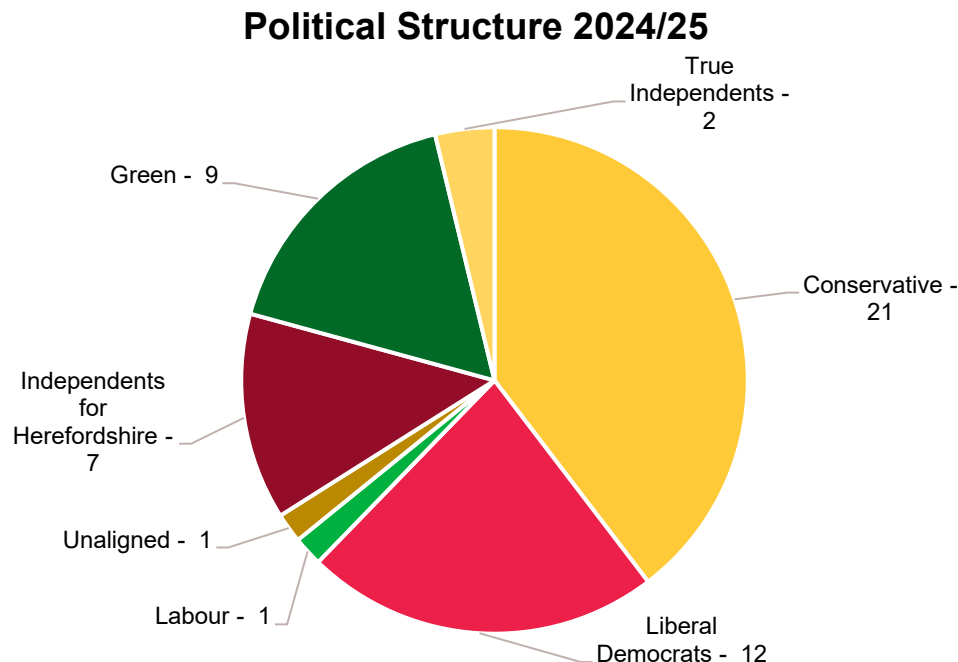
Partnership working is central to Herefordshire Council's success and to delivering the best results for our residents. We are stronger together and the council will always work to build strong, effective partnerships to ensure our county is much more than the sum of its parts.

Narrative report

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 as at 31 March 2025:



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 services 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.

Narrative report

Our Performance

Community Wellbeing

The council's priority is to protect and improve the lives of vulnerable people and to enable residents to live healthy lives within supportive communities. 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. We have strengthened our commissioning practice in 2024/25, supported by a restructure of the All Ages Commissioning Service and have recommissioned supported living and community activity services to modernise the offer of support for working age adults.

Our adult social care services continued to work closely with the hospital to manage effective discharge from hospital throughout the year, reviewing homecare and care home capacity to manage the increasing demand. We have continued to support residents during 2024/25 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.

Development of the county's cultural offer has continued throughout 2024/25. The redevelopment of Hereford Museum and Art Gallery reached a major milestone in July 2024, when planning permission and listing building consent was granted. Work to develop gallery plans and community engagement activities continues to explore how the museum and gallery can celebrate Herefordshire's unique heritage and identity. Renovation of the Shirehall, to transform one of Hereford's most historic buildings, into a new library and learning centre has also progressed this year and plans are in development to provide improved facilities for learning, digital literacy and cultural activities.

Economy and Environment

Investment in the county's highway network has continued in 2024/25 with £8m invested in resurfacing works and additional investment in a programme of surface dressing to prolong the life of the roads, strengthen the resilience of the network and deliver quicker, safer and smoother journeys.

We have also supported parish and town councils for local public realm improvements and invested in replacement public rights of way structures to enable the reopening of routes across the county so that residents and visitors can access and enjoy the countryside.

We commenced procurement activity for a new provider of public realm services this year, with a view to securing a new contractor from June 2026. This process will evaluate tenders to ensure the council appoints a provider to deliver the best for our communities, keeping roads and public spaces well maintained and safe.

The new waste collection services contract started in September. The services is delivered by a new fleet of vehicles, including two electric refuse collection vehicles, and will see greater reuse of bulky items, weekly collections of recycling for areas with no external storage space and the expansion of commercial recycling bin options.

The council's pioneering Luston Wetland project, which captures and removes phosphate to improve the wellbeing of rivers and enable the trading of credits for new homes, was acknowledged with a Local Government Chronicle (LGC) Award for Environmental Services in June 2024. The Wetlands demonstrates the council's commitment to improving environmental sustainability, tackling river pollution and addressing the gap in housing identified in our Local Plan.

Narrative report

Children and Young People

The transformation and improvement of Children's social care services, to improve outcomes for children and young people across the county, remains the council's number one priority. The Herefordshire's Children's Services and Partnership Improvement Plan Phase 2, endorsed by Cabinet in 2024, will support the service to increase the pace of improvement focusing on four fundamental foundations of good practice: Building relationships, Quality of assessments, Quality of plans and planning and Supervision and management oversight.

Ofsted Monitoring visits have taken place throughout 2024/25 and the DfE appointed Children's Service Commissioner has continued to monitor progress in the delivery of improvements. 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. Strengthened financial management in the Directorate has had a positive impact on the budget outturn position and delivery of in-year savings targets.

Narrative report

Our Financial Performance

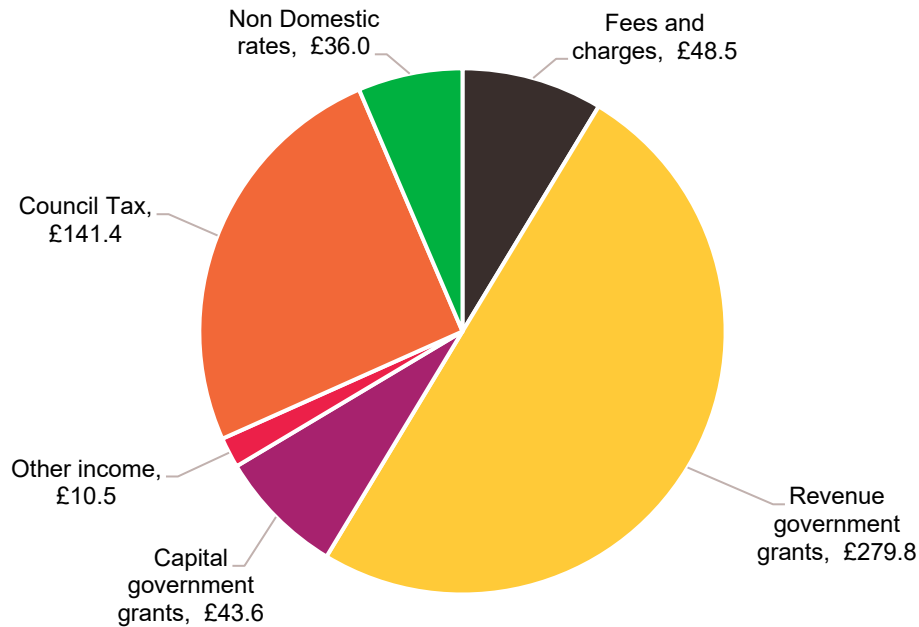
Revenue Summary

The council receives funding from three main sources:

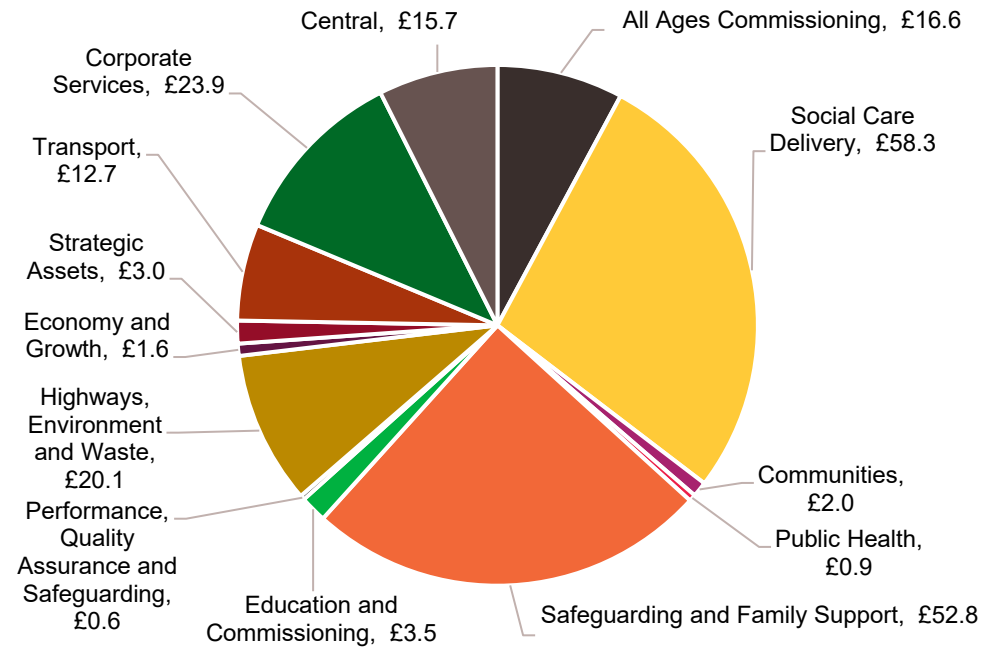
- Government grants
- Council tax
- Business rates

The council also generates income from fees and charges from the services it provides. The charts below show the funding received in 2024/25 and how these funds were spent on services in the year:

Gross income 2024/25 £559.8m



Net expenditure 2024/25 £212.3m



Narrative report

2024/25 Revenue Outturn

In February 2024, the council approved a net revenue budget of £212.8 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 delivered an underspend of £0.5 million (0.2% of budget) in 2024/25 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
Community Wellbeing	76.2	77.8	1.6
Children and Young People	59.7	56.9	(2.8)
Economy and Environment	26.7	25.3	(1.4)
Corporate Services	22.2	23.9	1.7
SEN&Home to School Transport	9.3	12.7	3.4
Directorate Total	194.1	196.6	2.5
Central, Treasury Management	16.4	15.7	(0.7)
Supplementary Budget	2.3	-	(2.3)
Total	212.8	212.3	(0.5)

The Community Wellbeing Directorate budget delivered an overspend of £1.6 million (2.0%) against its £76.2 million net budget after application of £4.0 million from the Budget Resilience Reserve. The Directorate has managed significant cost pressures throughout 2024/25 due to increased demand and complexity of need for the county's ageing population, increased demand for temporary accommodation, the impact of hospital high occupancy rates and an increase in the number of individuals unable to fund their own care linked to the impact of increases in the cost of living and inflation.

The Directorate will continue to respond to these challenges in 2025/26 through robust management of high-cost adult social care packages, increased collaboration with health and community partners to maximise funding arrangements and improved utilisation of existing care contracts.

The 2024/25 revenue budget included additional investment of £17.6 million for Children & Young People services to provide sufficient funding to meet growing demand, greater complexity, national challenges in workforce recruitment and retention and increased financial constraints.

The Children & Young People Directorate delivered an underspend of £2.8 million on its £59.7 million budget in 2024/25 and delivered planned savings of £2.3 million in full through reductions in high-cost placements and conversion of agency social workers to permanent posts, creating a more stable and resilient workforce.

The budget amendment, approved in February 2024, allocated additional budget of £2.3 million to the Children & Young People Directorate to mitigate against non-delivery of savings in 2024/25. As savings have been delivered in full, the additional budget has not been used and is presented as an underspend which contributes to the overall underspend position for the year.

The Economy and Environment Directorate achieved an underspend of £1.4 million on its £26.7 million net budget. The outturn position comprises overspends in Planning and Development Control offset by reduced energy costs, reduced waste disposal contract expenditure as a result of reduced in-year tonnage rates and additional income from fees and charges for services delivered by the Directorate.

The Corporate Services Directorate delivered an overspend of £1.7 million which represents savings targets not delivered in 2024/25, staffing cost

Narrative report

pressures and an increase in the external audit scale fee as set by the Public Sector Audit Appointments.

Expenditure against the Home to School and Special Educational Needs and Disability (SEND) transport services budget delivered an overspend of £3.4 million in 2024/25. The provision of transport services represents a significant pressure in Herefordshire and nationally and, ahead of any substantive reform, the council continues to identify strategies to manage increasing demand and cost pressures.

Central and Treasury Management budgets achieved a total underspend of £0.7 million which represents positive variances as a result of prudent treasury management activities, in line with the approved Treasury Management Strategy and dividend income.

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

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Capital Investment Programme

In February 2024, the council approved a revised capital budget of £160.0 million for 2024/25. The final capital programme for the year following reprofiling of expenditure to future years, addition of new grants and projects like the acquisition fund for housing provision totalled £97.0 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, to extend coverage across the counties, was completed 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 2025/26; this project is supported by increased funding of £6.3 million from the Levelling Up Fund.
- **Resurfacing Herefordshire Highways & Local Transport Plan (LTP) Grant:** £4.9 million of resurfacing work has been undertaken for highways across the county plus additional spend of £15.5 million in highways improvements from the annual Local Transport Plan Grant.
- **Home Energy Efficiencies:** £3.6 million in Home Upgrade Grants have been distributed in 2024/25 to enable residents to benefit from more energy efficient heating systems and energy efficient home improvement. This project has now completed and will be replaced by the Warm Homes Fund.
- **Schools Maintenance Grant:** over £3.3 million was spent on improvements to schools including new roofs, internal works and replacement boilers.
- **Brookfield School:** Construction work has commenced to deliver planned improvements, due to complete in October 2025.
- **Waste:** Purchase of a fleet of vehicles, including two fully electric vehicles, for the new waste collection contract and improvements to the depot, along with new EV charging points took place in 2024/25.
- **UK Shared Prosperity and Rural Prosperity Grants:** A total of £2.4 million in capital grants were allocated across local businesses to support growth across the county.

Narrative report

2024/25 Capital Outturn

The total expenditure on capital projects in 2024/25 was £74.1 million which represents 76% of the revised budgeted programme. This expenditure was financed by capital grants of £45.8 million, prudential borrowing of £23.2 million, revenue reserves of £0.2 million and capital receipts of £4.9 million.

The £22.9 million underspend comprises £5.2 million of projects that have delivered below project budgets and a further £17.7 million of budgets to be carried forward to 2025/26.

Summary Financial Position	Approved budget £m	Revised budget £m	Expenditure £m	Variance £m
Community Wellbeing Delivery Board	20.4	10.9	6.5	(4.4)
IT Services Partnership Board	1.8	2.1	1.0	(1.1)
Growth Delivery Board	55.3	24.4	18.1	(6.3)
Infrastructure Delivery Board	62.7	50.5	39.8	(10.7)
Commissioning Delivery Board	19.8	9.1	8.7	(0.4)
Total	160.0	97.0	74.1	(22.9)

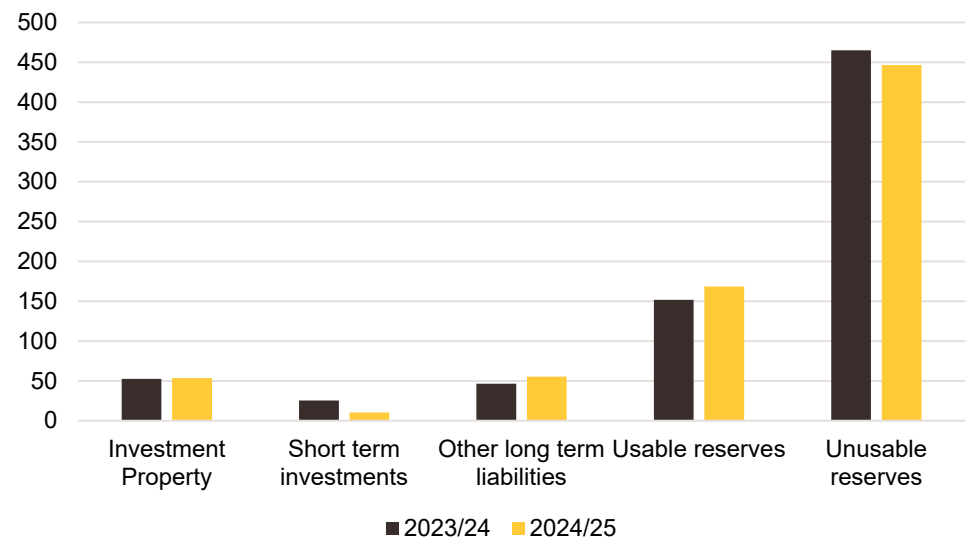
Narrative report

Assets and Liabilities

The Balance Sheet summarises the council’s financial position at 31 March 2025 and reports the assets, liabilities and reserves which show what the council owns and how much it owes. The council’s net assets have decreased by £1.8 million from £616.7 million at 31 March 2024 to £614.9 million at 31 March 2025. The key balance sheet variations are noted in the following table and chart:

Summary Financial Position	31 March 2024 £m	31 March 2025 £m	Movement £m
Assets (what we own)	872.2	895.7	23.5
Liabilities (what we owe)	(255.5)	(280.8)	(25.3)
Net financial position (assets less liabilities)	616.7	614.9	(1.8)
The net financial position is held in reserves as follows:			
General reserves (usable)	(151.8)	(168.4)	(16.6)
Other reserves (unusable)	(464.9)	(446.5)	18.4
Total reserves	(616.7)	(614.9)	1.8

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. New long-term borrowing of £25.0 million, over a 20-year term, was secured in March 2025 to support delivery of the council’s capital programme and liquidity.

Total borrowing at 31 March 2025, including short term loans, was £138.8 million (£121.0 million at 31 March 2024). Principal debt repayments of £7.4 million were made and interest of £4.7 million was paid on all council borrowing during 2024/25. Net borrowing (borrowing less short-term investments) was £128.4 million as at 31 March 2025 compared with £95.6 million as at 31 March 2024.

Narrative report

Other Long Term Liabilities

The movement in long term liabilities results from an increase in the Private Finance Initiative (PFI) liability, as a result of remeasurement on the implementation of IFRS16 Leases in 2024/25, and a reduction in the pension fund liability.

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 2025 is £7.1 million (£8.2 million at 31 March 2024) on an International Accounting Standard (IAS) 19 basis.

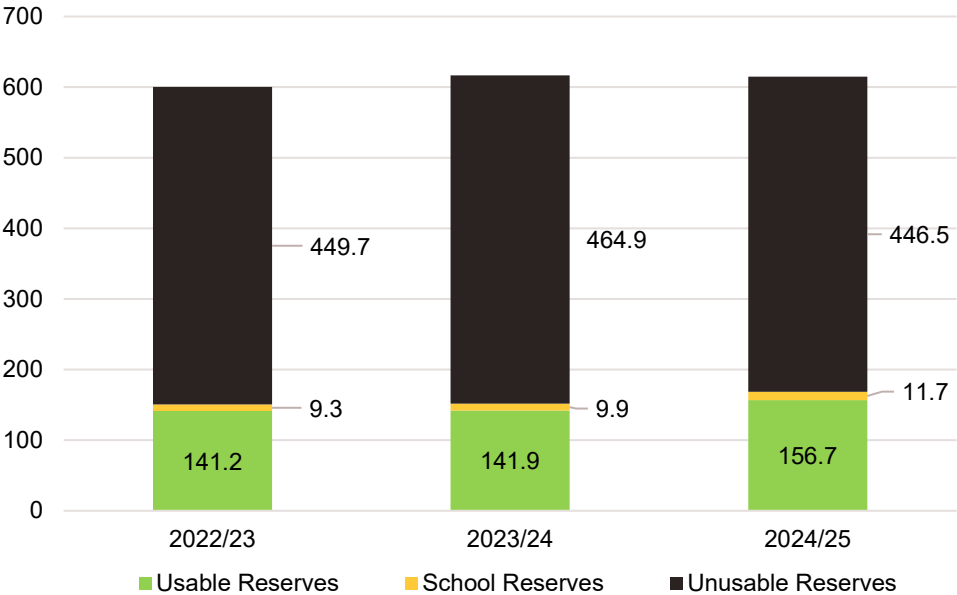
The pension fund position is reviewed every three years and was last revalued as at 31 March 2022, where the in-service contribution rate increased to 18.8% (previously 17.6%) and the deficit contribution decreased to 1.2% (previously 10.4%). These changes have been reflected in the medium term financial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

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.

Narrative report

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 decrease in unusable reserves is largely due to the in-year Dedicated Schools Grant (DSG) deficit which is accounted for as a negative reserve as permitted by statutory override.

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 approved budget for 2025/26 builds on the prudent approach and robust financial management exercised in 2024/25 and prior years: to preserve and protect the council's future financial resilience and sustainability at a time of increasing cost pressures, reduced Central Government grants, uncertainty over future funding arrangements and planned reorganisation of the local government framework.

A sustainable financial strategy has been developed for 2025/26 and onwards, to ensure the council can achieve an ambitious programme of innovation and improvement to deliver the best for Herefordshire.

The council has developed a 4-year Medium Term Financial Strategy (MTFS) for the period from 2025/26 to 2028/29 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 and the appointed Commissioner for Children's Services to address required transformation and improvement. The Phase 2 Children's Services and Partnership Improvement Plan was endorsed by Cabinet in July 2024 introducing a Quality Assurance Framework of measures (key performance indicators, service user feedback and audit activity) to enable future progress to be monitored. Performance against the Improvement Plan is monitored and reported on a quarterly basis. The supporting Financial Plan has been revised for 2025/26 to ensure the Children & Young People Directorate is able to continue to deliver savings whilst sustaining improvement in service delivery.
- **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 2025/26. In year monitoring of performance and relevant activity data enables Directorates to forecast trends and identify changes in demand. The Budget Resilience Reserve, established in 2024/25,

Narrative report

represents a contingency budget for 2025/26 and future years to mitigate the risks of excessive cost pressures and volatility in demand.

- **Volatility in government funding streams:** The government settlement for 2025/26 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. Government has confirmed that there will be significant reform of funding arrangements in future years, including a Fair Funding Review and reset of Business Rates. The MTFS will be updated to reflect the impact for the council as further information is received.
- **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 significant financial pressure for the council, in line with the national trend. The cumulative deficit sits as a negative unusable reserve on the balance sheet as permitted via a statutory instrument. This enables all local authorities to ringfence DSG deficits from the council wider financial position in the statutory accounts. This instrument expires at the end of 2025/26, with an implied risk to the General Fund and overall financial position if the council is required to fund the deficit. Measures to contain the deficit and mitigate future cost and demand pressures will be managed through the DSG Deficit Management Plan and the financial impact of agreed mitigations will be monitored and reported throughout the year as part of the council's routine budget monitoring processes and risk management framework.

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 2024/25, 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 92 to 99.

Rachael Sanders, Director of Finance and Section 151 Officer

30/05/2025

Statement of responsibilities

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 2025 and its income and expenditure for the year ended 31 March 2025.

Rachael Sanders, Director of Finance and Section 151 Officer

XX/XX/2025

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 2024/25.

David Hitchiner, Chair of the Audit and Governance Committee

XX/XX/2025

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.

Restated* 2023/24 Gross expenditure £m	Restated* 2023/24 Gross income £m	Restated* 2023/24 Net expenditure £m	Comprehensive income and expenditure	Note	2024/25 Gross expenditure £m	2024/25 Gross income £m	2024/25 Net expenditure £m
190.8	(124.6)	66.2	Children and Young People		209.6	(137.0)	72.6
134.6	(58.9)	75.7	Community Wellbeing		147.6	(64.5)	83.1
103.7	(30.3)	73.4	Economy and Environment		99.3	(36.1)	63.2
79.0	(41.0)	38.0	Corporate Services		70.4	(42.3)	28.1
508.1	(254.8)	253.3	Net cost of services	8	526.9	(279.9)	247.0
6.4	-	6.4	Other operating expenditure	10	35.3	-	35.3
9.4	(19.7)	(10.3)	Financing and investment income and expenditure	11	8.7	(10.5)	(1.8)
-	(242.4)	(242.4)	Taxation and non-specific grant income	12	-	(269.4)	(269.4)
523.9	(516.9)	7.0	(Surplus)/deficit on the provision of services	9.1	570.9	(559.8)	11.1
		(10.6)	(Surplus)/deficit on revaluation of non-current assets	19.3			(8.2)
		(12.9)	Re-measurement of the net defined benefit liability	T1.3			(1.1)
		(23.5)	Other comprehensive (income) and expenditure				(9.3)
		(16.5)	Total comprehensive (income) and expenditure				1.8

*See Note 5 for Prior Period Adjustment

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).

31 March 2024 £m	Balance sheet	Note	31 March 2025 £m
685.8	Property, plant and equipment	19.1	697.5
52.6	Investment property	20	53.5
0.5	Intangible assets		0.7
4.1	Heritage assets		4.4
35.8	Long term debtors	T2.2	35.6
778.8	Long term assets		791.7
25.4	Short term investments	T2.2	10.4
0.3	Inventories		0.3
42.8	Short term debtors	22	54.7
24.9	Cash and cash equivalents	23	38.6
93.4	Current assets		104.0

31 March 2024 £m	Balance sheet	Note	31 March 2025 £m
(8.0)	Short term borrowing	T2.3	(8.3)
(56.6)	Short term creditors	24.1	(56.8)
(8.4)	Short term grants receipts in advance	24.2	(6.7)
(3.5)	Short term provisions		(3.6)
(1.8)	Cash and cash equivalents	23	(3.3)
(78.3)	Current liabilities		(78.7)
(1.7)	Long term provisions		(1.4)
(113.0)	Long term borrowing	T2.3	(130.5)
(16.0)	Capital grants receipts in advance	25	(14.9)
(46.5)	Other long term liabilities	T2.3	(55.3)
(177.2)	Total long term liabilities		(202.1)
616.7	Net assets		614.9
(151.8)	Usable reserves	29	(168.4)
(464.9)	Unusable reserves	30	(446.5)
(616.7)	Total reserves		(614.9)

Rachael Sanders, Director of Finance and Section 151 Officer

30/05/2025

Movement in reserves statement

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

Movement in reserves statement	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
Balance at 31 March 2023	(9.6)	(81.8)	(91.4)	(40.1)	(19.0)	(150.5)	(449.7)	(600.2)
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	-	-	-	-	-	-
(Increase)/decrease in year	-	8.6	8.6	1.9	(11.8)	(1.3)	(15.2)	(16.5)
Balance at 31 March 2024	(9.6)	(73.2)	(82.8)	(38.2)	(30.8)	(151.8)	(464.9)	(616.7)
Total comprehensive income and expenditure	11.1	-	11.1	-	-	11.1	(9.3)	1.8
Adjustments between accounting basis and funding basis under regulations (note 28)	(19.1)	-	(19.1)	3.4	(12.0)	(27.7)	27.7	-
Transfers (to)/from earmarked reserves (note 31)	7.5	(7.5)	-	-	-	-	-	-
(Increase)/decrease in year	(0.5)	(7.5)	(8.0)	3.4	(12.0)	(16.6)	18.4	1.8
Balance at 31 March 2025	(10.1)	(80.7)	(90.8)	(34.8)	(42.8)	(168.4)	(446.5)	(614.9)
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.

2023/24 £m	Cash flow statement	Note	2024/25 £m
7.0	Net (surplus)/deficit on the provision of services		11.1
(35.0)	Adjust net (surplus)/deficit on the provision of services for non-cash movements	32.1	(56.4)
36.1	Adjust for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	32.2	45.7
8.1	Net cash flows from operating activities		0.4
(13.2)	Net cash flows from investing activities	33	1.8
5.3	Net cash flows from financing activities	34.1	(14.4)
0.2	Net (increase)/decrease in cash and cash equivalents		(12.2)
23.3	Cash and cash equivalents at 1 April		23.1
23.1	Cash and cash equivalents at 31 March	23	35.3
(0.2)	Net increase/(decrease) in cash and cash equivalents		12.2

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General notes to the financial statements

1. General accounting policies

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 2024/25, 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.

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:

- The Effects of Changes in Foreign Exchange Rate (Amendments to IAS 21) issued in August 2023
- Insurance Contracts (IFRS 17) issued in May 2017
- Property, Plant and Equipment (adaptation and interpretation of IAS 16)
- Intangible Assets (adaptation and interpretation of IAS 38)

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

General notes to the financial statements

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. Hoople Ltd has been assessed to be a subsidiary because the council owns 80% of the share capital and has been consolidated in the group accounts. Cyber Quarter Ltd has been assessed to be a subsidiary because the council owns 100% of the share capital and has not been included in the group accounts due to materiality. West Mercia Energy has been assessed to be a joint venture because the owning authorities have rights to the net assets of the arrangement and has not been included in the group accounts due to materiality.

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 £216.2 million as at 31 March 2025 (£240.6 million as at 31 March 2024). Free schools and academy schools are not included on the balance sheet.

Energy from Waste plant

The council has made a judgement to categorise the Energy from Waste plant under "Vehicles, plant, furniture and equipment" instead of "Land and buildings". This categorisation reflects the purpose and value of the asset.

General notes to the financial statements

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 2025 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 £34.9 million from the closing net book value of £697.5 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 £6.0 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 £697.5 million.</p>

General notes to the financial statements

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions net asset/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 scheme liabilities (£495.6 million at 31 March 2025) of changes in individual assumptions can be measured. For instance:</p> <p>A 0.1% decrease in the discount rate used would increase the liability by £8.0 million.</p> <p>A 0.1% increase in the inflation rate used would increase the liability by £8.0 million.</p> <p>A 0.1% increase in the rate of pay growth used would increase the liability by £0.2 million.</p> <p>An increase of one year in assumed life expectancy used would increase the liability by £19.9 million.</p>

General notes to the financial statements

5. 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.

The 2023/24 comprehensive income and expenditure statement has been restated to adjust for restructuring of services between directorates that occurred during 2024/25, the impact on the net expenditure is shown in the table below.

Comprehensive income and expenditure line affected	Per 2023/24 Financial Statements £m	Prior Period Adjustment £m	Per 2024/25 Financial Statements comparative £m
Children and Young People	71.1	(4.9)	66.2
Community Wellbeing	76.2	(0.5)	75.7
Economy and Environment	67.6	5.8	73.4
Corporate Services	38.4	(0.4)	38.0

This restatement has also impacted Note 8 Expenditure and funding analysis and Note 9.2 Segmental reporting.

General notes to the financial statements

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;

- 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

Adjusting events

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

Non-adjusting events

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

General notes to the financial statements

7. Related party transactions

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 2024/25 (2023/24 £0.9 million). Elected members of the council may be involved with other local organisations that provide services for or receive services from the council. For 2024/25, 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 2024/25, there are no material transactions for services to organisations in which officers have declared interests.

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 2024/25, the council spent £19.4 million (2023/24 £17.6 million) on services from the company and received £1.0 million (2023/24 £0.7 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 (2023/24 £0.6 million) and a creditor of £1.2 million (2023/24 £1.0 million) outstanding at 31 March 2025 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.

General notes to the financial statements

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 £2.5 million to WME in 2024/25 (2023/24 £2.4 million) and received £0.1 million (2023/24 £0.4 million); these transactions are reflected in the comprehensive income and expenditure statement. There is a creditor of £0.1 million (2023/24 £0.3 million) and a debtor of £0.5 million (2023/24 £0.4 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. Since 8 July 2024, the council owns 100% of the share capital and this interest is accounted for as a long term investment in the single entity balance sheet. The company is a wholly owned subsidiary, which is not consolidated into the Group Accounts because it is not considered to be material.

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.

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.

Expenditure and funding analysis	2024/25 Net expenditure for internal reporting £m	2024/25 Adjustments to arrive at Net expenditure chargeable to the general fund £m	2024/25 Net expenditure chargeable to the general fund £m	2024/25 Adjustments between accounting basis and funding basis under regulations £m	2024/25 Net expenditure in the CIES £m
Children and Young People	56.9	5.7	62.6	10.0	72.6
Community Wellbeing	77.8	4.3	82.1	1.0	83.1
Economy and Environment	38.0	3.9	41.9	21.3	63.2
Corporate Services	39.6	27.9	67.5	(39.4)	28.1
Net cost of services	212.3	41.8	254.1	(7.1)	247.0
Other income and expenditure	(212.8)	(49.3)	(262.1)	26.2	(235.9)
(Surplus)/deficit on the provision of services	(0.5)	(7.5)	(8.0)	19.1	11.1
Opening general fund balance at 1 April			(82.8)		
(Surplus)/deficit			(8.0)		
Closing general fund balance at 31 March			(90.8)		
Note		8.2		8.1	

Notes supporting the comprehensive income and expenditure statement

Expenditure and funding analysis	2023/24 Net expenditure for internal reporting £m	Restated* 2023/24 Adjustments to arrive at Net expenditure chargeable to the general fund £m	Restated* 2023/24 Net expenditure chargeable to the general fund £m	Restated* 2023/24 Adjustments between accounting basis and funding basis under regulations £m	Restated* 2023/24 Net expenditure in the CIES £m
Children and Young People	63.5	9.5	73.0	(6.8)	66.2
Community Wellbeing	71.8	3.9	75.7	-	75.7
Economy and Environment	26.5	37.2	63.7	9.7	73.4
Corporate Services	40.2	3.4	43.6	(5.6)	38.0
Net cost of services	202.0	54.0	256.0	(2.7)	253.3
Other income and expenditure	(193.3)	(54.1)	(247.4)	1.1	(246.3)
(Surplus)/deficit on the provision of services	8.7	(0.1)	8.6	(1.6)	7.0
Opening general fund balance at 1 April			(91.4)		
(Surplus)/deficit			8.6		
Closing general fund balance at 31 March			(82.8)		
Note		8.2		8.1	

*See Note 5 for Prior Period Adjustment

Notes supporting the comprehensive income and expenditure statement

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

Restated* 2023/24 Adjustments for capital purposes £m	Restated* 2023/24 Adjustments for pensions purposes £m	2023/24 Adjustments for other purposes £m	Restated* 2023/24 Total adjustments £m	Adjustments between accounting basis and funding basis under regulations	2024/25 Adjustments for capital purposes £m	2024/25 Adjustments for pensions purposes £m	2024/25 Adjustments for other purposes £m	2024/25 Total adjustments £m
(10.3)	(1.6)	5.1	(6.8)	Children and Young People	(2.6)	(1.3)	13.9	10.0
0.6	(0.6)	-	-	Community Wellbeing	1.5	(0.5)	-	1.0
10.2	(0.5)	-	9.7	Economy and Environment	21.7	(0.4)	-	21.3
(6.0)	0.4	-	(5.6)	Corporate Services	(40.3)	0.9	-	(39.4)
(5.5)	(2.3)	5.1	(2.7)	Net cost of services	(19.7)	(1.3)	13.9	(7.1)
(0.9)	0.8	1.2	1.1	Other income and expenditure	29.4	0.7	(3.9)	26.2
(6.4)	(1.5)	6.3	(1.6)	(Surplus)/deficit on the provision of services	9.7	(0.6)	10.0	19.1

*See Note 5 for Prior Period Adjustment

Adjustments for capital purposes include depreciation, revaluation losses, statutory provision for the repayment of debt, capital grants, disposals 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.

Notes supporting the comprehensive income and expenditure statement

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

Restated* 2023/24 Capital adjustments not included in internal reporting £m	Restated* 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	Restated* 2023/24 Total adjustments £m	Adjustments to arrive at net expenditure chargeable to the general fund	2024/25 Capital adjustments not included in internal reporting £m	2024/25 Other adjustments not included in internal reporting £m	2024/25 Recharges included in internal reporting but removed for financial statements £m	2024/25 Reserve movement not included in internal reporting £m	2024/25 Total adjustments £m
13.9	(5.8)	-	1.4	9.5	Children and Young People	8.3	(2.2)	-	(0.4)	5.7
0.9	(1.6)	(0.6)	5.2	3.9	Community Wellbeing	2.8	(1.6)	(0.6)	3.7	4.3
22.2	11.9	(0.9)	4.0	37.2	Economy and Environment	5.8	(2.0)	(4.7)	4.8	3.9
9.8	1.2	4.2	(11.8)	3.4	Corporate Services	41.5	(18.3)	8.1	(3.4)	27.9
46.8	5.7	2.7	(1.2)	54.0	Net cost of services	58.4	(24.1)	2.8	4.7	41.8
(37.1)	(5.9)	(13.1)	2.0	(54.1)	Other income and expenditure	(44.2)	(7.0)	(4.9)	6.8	(49.3)
9.7	(0.2)	(10.4)	0.8	(0.1)	(Surplus)/deficit on the provision of services	14.2	(31.1)	(2.1)	11.5	(7.5)

*See Note 5 for Prior Period Adjustment

Capital adjustments include a statutory provision for the repayment of debt, revaluation losses, capital grants and other capital adjustments. Other adjustments include PFI and lease adjustments and adjustments above and below Net Cost of Services.

Notes supporting the comprehensive income and expenditure statement

9.1. Nature of income and expenditure

2023/24 £m	Nature of income and expenditure	2024/25 £m
	Income	
(41.3)	Fees, charges and other service income	(48.5)
(13.4)	Trading and investment income	(5.2)
(6.3)	Interest and investment income	(5.3)
(167.3)	Income from council tax and non-domestic rates	(177.4)
(288.6)	Government grants and contributions	(323.4)
(516.9)	Total Income	(559.8)
	Expenditure	
150.5	Employee benefits expenses	146.4
288.3	Other service expenses	317.5
9.2	Support services recharges (net)	10.0
0.8	Loss on disposal of non-current assets	29.4
60.1	REFCUS, depreciation, amortisation and impairment	53.0
0.3	Trading and investment expenditure	0.3
9.1	Interest expense	8.4
5.6	Precepts and levies	5.9
523.9	Total expenditure	570.9
7.0	(Surplus)/deficit on the provision of services	11.1

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

2024/25	Children and Young People £m	Community Wellbeing £m	Economy and Environment £m	Corporate Services £m	Total £m
Fees, charges and other service income	(6.6)	(17.6)	(22.2)	(2.1)	(48.5)
Employee benefits expenses	102.8	18.8	13.5	11.3	146.4
Premises costs	7.8	(1.4)	4.8	0.3	11.5
Transport costs	1.2	0.6	13.9	-	15.7
Supplies and services	27.7	13.2	6.2	8.7	55.8
Third party payments	36.7	107.3	29.9	6.7	180.6
Transfer payments	16.2	1.5	3.3	32.9	53.9
REFCUS, depreciation, amortisation and impairment	7.0	7.8	35.4	2.8	53.0

2023/24	Restated* Children and Young People £m	Restated* Community Wellbeing £m	Restated* Economy and Environment £m	Restated* Corporate Services £m	Restated* Total £m
Fees, charges and other service income	(6.6)	(14.3)	(20.3)	(0.1)	(41.3)
Employee benefits expenses	102.9	18.4	13.0	16.2	150.5
Premises costs	8.0	(1.2)	4.4	0.1	11.3
Transport costs	0.9	0.5	10.2	-	11.6
Supplies and services	20.1	12.7	4.9	8.2	45.9
Third party payments	38.6	96.3	32.2	7.7	174.8
Transfer payments	7.5	3.0	-	34.0	44.5
REFCUS, depreciation, amortisation and impairment	3.7	5.1	46.4	4.9	60.1

*See Note 5 for Prior Period Adjustment

Notes supporting the comprehensive income and expenditure statement

10. Other operating expenditure

2023/24 £m	Other operating expenditure	2024/25 £m
5.4	Parish council precepts	5.7
0.2	Levies	0.2
0.8	(Gains)/losses on the disposal of non-current assets	29.4
6.4	Total other operating income and expenditure	35.3

11. Financing and investment income and expenditure

2023/24 £m	Financing and investment income and expenditure	2024/25 £m
8.3	Interest payable and similar charges	7.7
0.8	Net interest of the defined net pension liability	0.7
(6.3)	Interest receivable	(5.3)
(13.1)	Income and expenditure of trading accounts and investment properties	(4.9)
(10.3)	Total financing and investment income and expenditure	(1.8)

Notes supporting the comprehensive income and expenditure statement

12. Taxation and non-specific grant income

2023/24 £m	Taxation and non-specific grant income	2024/25 £m
(133.2)	Council tax income	(141.4)
(34.1)	Non-domestic rates income	(36.0)
(39.6)	Non-ring fenced government grants	(48.4)
(35.5)	Capital grants and contributions	(43.6)
(242.4)	Total taxation and non-specific grant income	(269.4)

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.

Notes supporting the comprehensive income and expenditure statement

13. Grant income

2023/24 £m	Grant income	2024/25 £m
(1.0)	Revenue support grant	(1.0)
(38.6)	Other non-ring fenced grants	(47.4)
(35.5)	Capital grants	(43.6)
(75.1)	Total grants credited to taxation and non-specific grant income	(92.0)
(107.9)	Department for Education	(120.5)
(27.0)	Department for Levelling up, Housing and Communities	(24.6)
(31.2)	Department for Work and Pensions	(30.8)
(0.8)	Department for Transport	(1.4)
(1.5)	Department for Energy, Security and Net Zero	(3.6)
(1.7)	Department for Environment, Food and Rural affairs	(1.2)
(13.0)	Department for Health	(11.8)
(30.4)	Other grants and contributions	(37.5)
(213.5)	Total grants credited to services	(231.4)
(288.6)	Total grant income	(323.4)

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.

2023/24 Total £m	Dedicated schools grant	2024/25 Central expenditure £m	2024/25 Individual schools budget £m	2024/25 Total £m
(159.7)	Final DSG allocation before academy and high needs recoupment	-	-	(174.8)
59.9	Less academy and high needs figure recouped	-	-	67.2
(99.8)	Total DSG after academy and high needs recoupment for the year	-	-	(107.6)
-	Brought forward from previous year	-	-	-
-	Less carry forward to following year agreed in advance	-	-	-
(99.8)	Agreed initial budgeted distribution for the year	(41.1)	(66.5)	(107.6)
0.1	In-year adjustments	0.1	1.0	1.1
(99.7)	Final budgeted distribution for the year	(41.0)	(65.5)	(106.5)
25.3	Less actual central expenditure	54.9	-	54.9
79.4	Less actual individual schools budget deployed to schools	-	65.5	65.5
5.0	In year carry forward to following year	13.9	-	13.9
-	Add carry forward agreed in advance	-	-	-
5.0	Carried forward to following year	-	-	13.9
1.1	DSG unusable deficit reserve at the end of the prior year	-	-	6.1
5.0	In year addition to the DSG unusable deficit reserve	-	-	13.9
6.1	Total DSG unusable deficit reserve at the end of the year	-	-	20.0

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 arrangement's assets and obligations for the arrangement's liabilities.

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	Pooled budgets	2024/25 Pooled income £m	2024/25 Pooled expenditure £m	2024/25 Net pooled expenditure £m	2024/25 HC managed £m	2024/25 ICB managed £m
(27.0)	26.8	(0.2)	16.7	10.1	Consolidated better care fund	(30.0)	29.9	(0.1)	17.6	12.3
(5.9)	7.4	1.5	6.3	1.1	Consolidated Children's Services	(5.9)	5.9	-	5.0	0.9
(1.7)	1.9	0.2	0.8	1.1	Integrated community equipment store	(1.9)	1.7	(0.2)	0.7	1.0
(34.6)	36.1	1.5	23.8	12.3	Total	(37.8)	37.5	(0.3)	23.3	14.2

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.

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.

2023/24 Number of school staff	2023/24 Number of non-school staff	2023/24 Total number	Salary banding	2024/25 Number of school staff	2024/25 Number of non-school staff	2024/25 Total number
61	53	114	£50,000 to £55,000	62	47	109
35	34	69	£55,001 to £60,000	42	40	82
20	21	41	£60,001 to £65,000	24	40	64
13	14	27	£65,001 to £70,000	14	25	39
5	5	10	£70,001 to £75,000	11	6	17
10	1	11	£75,001 to £80,000	11	1	12
5	1	6	£80,001 to £85,000	1	3	4
2	5	7	£85,001 to £90,000	5	2	7
2	2	4	£90,001 to £95,000	-	1	1
-	4	4	£95,001 to £100,000	2	5	7
1	2	3	£100,001 to £105,000	1	1	2
1	-	1	£105,001 to £110,000	-	1	1
1	2	3	£110,001 to £115,000	-	1	1
-	1	1	£115,001 to £120,000	1	1	2
-	-	-	£120,001 to £125,000	-	1	1
-	2	2	£135,001 to £140,000	-	-	-
-	-	-	£140,001 to £145,000	-	1	1
-	-	-	£145,001 to £150,000	-	1	1
-	1	1	£160,001 to £165,000	-	-	-
-	-	-	£165,001 to £170,000	-	1	1
-	1	1	£235,001 to £240,000	-	-	-
156	149	305	Total number of employees over £50,000	174	178	352

Notes supporting the comprehensive income and expenditure statement

16.2. Senior employees' remuneration

2024/25	Note	Salary, fees and allowances £000	Compensation for loss of office/benefits in kind £000	Pension contributions £000	Total £000
Chief Executive (Paul Walker)		169	-	-	169
Director of Resources and Assurance/Section 151 Officer	1	34	-	5	39
Director of Governance and Law/Monitoring Officer		117	-	-	117
Corporate Director, Children and Young People	2	112	-	21	133
Corporate Director, Community Wellbeing		150	-	28	178
Corporate Director, Economy and Environment		142	-	27	169
Director of Public Health	3	26	-	5	31
Director of HR and OD		97	-	18	115
Interim Director of Strategy and Performance	4	17	-	3	20
Director of Finance/Section 151 Officer	5	71	-	14	85
Total		935	-	121	1,056

Notes:

1. The Director of Resources and Assurance left on 30 June 2024; the role was replaced by the Director of Finance Role
2. The Corporate Director, Children and Young People commenced in post 1 July 2024; prior to this it was covered by the Corporate Director, Community Wellbeing
3. The Director of Public Health left on 30 June 2024; the post was filled by an interim until a new Director was appointed on 31 March 2025
4. The secondment as Director of Strategy and Performance ended 4 June 2024
5. The Director of Finance role commenced 29 July 2024

Notes supporting the comprehensive income and expenditure statement

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	6	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	7	78	-	15	93
Total		1,086	99	149	1,334

Notes:

6. The Corporate Director, Children and Young People left on 31 March 2024.
7. 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.

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	Exit package cost banding	2024/25 Number of compulsory redundancies	2024/25 Number of other agreed departures	2024/25 Total number of exit packages	2024/25 Total cost of exit packages £000
1	28	29	230	£0 to £20,000	6	25	31	252
-	5	5	152	£20,001 to £40,000	3	6	9	263
-	1	1	60	£60,001 to £80,000	-	1	1	73
-	1	1	93	£80,001 to £100,000	-	-	-	-
1	35	36	535	Total	9	32	41	588

Notes supporting the comprehensive income and expenditure statement

18. External audit costs

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

2023/24 £000	External audit costs	2024/25 £000
344	Scale fee incurred for external audit services	391
48	Expected additional fees for external audit services (to be approved by PSAA)	-
392	Total audit fees	391
57	Non audit fees confirmed relating to 20/21	-
29	Non audit fees confirmed relating to 21/22	-
29	Non audit fees confirmed relating to 22/23	10
-	Non audit fees confirmed relating to 23/24	13
115	Total non audit fees	23
507	Total external audit fees	414

Notes supporting the balance sheet

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

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 22 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.

Notes supporting the balance sheet

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 2025 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.

Notes supporting the balance sheet

19.1 Property, plant and equipment movements

At 31 March 2025	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
Cost or valuation							
Opening balance at 1 April	395.6	40.2	1.6	4.3	2.2	443.9	41.4
Adjustment due to initial application of IFRS 16	13.6	(0.2)	-	-	-	13.4	-
Adjusted opening balance at 1 April	409.2	40.0	1.6	4.3	2.2	457.3	41.4
Additions	10.1	8.3	-	0.9	1.6	20.9	0.8
Disposals	(30.1)	-	-	-	-	(30.1)	-
Revaluation increases/(decreases) recognised in the revaluation reserve	7.8	0.4	-	(0.1)	-	8.1	(0.7)
Revaluation increases/(decreases) recognised in the surplus/deficit on provision of services	(3.4)	0.2	-	(0.9)	-	(4.1)	(2.4)
Reverse accumulated depreciation	(4.2)	(0.9)	-	-	-	(5.1)	(1.1)
Closing balance at 31 March	389.4	48.0	1.6	4.2	3.8	447.0	47.5
Depreciation							
Opening balance at 1 April	(1.1)	(5.4)	-	-	-	(6.5)	(0.7)
Charge for the year	(6.9)	(2.5)	-	-	-	(9.4)	(1.7)
Reverse accumulated depreciation	3.7	1.0	-	-	-	4.7	1.1
Disposals	0.6	-	-	-	-	0.6	-
Closing balance at 31 March	(3.7)	(6.9)	-	-	-	(10.6)	(1.3)
Closing net book value at 31 March	385.7	41.1	1.6	4.2	3.8	436.4	46.2
Opening net book value at 1 April	394.5	34.8	1.6	4.3	2.2	437.4	40.7

Notes supporting the balance sheet

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 (e.g. 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

At 31 March 2025	£m
Infrastructure assets opening net book value at 1 April	248.4
Additions	36.9
Depreciation charge for the year	(24.2)
Infrastructure assets closing net book value at 31 March	261.1
Net book value of PPE excluding infrastructure assets	436.4
Total net book value of PPE on the balance sheet at 31 March	697.5

Notes supporting the balance sheet

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
Cost or valuation							
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 increases/(decreases) recognised in the revaluation reserve	10.9	-	-	(0.3)	-	10.6	0.8
Revaluation increases/(decreases) recognised in the surplus/deficit on provision of services	(1.6)	(0.2)	-	(1.3)	-	(3.1)	0.1
Reverse accumulated depreciation	(5.5)	(1.1)	-	-	-	(6.6)	(1.2)
Asset transfers	(1.6)	-	-	1.1	0.5	-	-
Closing balance at 31 March	395.6	40.2	1.6	4.3	2.2	443.9	41.4
Depreciation							
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
Closing balance at 31 March	(1.1)	(5.4)	-	-	-	(6.5)	(0.7)
Closing net book value at 31 March	394.5	34.8	1.6	4.3	2.2	437.4	40.7
Opening net book value at 1 April	387.3	34.8	1.6	3.9	0.8	428.4	40.8

Notes supporting the balance sheet

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)
Infrastructure assets closing net book value at 31 March	248.4
Net book value of PPE excluding infrastructure assets	437.4
Total net book value of PPE on the balance sheet at 31 March	685.8

19.2 Revaluations

The carrying amount of assets on the rolling programme held at 31 March 2025 total £472.1 million. The effective date of the revaluations are as follows:

Valued as at	Carrying amount of revalued assets £m
31 March 2025	299.6
31 March 2024	132.3
31 March 2023	40.0
31 March 2022	0.2
Total	472.1

Notes supporting the balance sheet

19.3 Revaluation reserve

31 March 2024 £m	Revaluation reserve	31 March 2025 £m
(168.6)	Balance at 1 April	(177.9)
(12.0)	Revaluations upwards	(12.3)
1.1	Revaluations downwards	4.1
0.3	Depreciation of revaluations	0.3
1.3	Disposal of revaluations	10.8
(177.9)	Balance at 31 March	(175.0)

19.4 Capital commitments

At 31 March 2025 the council had significant capital commitments totalling £5.4 million (31 March 2024: £2.9 million).

- Design and construction of Wetland at Tarrington £1.0 million
- Design and Professional fees for Western Bypass Phase 1 £1.1 million; and
- Construction works at Brookfield school £3.3m

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.

Notes supporting the balance sheet

19.6 Capital adjustment account

31 March 2024 £m	Capital adjustment account	31 March 2025 £m
(303.3)	Balance at 1 April	(300.9)
	Capital financing:	
(4.0)	Capital receipts	(6.9)
(23.7)	Capital grants and contributions	(31.6)
(3.2)	Revenue contributions to capital expenditure	(0.6)
(10.9)	Minimum revenue provision	(12.8)
(41.8)	Total capital financing	(51.9)
(7.3)	Downward revaluations charged to comprehensive income and expenditure statement	1.4
44.6	Depreciation charged to comprehensive income and expenditure statement	33.7
3.6	Revenue expenditure funded from capital under statute	1.6
0.4	Disposal of non-current assets	20.7
2.9	Other adjustments	1.6
(300.9)	Balance at 31 March	(293.8)

Notes supporting the balance sheet

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 2024 £m	Investment property	31 March 2025 £m
	Cost or valuation	
41.9	Opening balance at 1 April	52.6
0.5	Additions	0.2
(0.2)	Disposals	(1.4)
10.4	Net gains/losses from fair value adjustments	2.1
52.6	Closing balance at 31 March	53.5

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 fair value adjustments 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 25	53.5
Investment properties at 31 March 24	52.6

Notes supporting the balance sheet

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.

2023/24 £m	Capital expenditure and capital financing	2024/25 £m
304.4	Opening capital financing requirement	303.1
	Capital investment	
33.5	Property, plant and equipment	57.3
0.3	Intangible assets	0.2
0.5	Investment properties	0.2
12.4	Revenue expenditure funded from capital under statute	15.8
0.2	Assets acquired under PFI and lease contracts	13.8
0.6	Long term debtors (including loans and PFI prepayments)	0.6
	Sources of finance	
(0.9)	Capital receipts	(4.9)
(1.7)	Loan fund principal	(1.4)
(32.5)	Government grants and other contributions	(45.8)
	Sums set aside from revenue	
(2.8)	Direct revenue contributions	(0.1)
(10.9)	Minimum revenue provision	(12.8)
303.1	Closing capital financing requirement	326.0
	Explanation of movements in year	
11.1	Increase in underlying need to borrow	23.3
0.2	Assets acquired under PFI and lease contracts	13.8
(1.7)	Repayment of long term debtors	(1.4)
(10.9)	Minimum revenue provision	(12.8)
(1.3)	Adjusted to services	22.9

Notes supporting the balance sheet

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 Right of Use asset leases and Private Finance Initiative (PFI) will be equal to the cash payments that reduce the outstanding liability each year

22. Short term debtors

31 March 2024 £m restated*	Short term debtors	31 March 2025 £m
14.3	Trade receivables	18.6
2.3	Prepayments	2.0
0.8	Non-domestic rates	0.9
6.5	Council Tax	6.4
4.7	VAT	8.0
6.8	Central government	7.5
7.4	Other receivables	11.3
42.8	Total	54.7

*prior year comparatives restated to reflect current year classifications.

Other receivables includes capital debtors, sundry debtors and housing benefit debtors.

Notes supporting the balance sheet

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 2024 £m	Cash and cash equivalents	31 March 2025 £m
6.2	Cash held by the council	6.9
18.7	Short term deposits	31.7
24.9	Total	38.6
(1.8)	Bank current accounts	(3.3)
23.1	Total	35.3

24.1 Short term creditors

31 March 2024 £m restated*	Short term creditors	31 March 2025 £m
(2.6)	Trade payables	(7.1)
(5.7)	Receipts in advance	(2.8)
(3.7)	Employee leave accrual	(0.8)
(1.9)	Council Tax	(2.5)
(7.0)	Non-domestic rates	(6.3)
(3.3)	Goods received not invoiced accrual	(7.8)
(4.6)	Payroll	(4.6)
(27.8)	Other payables	(24.9)
(56.6)	Total	(56.8)

*prior year comparatives restated to reflect current year classifications.

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

Notes supporting the balance sheet

24.2 Short term grants receipts in advance

31 March 2024 £m	Short term grants receipts in advance	31 March 2025 £m
(7.8)	Central government bodies	(5.4)
(0.1)	Other local authorities	(0.7)
(0.5)	All other bodies	(0.6)
(8.4)	Total	(6.7)

25. Capital grants receipts in advance

31 March 2024 £m	Capital grants receipts in advance	31 March 2025 £m
(1.6)	Central government bodies	(1.4)
(14.4)	Other grants and contributions	(13.5)
(16.0)	Total	(14.9)

Notes supporting the balance sheet

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 four 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
- 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

Under IFRS 16, the opening finance lease liability is remeasured at the net present value of the future rental payments where an inflationary increase has been applied to the unitary payments.

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.

Notes supporting the balance sheet

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 during the financial year were £5.4 million (£5.0 million in 2023/24).

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 2024 Total £m	PFI liabilities	31 March 2025 Shaw Healthcare £m	31 March 2025 Whitecross school £m	31 March 2025 Waste disposal £m	31 March 2025 Total £m
(40.0)	Balance outstanding at 1 April	(5.4)	(8.4)	(24.0)	(37.8)
-	Remeasurement of opening liability under IFRS 16	(9.8)	-	(0.5)	(10.3)
(40.0)	Adjusted opening balance at 1 April	(15.2)	(8.4)	(24.5)	(48.1)
2.2	Payments during the year	1.1	1.0	1.1	3.2
(37.8)	Balance outstanding at 31 March	(14.1)	(7.4)	(23.4)	(44.9)

Notes supporting the balance sheet

26.2. PFI payments

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

PFI payments	Service charges £m	Lifecycle costs £m	Finance liability £m	Interest £m	Total £m
Within 1 year	13.0	0.5	3.4	2.6	19.5
Within 2 to 5 years	43.0	1.9	29.5	7.2	81.6
Within 6 to 10 years	17.4	1.1	9.1	1.3	28.9
Balance outstanding at 31 March	73.4	3.5	42.0	11.1	130.0

Notes supporting the balance sheet

27. Leases

27.1 The council as a lessee

At the inception of a contract, the arrangement is assessed as to whether it contains a lease. It contains a lease if it conveys the right to control the use of an identified asset for a period of time. If the contract is assessed to contain a lease, then the right of use asset is capitalised on the balance sheet, with a corresponding lease liability. The payment of the lease is split between an interest expense in the comprehensive income and expenditure statement and a write down of the lease liability in the balance sheet.

The council has applied IFRS 16 Leases from 1 April 2024 and this accounting policy does not materially impact the financial statements.

27.2 The council as a lessor

Leases are classified as either finance leases or operating leases based on the extent to which risks and rewards of ownership of the asset lie with the lessor or the lessee.

Operating leases

For operating leases, the asset is capitalised on the balance sheet and measured according to the accounting policy for its category of property, plant and equipment. Lease income is recognised in the comprehensive income and expenditure statement on a straight-line basis over the lease term.

There are no individually material leases.

31 March 2024 £m	Operating lease receipts	31 March 2025 £m
(4.2)	Not later than 1 year	(3.8)
(11.8)	Between 1 and 5 years	(10.8)
(29.0)	Over 5 years	(28.8)
(45.0)	Total due in future years undiscounted	(43.4)

Notes supporting the movement in reserves statement

28. Adjustments between accounting basis and funding basis under regulations

2024/25	General fund £m	Earmarked reserves £m	Capital receipts reserve £m	Capital grants unapplied £m	Movement in unusable reserves £m
Depreciation of non-current assets	(33.7)	-	-	-	33.7
Capital financed by capital receipts	(0.6)	-	6.9	-	(6.3)
Net book value of assets sold	(31.5)	-	-	-	31.5
Statutory provision for the repayment of debt (MRP)	12.8	-	-	-	(12.8)
DSG reserve	(13.9)	-	-	-	13.9
Capital grants and contributions credited to the comprehensive income and expenditure statement not applied to capital financing	26.9	-	-	(26.9)	-
Capital grants and contributions applied to capital financing	16.7	-	-	14.9	(31.6)
Other individual non material adjustments	4.2	-	(3.5)	-	(0.7)
Total adjustments between accounting basis and funding basis under regulations	(19.1)	-	3.4	(12.0)	27.7

Notes supporting the movement in reserves statement

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
Total adjustments between accounting basis and funding basis under regulations	1.6	-	1.9	(11.8)	8.3

Notes supporting the movement in reserves statement

29. Movement in usable reserves

31 March 2025	Purpose of reserve	Note	1 April 2024 £m	Transfers out £m	Transfers in £m	31 March 2025 £m
General fund	Revenue resources available to meet future commitments		(9.6)	-	(0.5)	(10.1)
Earmarked reserves	Set aside from the general fund for future expenditure to support specific corporate priorities	31	(73.2)	31.8	(39.3)	(80.7)
Capital receipts reserve	Capital receipts available to meet future capital expenditure		(38.2)	6.9	(3.5)	(34.8)
Capital grants unapplied	Capital grants available to meet future capital expenditure		(30.8)	14.9	(26.9)	(42.8)
Total			(151.8)	53.6	(70.2)	(168.4)

31 March 2024	Purpose of reserve	Note	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	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)
Total			(150.5)	47.1	(48.4)	(151.8)

Notes supporting the movement in reserves statement

30. Movement in unusable reserves

31 March 2025	Purpose of reserve	Note	1 April 2024 £m	Transfers out £m	Transfers in £m	31 March 2025 £m
Short term absences account	Balances relating to accumulated holiday due but not taken in year		3.7	(3.7)	0.8	0.8
Capital adjustment account	Timing differences on capital financing and consumption	19.6	(300.9)	59.0	(51.9)	(293.8)
Collection fund adjustment account	Differences in accounting treatment for council tax and business rates between IFRS and statutory arrangements		(6.0)	(8.9)	8.0	(6.9)
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	T1.10	9.7	(117.5)	115.8	8.0
Revaluation reserve	Unrealised gains/losses arising from revaluations of assets	19.3	(177.9)	15.2	(12.3)	(175.0)
DSG adjustment account	Accumulated deficit on the dedicated schools grant	14	6.1	-	13.9	20.0
Total			(464.9)	(55.9)	74.3	(446.5)

31 March 2024	Purpose of reserve	Note	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	19.6	(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	T1.10	24.1	(60.9)	46.5	9.7
Revaluation reserve	Unrealised gains/losses arising from revaluations of assets	19.3	(168.6)	2.7	(12.0)	(177.9)
DSG adjustment account	Accumulated deficit on the dedicated schools grant	14	1.1	-	5.0	6.1
Total			(449.7)	(37.4)	22.2	(464.9)

Notes supporting the movement in reserves statement

31. Movement in earmarked reserves

31 March 2025	Purpose of reserve	1 April 2024 £m	Transfers out £m	Transfers in £m	31 March 2025 £m
Business rates reserve	To smooth the impact of changes in business rates retention, collection and funding	(19.7)	11.0	(4.6)	(13.3)
Schools' balances	Balances held for individual maintained schools	(9.9)	-	(1.8)	(11.7)
Waste reserve	To support increased future costs on waste disposal and collection services	(6.8)	1.6	(1.9)	(7.1)
Budget resilience reserve	To support increased future costs in social care budgets	-	4.0	(11.0)	(7.0)
Financial resilience reserve	Amounts set aside to support financial risk	(3.1)	1.3	(0.5)	(2.3)
Unused grants carried forward	Unspent grant monies earmarked for future expenditure	(17.3)	4.7	(5.4)	(18.0)
Other individually non material reserves		(16.4)	9.2	(14.1)	(21.3)
Total		(73.2)	31.8	(39.3)	(80.7)

31 March 2024	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)
Total		(81.8)	30.0	(21.4)	(73.2)

Notes supporting the cash flow statement

32. Cash flows from operating activities

32.1 Adjustments for non-cash movements

2023/24 £m	Adjustments for non-cash movements	2024/25 £m
6.1	Movement in debtors	11.7
(5.7)	Movement in creditors	(1.8)
(37.3)	Depreciation, amortisation and impairment of non-current assets	(35.1)
(1.3)	Carrying amount of non-current assets sold	(31.5)
1.5	Net charges for retirement benefits	0.1
1.7	Movement in provisions	0.2
(35.0)	Total adjustment for non-cash movements	(56.4)

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

2023/24 £m	Adjustments for investing and financing activities	2024/25 £m
0.6	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2.1
35.5	Any other items for which the cash effects are investing or financing cash flows	43.6
36.1	Total adjustment for investing and financing activities	45.7

Any other items for which the cash effects are investing or financing cash flows includes receipt of capital grants.

Notes supporting the cash flow statement

33. Cash flows from investing activities

2023/24 £m	Cash flows from investing activities	2024/25 £m
34.4	Purchase of property, plant and equipment, investment property and intangible assets	56.7
(0.6)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1.1
65.0	Purchase of short term investments	45.0
(77.5)	Proceeds from short term investments	(60.0)
(35.0)	Other receipts from investing activities	(43.2)
0.5	Other payments for investing activities	2.2
(13.2)	Total cash flows from investing activities	1.8

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

34.1 Cash flows from financing activities

2023/24 £m	Cash flows from financing activities	2024/25 £m
2.2	Cash payments for the reduction of the outstanding liability relating to finance leases and on-balance sheet PFI contracts	3.6
-	Cash receipts of short term and long term borrowing	(25.0)
3.1	Repayments of short and long term borrowing	7.0
5.3	Total cash flows from financing activities	(14.4)

Notes supporting the cash flow statement

34.2 Reconciliation of liabilities arising from financing activities

Financing activities	1 April 2024 £m	Financing cash flows £m	Remeasurement on implementation of IFRS 16 £m	Other non- financing cash flows £m	31 March 2025 £m
Long term borrowing	(113.0)	(18.0)	-	0.5	(130.5)
Short term borrowing	(8.0)	-	-	(0.3)	(8.3)
Leases	-	0.4	(3.3)	-	(2.9)
PFI liabilities	(37.8)	3.2	(10.3)	-	(44.9)
Total liabilities from financing activities	(158.8)	(14.4)	(13.6)	0.2	(186.6)
Note	T2.3	34.1	26.1		T2.3

Financing activities	1 April 2023 £m	Financing cash flows £m	Other non- financing cash flows £m	31 March 2024 £m
Long term borrowing	(119.9)	3.1	3.8	(113.0)
Short term borrowing	(4.0)	-	(4.0)	(8.0)
PFI liabilities	(40.0)	2.2	-	(37.8)
Total liabilities from financing activities	(163.9)	5.3	(0.2)	(158.8)
Note	T2.3	34.1		T2.3

Technical annex

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 asset/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 asset/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 asset/liability
- Remeasurement of the net defined benefit asset/liability: Changes in the net pensions asset/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

Technical annex

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 2024/25 the council paid employer contributions of £7.8 million (2023/24 £7.4 million) in respect of teachers' pension costs. The liability to former Hereford and Worcester teachers' unfunded added years' benefits of £0.4 million is included in the pension fund liability in the balance sheet in 2024/25 (£0.5 million in 2023/24).

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.

Technical annex

T1.3. Transactions relating to pension schemes

2023/24 £m	Transactions relating to pension schemes	2024/25 £m
	Comprehensive income and expenditure statement	
	Cost of services	
11.2	Current service cost	11.4
-	(Gain)/loss from settlements and curtailments	0.2
1.6	Past service cost	1.5
	Financing and investment income and expenditure	
0.5	Net interest expense	0.5
0.3	Administration expenses	0.3
(0.7)	Other pension transactions	-
12.9	Total post-employment benefit charged to the surplus/deficit on the provision of services	13.9
	Other comprehensive income and expenditure	
3.7	Remeasurement arising on changes in experience	(5.9)
0.2	Remeasurement arising on changes in financial assumptions	(87.3)
(9.1)	Remeasurement arising on changes in demographic assumptions	(1.0)
(31.0)	Return on plan assets	17.6
25.3	Impact of pension net asset ceiling	75.5
(2.0)	Other pension transactions	-
(12.9)	Total post-employment benefit charged to other comprehensive income and expenditure	(1.1)
	Movement in reserves statement	
(12.9)	Reversal of net charges made to the surplus/deficit on the provision of services	(13.9)
16.6	Amount charged to the general fund balance for employer's contribution payable in the year	13.8

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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.

Reconciliation between balance on pension reserve and net pension liability	Note	31 March 2025 £m
Balance on the pension reserve for LGPS	T1.10	7.6
2025/26 upfront payment		(0.5)
Balance on the net pension liability for LGPS	T1.4	7.1

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

31 March 2024 £m	Pension assets and liabilities	Note	31 March 2025 £m
573.1	Present value of the defined benefit obligation	T1.5	495.6
(590.2)	Fair value of plan assets	T1.6	(590.5)
25.3	Effect of net asset ceiling	T1.6	102.0
8.2	Net liability arising from defined benefit obligation – LGPS		7.1
0.5	Unfunded teachers pension liability		0.4
8.7	Total net pension liability		7.5

As at 31 March 2025, 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 £102.0 million (2024/25 £25.3 million).

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

31 March 2024 £m	Scheme liabilities	31 March 2025 £m
555.9	Opening balance at 1 April	573.1
11.2	Current service cost	11.4
-	Settlements and curtailments	(4.3)
1.6	Past service cost	1.5
26.0	Interest cost	27.3
0.3	Administration expenses	0.3
4.3	Contribution by scheme participants	4.4
(5.2)	Remeasurement arising from changes in assumptions	(94.2)
(19.5)	Benefits/transfers paid	(23.9)
(1.5)	Early payment of pension deficit	-
573.1	Closing balance at 31 March	495.6

Technical annex

T1.6. Reconciliation of the fair value of scheme assets and the asset ceiling (LGPS)

31 March 2024 £m	Scheme assets	31 March 2025 £m
532.2	Opening balance at 1 April	590.2
25.6	Interest income	28.1
31.0	Return on plan assets	(17.6)
-	Settlements and curtailments	(4.5)
16.6	Contribution from employer	13.8
4.3	Contributions from employees	4.4
(19.5)	Benefits/transfers paid	(23.9)
590.2	Closing balance at 31 March	590.5

31 March 2024 £m	Asset ceiling	31 March 2025 £m
-	Opening balance at 1 April	(25.3)
-	Interest on the impact of the net asset ceiling	(1.2)
(25.3)	Impact of pension net asset ceiling	(75.5)
(25.3)	Closing balance at 31 March	(102.0)

The actual return on scheme assets in the year was £10.6 million, 1.8% of the period end assets (2023/24 £59.9 million, 10.6%).

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T1.7. Local government pension scheme assets

31 March 2024 £m	Scheme assets	Quoted Y/N	31 March 2025 £m
	Cash		
9.7	Cash instruments	N	9.2
	Equity instruments		
63.4	Other	Y	60.8
0.3	Private equity	N	1.6
	Debt securities		
16.2	UK government	Y	12.8
	Property		
32.5	UK property debt	N	33.1
13.7	Overseas property debt	N	14.4
	Investment funds and unit trusts		
325.9	Equities	Y	321.5
18.6	Bonds	Y	18.8
99.2	Infrastructure	N	106.3
10.7	Other	N	12.0
590.2	Closing fair value of scheme assets		590.5

Technical annex

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 2024	Assumptions	31 March 2025
	Mortality assumptions	
	Longevity at 65 for current pensioners (in years)	
21.3	Men	21.2
23.6	Women	23.6
	Longevity at 65 for future pensioners (in years)	
22.6	Men	22.5
25.5	Women	25.4
	Financial assumptions	
2.8%	Rate of CPI inflation	2.8%
4.3%	Rate of increase in salaries	4.3%
2.8%	Rate of increase in pensions	2.8%
4.8%	Rate for discounting scheme liabilities	5.8%

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 2026 is £12.9 million.

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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.

31 March 2024 £m	Pensions reserve	31 March 2025 £m
24.1	Balance at 1 April	9.7
(36.2)	Return on plan assets	(103.1)
13.6	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	13.8
(16.6)	Employer's pension contributions and direct payments to pensioners payable in the year	(13.8)
(0.5)	Employer's pension contributions – early payment adjustment	(0.6)
25.3	Impact of pension net asset ceiling	102.0
9.7	Balance at 31 March	8.0
9.2	Local government pension scheme	7.6
0.5	Teachers pension scheme	0.4
9.7	Balance at 31 March	8.0

Technical annex

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.

2023/24 Financial liabilities £m	2023/24 Financial assets £m	2023/24 Total £m	Income, expense, gains and losses	2024/25 Financial liabilities £m	2024/25 Financial assets £m	2024/25 Total £m
			Interest payable and similar charges			
4.8	-	4.8	On loans	4.7	-	4.7
3.5	-	3.5	On PFI liabilities	3.0	-	3.0
8.3	-	8.3	Total expenditure in surplus/deficit on the provision of services	7.7	-	7.7
			Interest receivable			
-	(1.7)	(1.7)	On loans	-	(1.9)	(1.9)
-	(3.7)	(3.7)	On investments	-	(2.9)	(2.9)
-	(5.4)	(5.4)	Total income in surplus/deficit on the provision of services	-	(4.8)	(4.8)
8.3	(5.4)	2.9	Net (gain)/loss for the year	7.7	(4.8)	2.9

Technical annex

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.

31 March 2024 Per balance sheet £m	31 March 2024 Financial instruments £m	Financial assets	31 March 2025 Per balance sheet £m	31 March 2025 Financial instruments £m
33.2	33.2	Long term debtors – loans	32.8	32.8
2.6	-	Long term debtors – PFI lifecycle costs	2.8	-
35.8	33.2	Total long term debtors	35.6	32.8
25.4	25.4	Short term investments	10.4	10.4
25.4	25.4	Total short term investments	10.4	10.4
24.9	24.9	Cash and cash equivalents	38.6	38.6
24.9	24.9	Total cash and cash equivalents	38.6	38.6
34.6	34.6	Short term debtors – Sales invoices and contractual rights	42.8	42.8
16.9	-	Short term debtors – Statutory debts (council tax, vat)	20.9	-
2.3	-	Short term debtors – prepayments	2.0	-
(11.0)	(11.0)	Short term debtors – bad debt provisions	(11.0)	(11.0)
42.8	23.6	Total short term debtors	54.7	31.8
128.9	107.1	Total assets	139.3	113.6

Technical annex

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 2024 Per balance sheet £m	31 March 2024 Financial instruments £m	Financial liabilities	31 March 2025 Per balance sheet £m	31 March 2025 Financial instruments £m
(1.8)	(1.8)	Cash and cash equivalents	(3.3)	(3.3)
(1.8)	(1.8)	Total cash and cash equivalents	(3.3)	(3.3)
(0.1)	(0.1)	Short term borrowing – bank loans	(0.1)	(0.1)
(7.9)	(7.9)	Short term borrowing – public works loan board	(8.2)	(8.2)
(8.0)	(8.0)	Total short term borrowing	(8.3)	(8.3)
(30.6)	(30.6)	Short term creditors – invoiced amounts and other contractual liabilities	(36.7)	(36.7)
(10.0)	-	Short term creditors – statutory liabilities (PAYE)	(9.7)	-
(15.0)	-	Short term creditors – accruals and receipts in advance	(9.3)	-
(1.0)	-	Short term creditors – funds and deposits held	(1.1)	-
(56.6)	(30.6)	Total short term creditors	(56.8)	(36.7)
(12.4)	(12.4)	Long term borrowing – bank loans	(12.4)	(12.4)
(100.6)	(100.6)	Long term borrowing – public works loan board	(118.1)	(118.1)
(113.0)	(113.0)	Total long term borrowing	(130.5)	(130.5)
(37.8)	(37.8)	Other long term liabilities – PFI and leases	(47.8)	(47.8)
(8.7)	-	Other long term liabilities – pensions liability	(7.5)	-
(46.5)	(37.8)	Total other long term liabilities	(55.3)	(47.8)
(225.9)	(191.2)	Total liabilities	(254.2)	(226.6)

Technical annex

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 lower than the carrying amount using premature repayment rates and new loan 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 rates prevailing at the balance sheet date. Therefore the fair value includes a discount that the council would receive if the lender agreed to early repayment of the loans.

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).

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31 March 2024 Carrying amount £m	31 March 2024 Fair value (premature repayment rate) £m	31 March 2024 Fair value (new loan rate) £m	Fair value	Fair value hierarchy input level	31 March 2025 Carrying amount £m	31 March 2025 Fair value (premature repayment rate) £m	31 March 2025 Fair value (new loan rate) £m
			Financial assets				
33.2	33.2	33.2	Long term debtors	2	32.8	32.8	32.8
25.4	25.4	25.4	Short term investments	n/a	10.4	10.4	10.4
24.9	24.9	24.9	Cash and cash equivalents	n/a	38.6	38.6	38.6
23.6	23.6	23.6	Short term debtors	n/a	31.8	31.8	31.8
107.1	107.1	107.1	Total financial assets		113.6	113.6	113.6
			Financial liabilities				
(108.5)	(105.6)	(96.4)	Public works loan board	2	(126.3)	(119.0)	(109.7)
(12.5)	(13.4)	(10.7)	Bank loans (LOBOs)	2	(12.5)	(13.2)	(9.4)
(1.8)	(1.8)	(1.8)	Cash and cash equivalents	n/a	(3.3)	(3.3)	(3.3)
(30.6)	(30.6)	(30.6)	Short term creditors	n/a	(36.7)	(36.7)	(36.7)
(37.8)	(36.3)	(36.3)	PFI liabilities and finance leases	2	(47.8)	(44.2)	(44.2)
(191.2)	(187.7)	(175.8)	Total financial liabilities		(226.6)	(216.4)	(203.3)

Technical annex

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 2024/25 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.

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

31 March 2024 £m	Credit risk	31 March 2025 £m
10.3	Less than 3 months	10.6
1.3	3 to 6 months	1.7
1.4	6 months to 1 year	3.1
4.4	More than 1 year	6.0
17.4	Total	21.4

The general impairment allowance for debtors has increased by £0.1 million to £0.6 million.

Technical annex

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:

31 March 2024 £m	Liquidity risk	31 March 2025 £m
(8.0)	Less than 1 year	(8.7)
(6.2)	Between 1 and 2 years	(7.7)
(12.9)	Between 2 and 5 years	(11.1)
(20.8)	Between 5 and 10 years	(29.9)
(73.1)	More than 10 years	(81.4)
(121.0)	Total	(138.8)

Technical annex

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 2025.

Sensitivity analysis	1% increase in interest rates £m
Increase in interest payable on borrowing	-
Increase in interest receivable on investment balances	(0.6)
Decrease in fair value of borrowing	9.8

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.

Restated* 2023/24 Gross expenditure £m	Restated* 2023/24 Gross income £m	Restated* 2023/24 Net group expenditure £m	Group comprehensive income and expenditure	2024/25 Gross expenditure £m	2024/25 Gross income £m	2024/25 Net group expenditure £m
189.5	(124.6)	64.9	Children and Young People	207.4	(137.0)	70.4
129.3	(58.9)	70.4	Community Wellbeing	143.0	(64.5)	78.5
101.8	(29.9)	71.9	Economy and Environment	98.7	(35.4)	63.3
95.1	(48.9)	46.2	Corporate Services	84.2	(49.3)	34.9
515.7	(262.3)	253.4	Net cost of services	533.3	(286.2)	247.1
6.4	-	6.4	Other operating income and expenditure	35.3	-	35.3
9.4	(19.8)	(10.4)	Financing and investment income and expenditure	8.7	(10.7)	(2.0)
-	(242.4)	(242.4)	Taxation and non-specific grant income	-	(269.4)	(269.4)
531.5	(524.5)	7.0	(Surplus)/deficit on the provision of services	577.3	(566.3)	11.0
		(10.6)	(Surplus)/deficit on revaluation of non- current assets			(8.2)
		(12.9)	Re-measurement of the net defined benefit liability			(1.1)
		(23.5)	Other comprehensive (income) and expenditure			(9.3)
		(16.5)	Total comprehensive (income) and expenditure			1.7

*See Note G5 for Prior Period Adjustment

There is a minority interest of 20% in the subsidiary. There is £nil (2023/24 £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.

Group balance sheet

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 2024 £m	Balance sheet	31 March 2025 £m
689.8	Property, plant and equipment	701.6
52.6	Investment property	53.5
0.5	Intangible assets	0.7
4.1	Heritage assets	4.4
35.8	Long term debtors	35.6
782.8	Long term assets	795.8
25.4	Short term investments	10.4
0.3	Inventories	0.3
43.3	Short term debtors	55.5
26.3	Cash and cash equivalents	42.0
95.3	Current assets	108.2

31 March 2024 £m	Balance sheet	31 March 2025 £m
(8.0)	Short term borrowing	(8.3)
(59.2)	Short term creditors	(60.8)
(8.4)	Short term grants receipts in advance	(6.7)
(3.5)	Short term provisions	(4.5)
(1.8)	Cash and cash equivalents	(3.3)
(80.9)	Current liabilities	(83.6)
(1.7)	Long term provisions	(1.4)
(113.0)	Long term borrowing	(130.5)
(16.0)	Capital grants receipts in advance	(14.9)
(46.5)	Other long term liabilities	(55.3)
(177.2)	Total long term liabilities	(202.1)
620.0	Net assets	618.3
(155.1)	Usable reserves	(171.8)
(464.9)	Unusable reserves	(446.5)
(620.0)	Total reserves	(618.3)

There is a minority interest of 20% in the subsidiary. There is £0.7 million (2023/24 £0.7 million) included in Usable reserves that is attributable to the minority interest.

Rachael Sanders, Director of Finance and Section 151 Officer

30/05/2025

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.

Group movement in 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 Council reserves £m	Council's share of reserves of subsidiary £m	Total group reserves £m
Balance at 31 March 2023	(9.6)	(81.8)	(91.4)	(40.1)	(19.0)	(150.5)	(449.7)	(600.2)	(3.3)	(603.5)
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)	-
Net (increase)/decrease before transfers	7.0	-	7.0	-	-	7.0	(23.5)	(16.5)	-	(16.5)
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	-	-	-	-	-	-	-	-
(Increase)/decrease in year	-	8.6	8.6	1.9	(11.8)	(1.3)	(15.2)	(16.5)	-	(16.5)
Balance at 31 March 2024	(9.6)	(73.2)	(82.8)	(38.2)	(30.8)	(151.8)	(464.9)	(616.7)	(3.3)	(620.0)
Total comprehensive income and expenditure	(7.2)	-	(7.2)	-	-	(7.2)	(9.3)	(16.5)	18.2	1.7
Adjustments between group accounts and authority accounts	18.3	-	18.3	-	-	18.3	-	18.3	(18.3)	-
Net (increase)/decrease before transfers	11.1	-	11.1	-	-	11.1	(9.3)	1.8	(0.1)	1.7
Adjustments between accounting basis and funding basis under regulations	(19.1)	-	(19.1)	3.4	(12.0)	(27.7)	27.7	-	-	-
Transfers (to)/from earmarked reserves	7.5	(7.5)	-	-	-	-	-	-	-	-
(Increase)/decrease in year	(0.5)	(7.5)	(8.0)	3.4	(12.0)	(16.6)	18.4	1.8	(0.1)	1.7
Balance at 31 March 2025	(10.1)	(80.7)	(90.8)	(34.8)	(42.8)	(168.4)	(446.5)	(614.9)	(3.4)	(618.3)

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.

2023/24 £m	Group cash flow	2024/25 £m
7.0	Net (surplus)/deficit on the provision of services	11.0
(35.9)	Adjust net (surplus)/deficit on the provision of services for non-cash movements	(57.0)
36.1	Adjust for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	45.7
7.2	Net cash flows from operating activities	(0.3)
(9.2)	Net cash flows from investing activities	0.5
5.3	Net cash flows from financing activities	(14.4)
3.3	Net (increase)/decrease in cash and cash equivalents	(14.2)
27.8	Cash and cash equivalents at 1 April	24.5
24.5	Cash and cash equivalents at 31 March	38.7
(3.3)	Net increase/(decrease) in cash and cash equivalents	14.2

Notes supporting the group accounts

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.

Notes supporting the group accounts

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	2023/24 £m	2024/25 £m	Balance sheet	31 March 2024 £m	31 March 2025 £m
Turnover	(25.8)	(26.6)	Non-current assets	4.0	4.1
(Profit) on ordinary activities before taxation	-	(0.1)	Current assets	3.4	6.0
Tax on profit on ordinary activities	-	-	Liabilities due within one year	(4.1)	(6.7)
(Profit) for the financial year after taxation	-	(0.1)	Liabilities due after more than one year	-	-
Other comprehensive income and expenditure	-	-	Net assets	3.3	3.4
Total comprehensive income and expenditure	-	(0.1)	Reserves	(3.3)	(3.4)

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.

Notes supporting the group accounts

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.

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.

Notes supporting the group accounts

G5. Group prior period adjustment

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

The 2023/24 group comprehensive income and expenditure statement has been restated to adjust for restructuring of services between directorates that occurred during 2024/25, the impact on the net expenditure is shown in the table below.

Group comprehensive income and expenditure line affected	Per 2023/24 Financial Statements £m	Prior Period Adjustment £m	Per 2024/25 Financial Statements comparative £m
Children and Young People	69.8	(4.9)	64.9
Community Wellbeing	70.9	(0.5)	70.4
Economy and Environment	67.0	4.9	71.9
Corporate Services	45.7	0.5	46.2



**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.

2023/24 Total £m	Collection fund	Note	2024/25 Council tax £m	2024/25 Business rates £m	2024/25 Total £m
	Amounts required to be credited to the collection fund				
159.9	Council tax	C2	169.1	-	169.1
41.3	Business rates income	C1	-	49.1	49.1
4.5	Transitional protection payments receivable		-	2.1	2.1
205.7	Total		169.1	51.2	220.3
	Amounts required to be debited from the collection fund				
	Precepts, demands and shares				
21.2	Central government		-	21.9	21.9
7.1	Hereford and Worcester fire authority		7.0	0.4	7.4
147.7	Herefordshire Council		135.0	21.4	156.4
5.4	Parish and town councils		5.7	-	5.7
18.8	West Mercia police		20.0	-	20.0
	Contribution towards previous year's surplus				
2.2	Central government		-	1.4	1.4
0.1	Hereford and Worcester fire authority		-	-	-
3.5	Herefordshire Council		-	1.4	1.4
0.2	West Mercia police		-	-	-
	Charges to collection fund				
0.3	Cost of collection allowance		-	0.3	0.3
0.9	Write offs of uncollectable debt		0.3	0.3	0.6
1.1	Increase/(decrease) of bad debt provision		0.4	0.6	1.0
(2.2)	Changes in provision for appeals		-	(0.6)	(0.6)
2.2	Other transfers to the general fund		-	2.3	2.3
208.5	Total		168.4	49.4	217.8
(2.8)	Surplus/(deficit) for the year		0.7	1.8	2.5
10.5	Balance bought forward		3.4	4.3	7.7
7.7	Balance carried forward	C3	4.1	6.1	10.2

Notes supporting the collection fund statement

C1. Business rates income

The total non-domestic rateable value at the year-end was £149.6 million and the national non-domestic rate multiplier for 2024/25 was 49.9p for the small business rate multiplier and 54.6p for the standard business rate multiplier.

Business rates income	2024/25 £m
Annual debit	77.1
Less	
Empty allowances	(1.7)
Transitional relief	(2.1)
Discretionary relief	(0.8)
Mandatory relief	(6.0)
Small business rate relief	(9.3)
Funded reliefs	(8.0)
Interest on refunds	(0.1)
Total	49.1

Notes supporting the collection fund statement

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 2024/25 was £2,311.60 including fire, police and parish precepts, with a range of between £2,250.48 and £2,440.73. The council tax base used for setting the council tax in 2024/25 was 71,999.97. 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	5,545.48
B	£40,001 to £52,000	7/9	11,751.95
C	£52,001 to £68,000	8/9	12,670.92
D	£68,001 to £88,000	9/9	11,973.81
E	£88,001 to £120,000	11/9	13,771.13
F	£120,001 to £160,000	13/9	10,141.56
G	£160,001 to £320,000	15/9	5,830.29
H	Over £320,001	18/9	314.83
Total			71,999.97

Council tax income	2024/25 £m
Council tax debit	203.9
Banding change	5.3
Less	
Discounts	(17.2)
Exemptions	(6.9)
Council tax reduction	(15.7)
Disablement relief	(0.3)
Total	169.1

Notes supporting the collection fund statement

C3. Collection fund surplus/(deficit)

The Collection Fund surplus at 31 March 2025 is split as follows:

Collection fund surplus/(deficit)	Council tax £m	Business rates £m	Total £m
Central government	-	3.0	3.0
Hereford and Worcester fire authority	0.2	0.1	0.3
Herefordshire Council	3.5	3.0	6.5
West Mercia police	0.4	-	0.4
Total	4.1	6.1	10.2

Governance statements

Annual governance statement

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 2024 to 31 March 2025, the key governance mechanisms in place and planned improvements for 2025/26 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.

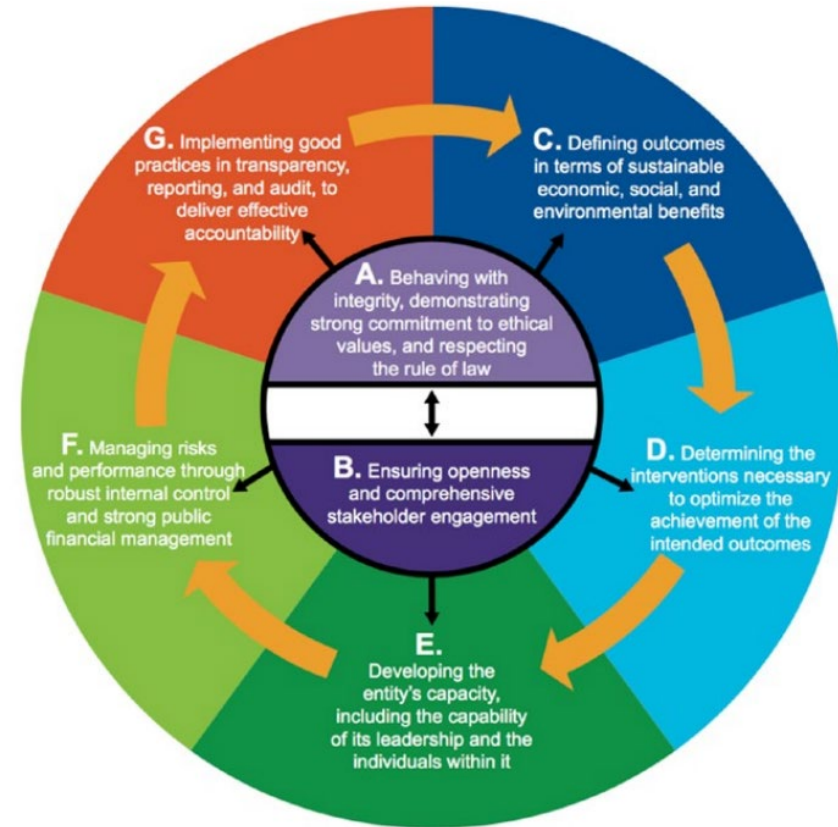
The purpose of the Governance Framework

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:



Annual governance statement

Overview of Governance Framework

Key elements of the council's governance framework, which have been in place throughout 2024/25 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.

Annual governance statement

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.

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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 2024/25 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 2024/25

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 2024/25:

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:

- We have continued to review the council's Constitution and associated documents to simplify and enhance visibility across officers, Members and residents.

- In October 2024, a report was taken to full Council to propose amendments to the constitution in relation to: functions of the Audit & Governance Committee including recruitment and appointment of an Independent Person; functions of Planning and Regulatory Committee; clarification of the Planning Code and rules; amendment to the Fostering Panel membership to reflect practice; amendment to employment rules; amendment to the corporate scheme of delegation; amendment to enable consequential changes to be made to the Constitution; clarification to call-in; and role description for position of chair and vice chairperson.
- An update on the operation of the employee Whistleblowing Policy was reported to Audit & Governance Committee in October 2024 to provide assurance on the effectiveness of arrangements in place for employees, and others, to raise concerns that may be in the public interest.
- The Equality Policy 2024-2027 was approved in May 2024. The policy supports compliance with the Equality Act 2010 and details the council's equality objectives, work across the council to address equality issues and highlights areas where additional actions are proposed.
- The Corporate Complaints and Compliments Policy and Procedure 2025-2029 has been updated to ensure customers are informed about the complaints process and are aware of the rights and obligations. This ensures effective investigation and appropriate response to formal complaints and compliments received from service users.
- The Shareholder Committee forms part of the overall governance arrangements for Herefordshire Council in relation to companies and other legal entities which are wholly or partly owned or controlled by the Council. The Committee has met during 2024/25 to review the position and performance of companies in which the council has a legal interest. The Committee ensures transparent reporting of the council's interests.
- Engagement through Leadership Group, All Staff Briefings and collaboration across Corporate Leadership Team and individual Directorate Teams has taken place throughout 2024/25 ensuring

Annual governance statement

that information about the council's strategic priorities and planned activity is shared in a timely way to enable informed decision making at all levels across the organisation.

- Mandatory training completed in 2024/25 included modules which support decision making and reporting: Information Access & Information Governance, Information Security, Equality, Diversity & Inclusion (EDI).
- Additional training has been delivered through the council's Leadership Group in 2024/25 for officers to share across their teams: Equality Impact Assessments, the role of Scrutiny, Impact of Procurement Reforms and regular updates on the council's financial position and performance.

The governance arrangements, as identified above, have been effective in the period from 1 April 2024 to 31 March 2025. Areas where it is recognised that governance arrangements could be further strengthened include:

- 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, aligned to the revised Risk Management Strategy and Risk Appetite Statement.
- Improvements to the process for declaring employee interests will be delivered in 2025/26 to enable simplified reporting and updating by employees and support improved oversight by managers.
- Incorporation of equality considerations in service planning templates to improve ownership of equality within each service area.

Core Principle B: Ensuring openness and comprehensive stakeholder engagement

Key aspects of the council's governance arrangements during 2024/25:

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 2024/25 comprised:

- Continued 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.
- Active promotion of 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.
- 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 Herefordshire Council Plan 2024-28, approved by Council in May 2024, identifies the council's strategies and plans that will support delivery of priorities. As part of routine activity during 2024/25, these plans and strategies have been subject to in-year review and updates made accordingly. Collaboration and engagement across teams, and review by the Corporate Leadership Team, ensures that relevant strategies and policies are aligned to the Transformation Strategy.
- The Audit & Governance Committee appointed an Independent Member in September 2024 to provide specialist knowledge and

Annual governance statement

insight and complement the skills and experience of existing Members. Training and information have been provided to the newly appointed Member to support delivery in the role.

- Feedback from events and surveys to inform the council's corporate priorities. Consultations and surveys, to engage the views of stakeholders, during 2024/25 included: Library Strategy, Active travel improvements, 2025/26 Budget proposals, Herefordshire Domestic Abuse Strategy, Wraparound Childcare requirements and proposed expansion of Aylestone School.
- As part of consultation on proposals for the 2025/26 revenue budget and capital programme, the council developed an online budget simulator tool, enabling residents and other stakeholders to consider funding choices and the impact of changes in income and expenditure on the delivery of services. Engagement also asked for feedback on priorities for the 2025/26 budget and council tax increase options. A further event to engage with the business community was held in December 2024.
- Implementation of a People's Voice questionnaire at the conclusion of each Care Act Assessment in adult social care to secure feedback from individual residents on their experience to inform ongoing service improvement.

The governance arrangements, as identified above, have been effective in the period from 1 April 2024 to 31 March 2025. Areas where it is recognised that governance arrangements could be further strengthened include:

- Arrangements to enhance and strengthen governance, internal challenge and oversight of the council's major and capital projects will be implemented in 2025/26 with the establishment of a Major Projects Forum. This body will provide oversight with representation from a variety of stakeholders across the council to provide internal check and challenge.
- A further layer of assurance will be provided via a Corporate Services Gateway board to be chaired by the Deputy Monitoring Officer and Deputy S151 Officer to provide an opportunity for cross-

cutting legal, financial, governance issues and risks to be considered separately for upward reporting to the Major Projects Forum.

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

Key aspects of the council's governance arrangements during 2024/25:

- The Herefordshire Council Plan 2024-28 sets out the council's vision across four priority areas: People, Place, Growth and Transformation. The annual Delivery Plan underpins the Council Plan and individual Service Plans provide a framework to support effective performance management and to ensure activity is aligned to the priorities and principles of the Delivery Plan and Council Plan.

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.

- Performance against 2024/25 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.

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- Work to finalise Service Plans has progressed during 2024/25; in June 2024, a workshop took place with the council's Leadership Group to review existing service plans and standardise processes to develop the plans. The outcomes from this workshop have been taken forward to inform the production of Service Plans to support monitoring of performance at Service level in 2025/26.
- 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.
- Decision making across the council is supported by a clear governance framework and this ensures appropriate review and challenge of information across relevant teams including Finance, Legal, Governance, Risk, Equalities. Where appropriate, decisions are aligned to the priorities of the approved Council Plan. Cabinet and Committee reports set out the environmental implications of recommendations for consideration as part of decision making.
- The Contract Procedures Rules were updated in 2024/25 to incorporate the legislative requirements of the Procurement Act 2023 and Procurement Regulations 2024. The revised Rules ensure that service specifications for procurement of new or existing services identify social value outcomes and how they will contribute to the council's strategic priorities.

The governance arrangements, as identified above, have been effective in the period from 1 April 2024 to 31 March 2025. Areas where it is recognised that governance arrangements could be further strengthened include:

- Development of an updated Carbon Management Plan and associated action plan.
- Continued work with strategic partners, residents and local organisations to develop a revised countywide carbon dioxide reduction strategy aspiring for carbon neutrality by 2030.

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

Key aspects of the council's governance arrangements during 2024/25:

- 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.
- Development of the 2025/26 revenue budget and capital programme included increased engagement and transparency across Group Leaders, and their political groups, to share information throughout each stage of development and as new challenges to the council's financial position arose.
- Monthly Budget Board meetings of Corporate Directors and Service Leads, the Chief Executive and S151 Officer, have taken place throughout 2024/25 to monitor key Directorate pressures and challenges in the delivery of savings, and to identify action plans to manage cost pressures and mitigations for 'at risk' savings.
- Quarterly reporting of financial performance to Cabinet during 2024/25 has highlighted key financial pressures and risks, prompting the continuation of 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 2024/25.
- 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.

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- The council's future target operating model was launched in 2024 and has been communicated across the organisation through staff briefings and the staff conference. The Strategic Transformation Board has been established to finalise work programmes and improvement activity that will support the implementation of the council's new target operating model.
- Enhanced monitoring of children's residential placements has been delivered in 2024/25 through the Children & Young People Directorate's 'Better Outcomes' Panel, chaired by a Senior Officer.

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 improvements in the integration of social care case management and financial systems to support consistency and accuracy in data used to drive activity and financial forecasts.
- Improved links between All Age Commissioning and operational service areas to ensure joint understanding of commissioned services, to support service developments and enhanced financial management.

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 2024/25:

- The Workforce Strategy 2024-28, was approved for implementation in April 2024. The Strategy 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: developing and maintaining relationships based on a culture of transparency and open communication

HONESTY: demonstrating truthfulness, integrity, and transparency in all communications, decisions, and relationships

RESPONSIBILITY: taking ownership of individual and collective actions, decisions, and delivering on commitments

INCLUSIVITY: embracing diversity, equity and inclusion by recognising and valuing the unique perspectives, backgrounds and experiences of staff, customers and residents

VALUE: upholding high standards, ethics and integrity to guide actions and decisions by demonstrating commitment to creating and delivering value

EMPATHY: demonstrating a genuine and caring understanding of others' feelings, perspectives, and experiences

- A Children & Young People Workforce Strategy, aligned to the Corporate Workforce Strategy with a specific focus on ambitions for staff in the C&YP Directorate, is in place to support permanent recruitment and development of staff internally.
- The council provides a range of learning and development opportunities for staff, delivered through the Learning & Organisational Development Team. This includes Mandatory Training modules as well as opportunities through 'My Learning Hub'.

Annual governance statement

- In 2024/25, investment in the council's learning offer, shaped by feedback from staff, resulted in a programme of learning across a variety of topics. The All Staff learning offer includes 10 topics covering core skills as well as areas identified as a learning gap in the employee survey and through employee feedback. Themes include: Productivity, Impact & Influence, Change Mindset and Presenting. For Managers and Leaders, an additional suite of training is available to support leadership and management skills. This includes topics such as coaching skills, managing change and performance and delegation and empowerment skills.
- Staff are able to discuss and agree training and development needs through the annual 'My Conversation' process.
- In 2024/25, the Corporate Leadership Team approved a suite of leadership training for leaders at all stages of their careers, which will be implemented in 2025/26: Lead@HC.
- The council has continued to develop and update its financial reporting arrangements during 2024/25, to tailor financial information to the risks of each Directorate, working collaboratively with stakeholders.
- During 2024/25, regular updates on the council's financial position and performance in the year to date, have been shared with the council's Leadership Group (staff who report directly to a member of the Corporate Leadership Team) and through All Staff Briefings. At the Staff Conference in September 2024, an update by the Director of Finance was shared with all attendees.

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

- The council's leadership development programme (@LeadHC) will be launched in 2025/26 to address gaps in the learning and development offer and strengthen leadership skills and capabilities. The Lead@HC Programme will aim to develop inspirational leaders across four themes: Grow, Aspire, Empower, Innovate.
- A review of the reporting tools available through the council's finance system (Business World) will be undertaken in 2025/26 to

increase automation and simplification of financial information to aid budget management and decision making.

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 2024/25:

- 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 Council Plan. Quarterly budget and performance reports are presented to Cabinet to report progress against the agreed revenue budget, capital programme, savings and achievement of key milestones in the Delivery Plan.
- Risk management forms an integral part of the council's governance arrangements and decision-making processes and is fundamental to the successful delivery of strategic objectives. Effective risk management enables the council to make informed decisions in respect of challenges and risks within the boundaries of risk appetite, available resources and legislative and regulatory requirements and strengthens the council's ability to be agile to respond to challenges and opportunities.
- Activity to review and update the council's risk management arrangements was undertaken in 2024/25 to update the Risk Management Strategy and strengthen the management and monitoring of risks across the council.
- This activity has included feedback from the council's external risk management consultants, Corporate Leadership Team Risk Management workshops, facilitated by the council's Internal Auditor's Chief Technical Advisor for Risk and Head of Internal Audit, and engagement with Cabinet Members and Audit & Governance Committee.

Annual governance statement

- A revised Risk Management Strategy has been completed, incorporating a new Risk Appetite Statement which defines the level of risk the council is willing to accept to deliver the priorities of the Herefordshire Council Plan 2024-28 and annual Delivery Plan.
- The Strategy sets out the approach and principles of risk management, outlining the council's risk appetite, risk management objectives and confirms the roles and responsibilities of elected Members and Officers across the council.
- 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 continued in 2024/25: 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.
- Internal financial reporting and monthly Directorate Budget Board meetings have supported early identification and effective management of financial risks during 2024/25; enabling recovery plans and 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.
- A self-assessment against the CIPFA Financial Management Code has been completed in 2024/25 and actions to address areas for improvement have been developed for implementation in 2025/26.

The governance arrangements, as identified above, have been effective in the period from 1 April 2024 to 31 March 2025. Areas where it is recognised that governance arrangements could be further strengthened include:

- Risk management takes place across the council at Corporate, Directorate and Service levels and activity will continue in 2025/26 to review the council's risk management framework which outlines the processes and activities by which risks are identified, evaluated, managed, monitored and reported, in line with the revised Risk Management Strategy.
- This activity will include engagement through the council's Leadership Group and training for risk owners at all levels within the risk management framework including elected members.

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

Key aspects of the council's governance arrangements during 2024/25:

- 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.

Annual governance statement

- 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.
- Internal and external recommendations for ongoing monitoring are managed through 'AuditBoard': an integrated tool which is now used by Council Staff, Internal Audit (SWAP) and Members of the Audit & Governance Committee. Training has been provided to users and the Internal Audit in-year quarterly update reports are informed by data recorded in this tool.
- Individual Directorate Delegations of Authority have been reviewed to strengthen and reinforce financial accountability and responsibility.
- The process to assess the equality impact of council decisions, activity and policies has been reviewed during 2024/25 and refreshed Equality Impact Assessment Guidance is available on the council's intranet for all Officers to consider. In addition, an interactive training session was delivered to the council's Leadership Group in October 2024.

The governance arrangements, as identified above, have been effective in the period from 1 April 2024 to 31 March 2025. Areas where it is recognised that governance arrangements could be further strengthened include:

- A review of the council's Internal Audit Plan for 2025/26, following the approval of the updated Risk Management Strategy and Corporate Risk Register, to ensure that planned work provides adequate coverage of the council's key risks and control environment.
- 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.

- Equality, Diversity and Inclusion (EDI) training is included in the council's Mandatory Training Programme for 2025; opportunities to enhance and share information to strengthen consideration of equality impact assessments for staff and Members will continue in 2025/26.

Annual governance statement

Significant Governance Issues

Actions taken to address significant governance challenges during 2024/25 are noted below.

- **Improvements in Children's Services:** During 2024/25, the council has continued to work hard to deliver the improvements required in Children's Services. In September 2024, Phase 2 of the Children's Services Improvement Plan was endorsed by Cabinet, following engagement and scrutiny of the Plan by the Children & Young People Scrutiny Committee. Findings and feedback from the Ofsted monitoring visit and SEND Area Inspection 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 Improvement Board, has reviewed its terms of reference and membership and has been independently chaired by the Department of Education Commissioner with meetings held on a six-weekly basis. 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. In March 2025, Council unanimously endorsed the Corporate Parenting Strategy 2025-2027 which sets out the council's ambitions, actions and outcomes to achieve as Corporate Parent of children and young people in Herefordshire.
- **Financial Management and Resilience:** Monthly Directorate Budget Boards have provided improved oversight of key cost pressures and challenges in the delivery of savings during 2024/25, supporting the early identification and effective management of financial risks. Directorate control panels have continued to review expenditure on goods and services, as well as changes in staffing arrangements, to provide increased rigour and challenge over expenditure. This activity has enabled recovery plans to be implemented to have a positive impact on the final outturn position.

The review of governance arrangements during 2024/25 has identified the following areas which will be a key focus for the council's leadership in 2025/26:

- **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 to deliver improvements to address Ofsted recommendations and will monitor activity and report on measures of success through the Improvement Plan.
- **Financial Sustainability and Resilience:** The council's financial position continues to be challenging with significant uncertainty in terms of future funding arrangements and allocations across local authorities over the medium term period. Government have confirmed that there will be significant reform of funding arrangements in future years, including a Fair Funding Review and reset of Business Rates during 2025 for implementation from 2026/27. Monitoring of financial position and performance in 2025/26 will include enhanced monitoring of delivery of the capital programme, cashflow position and improved reporting of the council's assets and liabilities including debt, long-term borrowing and use of earmarked reserves.
- The council has set a balanced budget for 2025/26 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 2025/26 to ensure delivery of services within the approved budget. Budget Boards, established in 2024/25 will monitor achievement of savings targets, key financial pressures and risks and delivery of capital and major projects by Directorate.

Annual governance statement

- **Dedicated Schools Grant:** At 31 March 2025, the council's Dedicated Schools Grant (DSG) cumulative deficit is £20.0 million and this is expected to increase further during 2025/26. 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 monitoring of the impact of actions in the DSG Deficit Management Plan, and by reviewing opportunities to increase sufficiency and reduce the use and cost of out-of-county and independent provision, through the council's capital programme in 2025/26 and 2026/27. The risk of a lack of local special educational needs and disabilities (SEND) placement provision to meet current and future levels of demand, is included in the Corporate Risk Register and the impact of mitigating actions and controls will be reported to Cabinet throughout 2025/26.

The key governance challenges facing the council in 2025/26 will be monitored by the Corporate Leadership Team and Audit & Governance Committee.

Annual governance statement

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 2023/24, 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 2023/24 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.

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 2025, 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 2024 to 31 March 2025. 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/2025

Jonathan Lester
Leader of the Council
Date: XX/XX/2025

Independent auditor’s report

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

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Glossary of terms

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 leases and PFI contracts.
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"> it is not probable that an outflow of resources embodying economic benefits or services potential will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.
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.
Debtors	Financial assets not traded in an active market with fixed or determinable payments that are contractual rights to receive cash or cash equivalents.

Glossary of terms

Term	Definition
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 for lessor	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.
Intangible asset	An identifiable asset without physical substance e.g. computer software.
Inventories	These are assets; <ul style="list-style-type: none"> a) In the form of materials or supplies to be consumed in the production process b) In the form of materials or supplies to be consumed or distributed in the rendering of services c) Held for sale or distribution in the ordinary course of operations, or d) In the process of production for sale or distribution
Investment property	Property held solely to earn rentals or for capital appreciation or both.
Lease	A contract that conveys the right to use an asset for a period of time.
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.

Glossary of terms

Term	Definition
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 for lessor	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.
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"> a) revalued downwards or impaired and the gains are lost b) used in the provision of services and the gains are consumed through depreciation, or c) disposed of and the gains are realised. <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.
Right of use asset	An asset that represents a lessee's right to use an underlying asset for the lease term.
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 2024/25

The Cost of Council Services for 2024/25

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

2023/24 £m	Comprehensive Income and Expenditure	2024/25 £m
66.2	Children & Young People	72.6
75.7	Community Wellbeing	83.1
73.4	Economy & Environment	63.2
38.0	Corporate Services	28.1
253.3	Net Cost of Services	247.0
6.4	Other Operating Expenditure	35.3
(10.3)	Financing & Investment Income & Expenditure	(1.8)
(242.4)	Taxation & Non-specific Grant Income	(269.4)
7.0	(Surplus)/Deficit on the Provision of Services	11.1
(10.6)	(Surplus)/Deficit on Revaluation of Non-current Assets	(8.2)
(12.9)	Re-measurement of the Net Defined Benefit Liability	(1.1)
(23.5)	Other Comprehensive (Income) & Expenditure	(9.3)
(16.5)	Total Comprehensive (Income) & Expenditure	1.8

Revenue Outturn

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.

Service Area	Budget £m	Outturn £m	Variance £m
Children & Young People	59.7	56.9	(2.8)
Community Wellbeing	76.2	77.8	1.6
Economy & Environment	26.7	25.3	(1.4)
Corporate Services	22.2	23.9	1.7
SEN & Home to School Transport	9.3	12.7	3.4
Sub Total: Services	194.1	196.6	2.5
Central, Treasury Management	16.4	15.7	(0.7)
Supplementary budget	2.3	-	(2.3)
Total	212.8	212.3	(0.5)

Summary Financial Statements 2024/25

Balance Sheet

The Balance Sheet summarises the council's financial position at 31 March 2025 and reports the assets, liabilities and reserves which show what the council owns and how much it owes.

2023/24 £m	Summary Financial Position	2024/25 £m
872.2	Assets (owned by the council)	895.7
(255.5)	Liabilities (owed by the council)	(280.8)
616.7	Net Financial Position (Assets less Liabilities)	614.9
	Held in reserves as follows:	
151.8	General Reserves (Usable)	168.4
464.9	Other Reserves (Unusable)	446.5
616.7	Total Reserves	614.9

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.

2023/24 £m	Reserves	2024/25 £m
(141.9)	Usable Reserves	(156.7)
(9.9)	School Reserves	(11.7)
(464.9)	Unusable Reserves	(446.5)
(616.7)	Total Reserves	(614.9)

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.

2023/24 £m	Additions	2024/25 £m
6.5	Land & Buildings	10.1
0.9	Surplus Assets	0.9
0.9	Assets Under Construction	1.6
2.3	Vehicles, Plant, Furniture & Equipment	8.3
23.1	Infrastructure Assets	36.9
0.3	Software & Licences	0.2
0.5	Investment Assets	0.2
0.1	Heritage Assets	0.3
34.6	Total	58.5
	Financed by:	
(0.9)	Capital Receipts	(4.9)
(33.7)	Government Grants & Other Contributions	(53.6)
(34.6)	Total	(58.5)



Title of report: Internal audit annual report and opinion 2024/25

Meeting: Audit and Governance Committee

Meeting date: Tuesday 10 June 2025

Report by: Director of Finance/Head of Internal Audit

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 2024/25.
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.

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

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. The Public Sector Equality Duty requires the Council to consider how it can positively contribute to the advancement of equality and good relations, and demonstrate that it is paying 'due regard' in our decision making in the design of policies and in the delivery of services.
10. The mandatory equality impact screening checklist has been completed for this activity and it has been found to have no impact for equality.

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 management and monitoring of the programme of internal audit work, and subsequent coverage assessments.
15. Risks identified by internal audit are mitigated by actions proposed by management in response. Progress on implementation of agreed actions is now reported to this committee as part of the internal audit progress reports.

Consultees

16. None.

Appendices

Appendix A Internal Audit Annual Report and Opinion 2024/25

Background papers

None identified.

Appendix A

Herefordshire Council

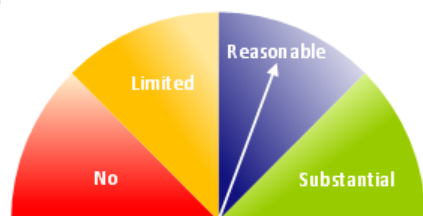
Internal Audit Annual Opinion Report 2024/25

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Internal Audit Annual Opinion – 2024/25: ‘At a Glance’

OFFICIAL

Annual 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.

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 2024/25 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 were changing and developing throughout 2024/25, and therefore we were unable to fully dovetail our programme of work with the existing risk management framework. <i>The Council have since updated the Risk Management Strategy and updated the Corporate Risk Register so this will take place for 2025/26 as part planning processes.</i>
	There were no instances of material risks throughout the year where management did not accept the need for mitigating action.

Internal Audit Assurance Opinions 2024/25

Substantial	2
Reasonable / Certified	12
Limited	3
No Assurance	0
N/A (inc. advisory, investigation and work in progress)	17

Internal Audit Agreed Actions 2024/25

Priority 1	0
Priority 2	30
Priority 3	29

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) must provide a written annual report to those charged with governance to support the Authority's Annual Governance Statement (AGS). This report must include the following:

- An opinion on the overall adequacy and effectiveness of the organisation's strategic risks, governance, risk management and internal control environment, including an evaluation of the following:
 - the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities;
 - whether the information technology governance of the organisation supports the organisation's strategies and objectives;
 - the effectiveness of risk management processes; and
 - 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.
- Compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria.
- 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. For 2024-25 the team's work was 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. On 1 April 2025 the new Global Internal Audit Standards became mandatory in the UK Public Sector, subject to additional instruction and guidance recognised by the UK Public Sector's Relevant Internal Audit Standards Setters (RIASS). To date, that additional guidance includes on the UK Public Sector Application Note on the Global Internal Audit Standards and CIPFA's Code of Practice for the Governance of Internal Audit in UK Local Government.

The work of the team is guided by the Internal Audit Charter. The Committee approved the Charter which guided our work in 2024/25 on 23 June 2023. Members approved a revised Charter, adapted for the new Global Internal Audit Standards, in March 2025.

This report summarises the activity of the Internal Audit team for the 2024-25 year.

Three Lines Model



Three Lines Model

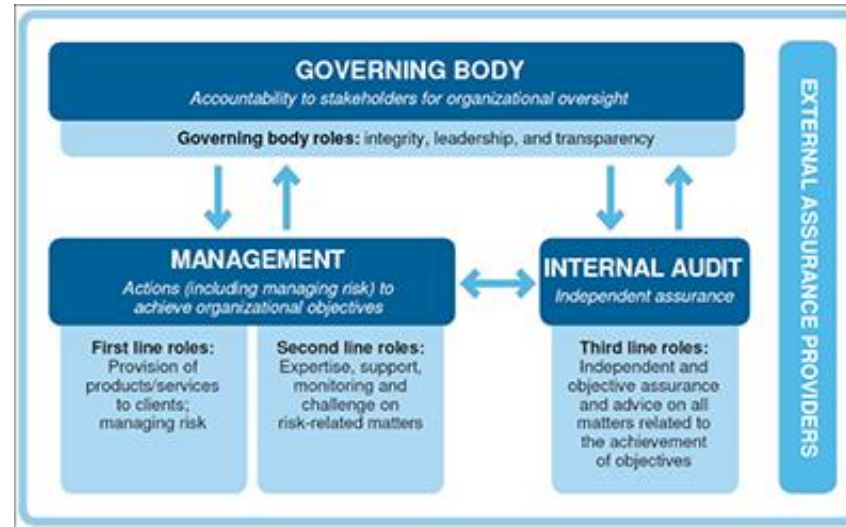
SWAP work completed in 2024/25 was completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

To ensure the effectiveness of an organisation's risk management framework, the Audit and Governance Committee and senior management need to be able to rely on adequate line functions – including monitoring and assurance functions – within the organisation.

The 'Three Lines' model is a way of explaining the relationship between these functions and as a guide 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, compliance.
- the third line – functions that provide independent assurance.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. The position of Internal Audit within an organisation's governance framework is best summarised in the Three Lines model shown below.



SWAP work completed in 2024/25 was 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 Annual Opinion 2024/25

OFFICIAL

Section 10B of the UK Public Sector Application Note for the Global Internal Audit Standards directs the Head of Internal Audit (SWAP Assistant Director) to provide an annual opinion to support the Annual Governance Statement.



Annual Opinion

On the balance of our 2024/25 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.

A schedule of audit work delivered can be found at the end of the report.

The Annual Opinion is based on the following sources of information:

- Completed audits which evaluate risk exposures to strategic objectives (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.)
- Audit work in progress at opinion date that is sufficiently advanced its conclusions can support the Opinion.
- Observations from consultancy/advisory support.
- Follow up of previous audit activity, including agreed actions.
- Grant certification work.
- Significant/material risk 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 regulator reports

In the year 2024/25 the large majority of our assurance audits reported reasonable or substantial assurance and no high corporate risks were reported. Taking all this evidence into consideration, we provide a reasonable assurance annual opinion.

A total of 59 actions were agreed across audits, and these will be followed up through the 2025/26 year with progress regularly being reported to committee.

The Committee agreed a rolling risk-based plan throughout 2024/25 with audit work scheduled across the Council's key services.

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 were changing and developing throughout 2024/25, and therefore we were unable to fully dovetail our programme of work with the existing risk management framework, therefore we have not reported coverage of the audit plan against the corporate risk register for 2024/25. The Council have since updated the Risk Management Strategy and updated the Corporate Risk Register so this will take place for 2025/26 planning processes.

Three audits received a limited assurance conclusion. These were:

- Court of Protection
- All Ages Commissioning – Use of Spot Purchasing Non Accommodation Services
- Debtors (Accounts Receivable) Processes (Aged Debt Focus); and

Follow up of Agreed Actions

The Council's Corporate Performance team previously had responsibility for tracking action implementation and reporting to the Committee. SWAP took responsibility for tracking actions from April 2024 and prior to commencing this review completed a data cleanse on historic actions.

The Q1 Progress Report noted 88 actions for Herefordshire Council pending remediation.

As of the 13th May 2025 there are 53 actions pending remediation for Herefordshire Council. In the Q3 progress update I reported 20 actions that had an agreed revised timescales, two of these actions have since been closed

Not yet due	Due within 30 days	1-30 days overdue	31-60 days overdue	61-90 days overdue	91+ days overdue	Total Actions
18	1	1	5	2	18	53

SWAP work completed in 2024/25 was 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.

However, a further 59 actions were agreed in 2024/25 which means a total of 94 actions have been closed off this year.

Please note:

- *these could be those that were transferred from the Council's previous process or those actions that have been agreed in 2024/25 audit reports. For example, 4 of the 6 Debtors actions were implemented as part of the audit finalisation stages.*
- *the 9 actions identified across the 6 audits not yet finalised do not show in these figures.*

The number of closed actions is significant and reflects the commitment from management to implement agreed actions.

Audit Coverage 2024/25

OFFICIAL

Internal audit coverage should be aligned to key corporate priorities and key corporate risks.



Audit Coverage by Corporate Risk

During 2024/25 the Council have revised their Risk Management Strategy which includes a risk appetite and have finalised a revised Corporate Risk Register. We have not been provided with a copy of the revised risk register to date therefore we have not reported coverage against the corporate risk register.

We have reported coverage against Directorate Areas, Corporate Priorities and SWAPs Top 10 Risks, as shown below:

Directorate	Coverage	Average Opinion
Children & Young People	Good	Reasonable
Community Wellbeing	Good	Reasonable
Corporate Services	Good	Reasonable
Economy and Environment	Good	Reasonable

Corporate Priority	Coverage	Average Opinion
P01 – 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.	Some	Non Opinion Audits
P02 – 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.	Good	Reasonable
P03 – Growth – We will create the condition to deliver sustainable growth across the county; attracting inward investment, building business confidence, creating jobs, enabling housing development and provide the right infrastructure.	Adequate	Reasonable
P04 – Transformation – We will be an efficient council that embraces best practice, delivers innovation through technology and demonstrates value for money.	Adequate	Reasonable

SWAPs Top 10 Risks	Coverage	Average Opinion
Planning, Housing, Environment & the Local Economy	Good	Reasonable
Governance	Good	Reasonable
Sustaining Care	Good	Reasonable
Finance	Good	Limited
Health & Safety	Some	Non Opinion Audits
Education	Some	Non Opinion Audits
Contracts, Procurement & Commissioning	Good	Reasonable
Workforce	Good	Reasonable
Technology, Digital & Security	Adequate	Reasonable
Strategic Asset Management	Some	Limited

The coverage shown here is for completed and in progress audits within the past 2 years, audits completed over 1 year ago have a reduced impact on coverage.

As the corporate priorities were revised in June 2024 the coverage for Corporate Priorities is for the 2024/25 year only.

SWAP work completed in 2024/25 was 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.

Definitions of Corporate Risk

High Risk

Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

Medium Risk

Issues which should be addressed by management in their areas of responsibility.

Low Risk

Issues of a minor nature or best practice where some improvement can be made.



Significant Corporate Risks

There were no audits identified this year as high risk.

Summary of Audit Opinion 2024/25

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At the conclusion of audit assignment work we summarise the work with a "Control Assurance Opinion";



Summary of Audit Opinion

Assurance Definitions

No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Chart 1: Summary of Control Assurance Opinions

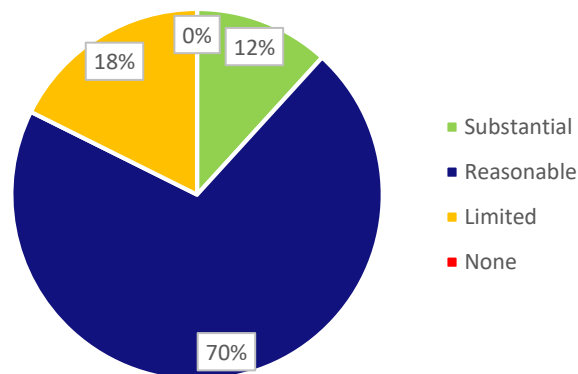


Chart 2: Audit Work by Type

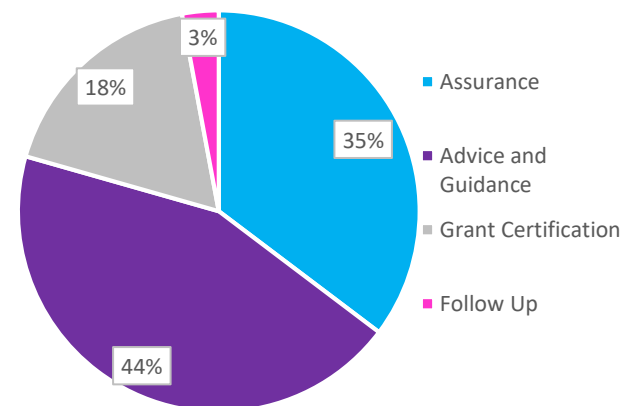


Chart 1 above indicates the spread of assurance opinions across our work during the past year, including only those which received an assurance opinion (e.g. excluding advisory work).

Chart 2 indicates the audit work by type. Whilst assurance work is the main focus of internal audit, utilised in the correct way advisory work can add value to an organisation. Audit can be a trusted advisor, supporting the organisation manage risks on an ongoing basis rather than solely in a reactive manner.

SWAP Performance - Summary of Audit Actions by Priority

We rank our actions on a scale of 1 to 3, with 3 being medium or administrative concerns to 1 being areas of major concern requiring immediate corrective action



Priority Actions

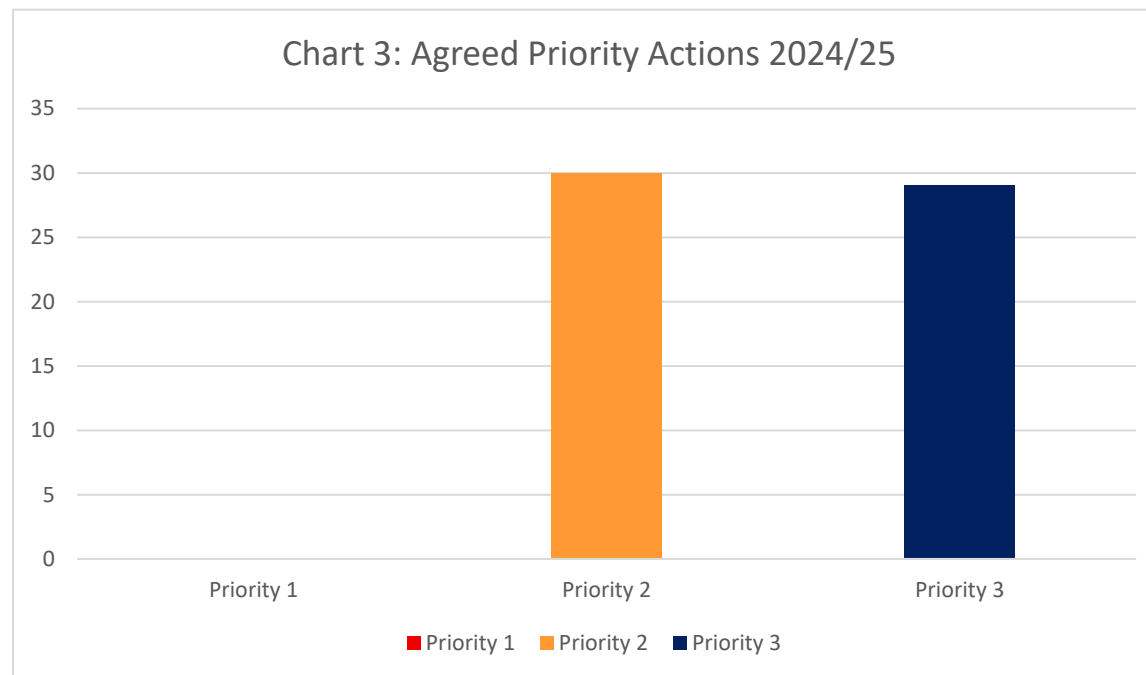


Chart 3 demonstrates the number of actions agreed this year across the Priority Ratings. There are no priority 1 actions raised in 2024/25. For comparative purposes it is noted that there were 25 Priority 2 and 17 Priority 3 actions raised in 2023/24.

Added Value



Added Value

Throughout the year, SWAP strives to add value wherever possible: going beyond the standard expectations while adding little or nothing to the cost.

Cifas Data Matching

The Cifas data matching service will help the Council to both detect and prevent fraud. SWAP is working with both Cifas and the Council to facilitate data matching work in the following areas:

- Procurement – All procurement Officers currently use the database to search on the person applying - for all tenders over £25,000. There is Officer discretion regarding searching on named and registered directors and the company itself. A lower procurement value has been discussed and will be revisited but the appetite at this time matches the current threshold.
- Grants – UKSPF and Household Support Fund grants applicants and related businesses are searched in the system. There are many other grants across the Council services, and whether the Cifas data matching system is to be used is being explored.
- Insurance – To identify whether claimants have been recorded within the database as attempting to perpetrate fraud. All personal injury claims are being searched in the system. These are outsourced to a third party who manage the claim and Herefordshire Council ultimately make the decision on whether to accept the claim.
- Council Tax – The Fair Processing Notice now appears on all single person discount review letters and is on the Council's website too. Some ad hoc cases at investigation stage have led to Cifas searches being carried out to assist prior to interviews and interviewees are issued with a direct FPN prior to the interview.

Officers who will be using the Cifas data matching service at the Council are trained by either the Council's Counter Fraud Manager or the SWAP Principal Counter Fraud Investigator as part of the onboarding. A flowchart process has been rolled out alongside this process to ensure that appropriate matches are escalated and reviewed by the Council's Counter Fraud Manager.

Work in 2024/25 has focused on implementing the use of the Cifas Data Matching system in Direct Payments. Initial discussions have taken place, and the service lead is working on their process maps prior to going live. Training will be provided by SWAP imminently with a view to starting the checks thereafter.

SWAP Internal Audit Counter Fraud Team continue to explore additional areas where Cifas Data Matching could be utilised. These include; Business Rates and other Council Tax reliefs/ exemptions, Blue Badges, Adults Homelessness, Adults Housing Register, Licensing, and Pensions.

Innovations and Enhancements to our Audit Process

With the help of SWAP's Data Analysts, we include analysis of data as part of our auditing wherever possible. This allows us not only the opportunity to test whole populations of data, but where this is not possible or appropriate, to be able to use data analytics to target our testing in a more effective manner.

The Planning Benchmarking audit completed in 2024/25 included both data analysis and benchmarking. This compared Herefordshire Council to 5 other Local Authorities who Herefordshire Council deemed to be similar to their own Authority. They survey compared Local Government Data as well as questions relating to staffing structures, number of applications, budgets of the service and the software system.

Other benchmarking completed included:

- Debtors
- CQC Inspection Readiness

Other

- Our regular update SWAP News Round-up.
- SWAP's Counter Fraud Team has also facilitated access to counter fraud intelligence resources and issued alerts and newsletters to key officers in the Council.
- Ad hoc advice through the year, for instance: Planning Application Payment Process, Review of Audit Requirements within Contracts.

SWAP work completed in 2024/25 was 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 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).

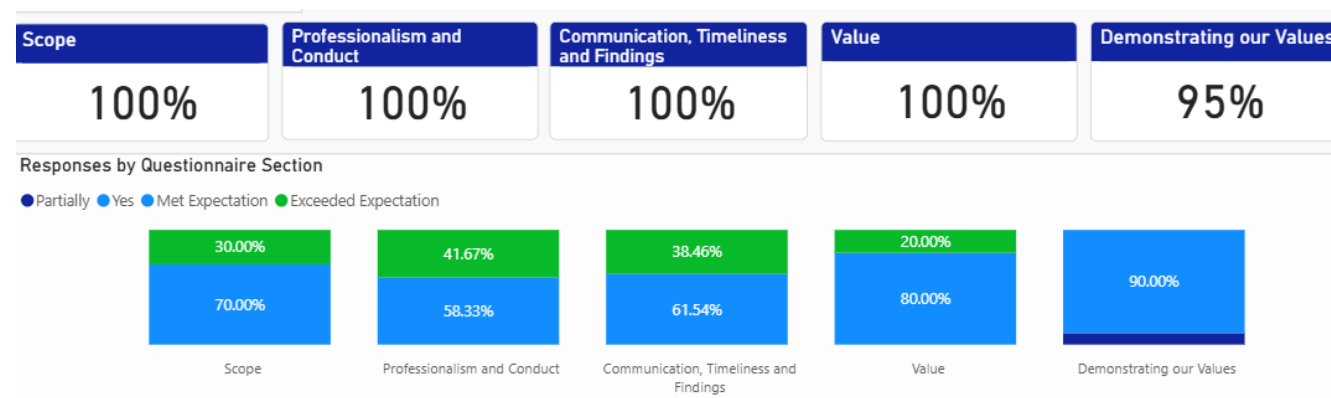


SWAP Performance

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.

SWAP's performance is subject to regular monitoring and review by both the SWAP Board of Directors and the Owners Board.

From the 10 returned questionnaires (a return rate of 42%, from the 24 issued), feedback was strong; especially in relation to our professionalism and conduct. The below visual summarises this feedback across five themes:



The return rate has dropped considerably from the 2023/24 annual opinion where it was 74%. SWAP Internal Audit will work with S151 Officer and other officers across the Council to seek an increase in 2025/26.

Our professional Standards require that we commission an independent external assessment at least every five years to confirm compliance. SWAP's most recent assessment was completed by the Devon Audit Partnership and published in December 2024. The assessment concluded SWAP "generally conforms" to Standards, which was the highest rating available to the assessor using the IIA's quality manual.

Summary of Internal Audit Work 2024/25

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Audit Title	Assurance Opinion	1	2	3	Organisational Risk Assessment	Completed Date
Waste Contract Mobilisation - Phase 2	Reasonable		1	2	Low	14/05/2025
Action Tracking	Follow Up				N/A	13/05/2025
CIFAS Support of Implementation	Advisory				N/A	13/05/2025
Fraud Baseline Assessment Follow Up	Advisory		1	6	N/A	01/05/2025
Power BI Support (HR & Mandatory Training Dashboard)	Advisory				N/A	28/04/2025
Supporting Families Q4 24/25	Reasonable				Low	03/04/2025
Debtors (Accounts Receivable) Processes (Aged Debt Focus)	Limited		3	3	Medium	24/03/2025
Risk Management Workshop (Risk Appetite and Corporate Risk Register)	Advisory				N/A	28/01/2025
Hereford Enterprise Zone Follow Up (including extended review of sales)	Reasonable			2	N/A	18/01/2025
All Ages Commissioning - Spot Purchasing Non Accommodation Activity	Limited		4	2	Medium	08/01/2025
Court of Protection 24-25	Limited		3	1	Medium	08/01/2025
Supporting Families Q3 24/25	Certified				N/A	06/01/2025
Local Authority Designated Officer (LADO) and Referrals to the DBS	Substantial			1	Low	01/11/2024
Changing Places Fund Grant Determination (2023-2024): No 31/6864, No 31/7040 and No 31/7041	Certified				N/A	27/09/2024
Local Transport Capital Block Funding (Pothole Fund) Specific Grant Determination (2023/24): No 31/6680 and No 31/6681.	Certified				N/A	27/09/2024
Local Authority Bus Subsidy (Revenue) Grant: 2023/24: No 31/6909	Certified				N/A	24/09/2024
Supporting Families Q2 24/25	Certified				N/A	24/09/2024
Planning Benchmarking	Advisory				N/A	12/09/2024
Foster Care Placements	Advisory		6	8	Medium	06/09/2024
Waste Contract Mobilisation	Advisory				N/A	03/09/2024
Safeguarding in Recruitment Processes	Reasonable				Low	23/08/2024
ICT Security Assurance Framework Review (SAFR)	Advisory				N/A	12/07/2024
Home Upgrade Grant - HUG 2	Substantial				Low	04/07/2024



SWAP work completed in 2024/25 was 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.

From 1 April 2025, SWAP internal audit work is completed to comply with the Global Internal Audit Standards and all other instruction and guidance recognised by the UK Public Sector's Relevant Internal Audit Standards Setters (RIASS).

Summary of Internal Audit Work 2024/25

OFFICIAL

Audit Title	Assurance Opinion	1	2	3	Organisational Risk Assessment	Completed Date
Risk Management Consultancy	Advisory				N/A	03/07/2024
Planning Enforcement	Reasonable				Low	26/06/2024
Rough Sleeping Accommodation Programme (RSAP) – Statement of Grant Usage Financial Period 2023/24	Certified				N/A	25/06/2024
Supporting Families Q1 24/25	Certified				N/A	25/06/2024
Registration Service Follow Up	Follow Up				N/A	12/06/2024

The table below summarises work in progress as at the opinion date that relates to 2024/25. In each instance we are satisfied that the work is sufficiently advanced that its conclusions can be incorporated into the overall opinion. We will complete the individual audits in coming weeks and report outcomes to the Committee as part of future updates. In addition to the work described, we completed two investigations during the year that together resulted in 12 agreed actions (10 at P2 level). We have not detailed here the work of those investigations because they relate to individuals. However, we have incorporated our findings from that work into the evidence base supporting our overall opinion.

Audits included in the annual opinion not yet at Final Report Stage	Current Status
VfM Assessment Public Realm	Draft Report published
Mutual Employment Resignation Scheme (MERS)	Draft Report published
Polygamous Working	Fieldwork complete
CQC Inspection Readiness	Fieldwork complete

SWAP work completed in 2024/25 was 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.



Title of report: Work programme

Meeting: Audit and Governance Committee

Meeting date: 10 June 2025

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

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

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	July 2025	September 2025	October 2025	January 2026	March 2026	June 2026
3.5.10	Internal Audit	Internal Audit						
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.	Planning Paper Audit Charter Rolling Plan (also inclu. in Progress Report)					Planning Paper Audit Charter Rolling Plan (inclu. in Progress Report)	
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	Progress Report		Internal Audit – Progress Report	Progress Report	Annual opinion to inc Q4 update	
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.	Progress Report	Progress Report			Progress Report		
e	To be able to call senior officers and appropriate members to account for relevant issues within the remit of the Committee.	<i>This would support progress report when necessary</i>						
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.	As and when investigations take part as part of progress reports (see part b for timings)						
3.5.11	External Audit	External Audit						
a & b	Review and agree the External Auditors annual plan, including the annual audit Fee and annual letter and receive regular update reports on progress. To consider specific reports from the External Auditor.	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	External Audit Progress Report	1) External Audit Findings Report 2) External Audit – Auditor’s Annual Report 2024/25			External Audit - Audit Plan 2025/26	External Auditor's Draft Plan (including indicative fee)
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.	As and when required.						
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.						
3.5.12	Governance							
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	Constitution updates			Contract and Financial Procedure Rules Update	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 1) review of tender waivers 2) Review of Risk Management arrangements	Work Programme 1) Annual review of the Council's use of the Regulation of. Investigatory Powers Act 2000 (RIPA).	Work Programme Review of Risk Management arrangements	Work Programme	Work Programme 1) Review of Risk Management arrangements 2) 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	Anti-fraud, Bribery and Corruption Policy		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						2025/26 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		Final Annual Governance Statement				Draft Annual Governance Statement
f	The council’s arrangements for corporate governance and agreeing necessary actions to ensure compliance.	Annual Governance Statement Progress Report				Governance Statement Progress Report on Actions		

Audit and Governance Committee Constitution		Report	July 2025	September 2025	October 2025	January 2026	March 2026	June 2026
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.	On an ad hoc basis only						
j	To undertake community governance reviews and to make recommendations to Council.	On an ad hoc basis only						
3.5.13	Waste Contract							
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	Code of Conduct: To promote and maintain high standards of conduct by members and co-opted members of the Council							
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	Code of Conduct for Councillors - 6 monthly update			Code of Conduct for Councillors - 6 monthly update		
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.							
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	Accounts							
	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				