

# Agenda

## Audit and Governance Committee

Date: **Tuesday 28 October 2025**

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Time: **2.00 pm**

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

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

For any further information please contact:

**Jen Preece, Democratic Services Officer**

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

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

## **Membership**

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

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

**Councillor Chris Bartrum**

**Councillor Frank Cornthwaite**

**Councillor Peter Hamblin**

**Councillor Robert Highfield**

**Councillor Aubrey Oliver**

**Kerry Diamond**

**Independent Expert - Audit and Governance  
Committee**

## Agenda

	Pages
<b>1. APOLOGIES FOR ABSENCE</b> To receive apologies for absence.	
<b>2. NAMED SUBSTITUTES (IF ANY)</b> To receive details of any councillor nominated to attend the meeting in place of a member of the committee.	
<b>3. DECLARATIONS OF INTEREST</b> To receive declarations of interest in respect of items on the agenda.	
<b>4. MINUTES</b> To approve and sign the minutes of the meeting held on 25 September 2025.	11 - 18
<b>HOW TO SUBMIT QUESTIONS</b>  Deadline for receipt of questions is 5pm on Wednesday 22 October 2025. Questions must be submitted to <a href="mailto:councillorservices@herefordshire.gov.uk">councillorservices@herefordshire.gov.uk</a> . 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 <a href="http://www.herefordshire.gov.uk/getinvolved">www.herefordshire.gov.uk/getinvolved</a>	
<b>5. QUESTIONS FROM MEMBERS OF THE PUBLIC</b> To receive any questions from members of the public.	
<b>6. QUESTIONS FROM COUNCILLORS</b> To receive any questions from councillors.	
<b>7. 2024/25 UPDATED EXTERNAL AUDIT FINDINGS REPORT</b> To consider the final, updated external audit findings report for the year ended 31 March 2025. This report was considered by the Committee at the September meeting. All findings remain unchanged with the exception of the fee analysis for 2024/25 which includes final fee variations.	19 - 92
<b>8. INTERNAL AUDIT UPDATE REPORT QUARTER 2 2025/26</b> To update members on the progress of internal audit work and to bring to their attention any key internal control issues arising from work recently completed.  To assure the committee that action is being taken on risk related issues identified by internal audit. This is monitored through acceptance of agreed management actions and progress updates in implementing the action plans. In addition, occasions where audit actions not accepted by management are documented if it is considered that the course of action proposed by management presents a risk in terms of the effectiveness of or compliance with the council's control environment.	93 - 110

<b>9. REGULATORY INVESTIGATORY POWERS ACT 2000 (RIPA) UPDATE</b>	111 - 114
To provide an update to the Committee about the operation of Regulatory Investigatory Powers Act 2000 (RIPA) within the Council.	
<b>10. WHISTLEBLOWING UPDATE</b>	115 - 118
To update the Committee as to the operation of the Whistleblowing Policy.	
<b>11. ANNUAL GOVERNANCE STATEMENT PROGRESS UPDATE</b>	119 - 144
To provide an update on progress in respect of actions identified to deliver continuous improvement in governance arrangements.	
<b>12. UPDATE ON RISK MANAGEMENT ACTIVITY</b>	145 - 158
To provide assurance of the adequacy of the council's risk management framework and internal controls in 2025/26.	
<b>13. ENERGY FROM WASTE LOAN UPDATE</b>	159 - 170
To update the committee on the current status of the energy from waste loan arrangements to enable the committee to fulfil its delegated functions.	
<b>14. WORK PROGRAMME</b>	171 - 174
To consider the work programme for the committee.	
<b>15. DATE OF NEXT MEETING</b>	
Tuesday 27 January 2025. 2pm.	

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

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

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

### You have a right to:

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

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

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

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

## **Public transport links**

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

The location of the office and details of city bus services can be viewed at:

[www.herefordshire.gov.uk/downloads/file/1597/hereford-city-bus-map-local-services-](http://www.herefordshire.gov.uk/downloads/file/1597/hereford-city-bus-map-local-services-)

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

### **1. Selflessness**

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

### **2. Integrity**

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

### **3. Objectivity**

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

### **4. Accountability**

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

### **5. Openness**

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

### **6. Honesty**

Holders of public office should be truthful.

### **7. Leadership**

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



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## 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.

<a href="#">Councillor David Hitchiner</a> (Chairperson)	Independents for Herefordshire
<a href="#">Councillor Mark Woodall</a> (Vice Chairperson)	The Green Party
<a href="#">Councillor Chris Bartrum</a>	Liberal Democrats
<a href="#">Councillor Frank Cornthwaite</a>	Conservative Party
<a href="#">Councillor Peter Hamblin</a>	Conservative Party
<a href="#">Councillor Robert Highfield</a>	Conservative Party
<a href="#">Councillor Aubrey Oliver</a>	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 1, Herefordshire Council Offices, Plough Lane, Hereford, HR4 0LE on Thursday 25 September 2025 at 10.00 am**

**Committee members present in person and voting:**      **Councillors: David Hitchiner (Chairperson), Mark Woodall (Vice-Chairperson), Chris Bartrum, Frank Cornthwaite, Peter Hamblin, 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:

L Cater	Head of Internal Audit, South West Audit Partnership
S O'Connor	Head of Legal Services and Deputy Monitoring Officer
C Jacobs	Information Governance Manager
G Hawkins	Public Sector Audit Director, Grant Thornton
J Preece	Democratic Services Officer
T Page	Complaints and Children's Rights Manager
N Preece	Value for Money Manager, Grant Thornton
R Sanders	Director of Finance
C Smith	Public Sector Audit Manager, Grant Thornton
Cllr P Stoddart	Cabinet Member Finance and Corporate Services
D Thornton	Democratic Services Support Officer
J Tranmer	Chief Accountant

### **82. APOLOGIES FOR ABSENCE**

There were no apologies.

### **83. NAMED SUBSTITUTES (IF ANY)**

There were no named substitutes.

### **84. DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **85. MINUTES**

**RESOLVED:**

**That the minutes of the meeting held on 15 July 2025 be confirmed as a correct record and signed by the chairman.**

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

No questions had been received from members of the public.

**87. QUESTIONS FROM COUNCILLORS**

No questions had been received from councillors.

**88. ANNUAL REVIEW OF THE COUNCIL'S INFORMATION REQUESTS & COMPLAINTS 2024/25**

The Information Governance Manager (IGM) introduced the report. The following points were highlighted:

1. 789 Freedom of Information (FOI) and 196 Environmental Information Regulation (EIR) requests had been dealt with by the Council during the municipal year.
2. 96.4% of requests were answered within the statutory 20 working days and exceeded the councils target rate of 95% compliance.
3. The volume of requests remained steady and was felt to be attributed by the disclosure log detailing past requests and responses.
4. 2 cases were referred to the Information Commissioner's Office (ICO). In 1 case the ICO upheld the council's decision and in the other confirmed previously withheld information should be disclosed.
5. 189 subject access requests were actioned at a response rate of 64% (below the set target of 95%). It was highlighted that these requests were often very complex and resource heavy to respond to.
6. 80 requests made by the police in relation to criminal investigations had been received.
7. 288 data security incidents were reported to the team; the fact the number of breaches were high was not necessarily a cause for concern and was likely from a high level of staff awareness due to mandatory training processes in place for reporting such issues and an open culture around reporting things which have gone wrong.

In response to committee questions, it was noted:

- I. Data is monitored each month which showed no recurrent pattern of any one directorate missing targets.
- II. The information governance team is made up of 10 officers.

The Complaints and Children's Rights Manager (CCRM) informed the committee that:

- 1) 560 corporate complaints were processed, an increase from the previous year at 483. It was noted this was not reflective of all complaints received as many are dealt with as business as usual.
- 2) The children and young people and corporate services directorates experienced decreases in complaints.
- 3) The Community Well-being directorate had seen an increase in complaints from 66 to 91, the service was collaborating closely with the director and senior managers to look at trends and how they could support in responding to their complaints.
- 4) The Economy and Environment directorate received 252, which was not surprising given the number of services dealt with within the directorate.
- 5) Although overall there was an increase in complaints, it was not felt to be a cause for concern as the complaints procedure was much more accessible, the council having been selected by the ombudsman and piloted the new complaint handling codes.
- 6) The Local Government and Social Care Ombudsman (LGSCO) had received 55 communications from Herefordshire members of the public, an increase from

previous year but not surprising with the adoption of the new complaint handling code which signposts complaints to the ombudsman at every stage.

- 7) Of the complains investigated, the LGSCO upheld 2 cases which was found the council to have caused fault and injustice.
- 8) 79 complaints were made under the children's complaints and representations policy of which 23 were taken to the LGSCO for review. The LGSCO found the council to have caused fault and injustice in 7 cases and suggested financial redress.

In response to committee questions, it was noted:

- i. The financial implications of statutory complaints gone on to stages 2 and 3 had increased significantly over the last 3 years, this was due to the number of complaints received and that these stages incurred additional cost in utilising an investigatory officer and independent persons.
- ii. Independent persons are commissioned on the recommendation of other local authorities and would have a background of working in areas where they would understand the detail, depth, procedure of children's services complaints and case work such as social workers and the police.
- iii. The team were working on internal procedures to target the number of complaints being submitted such as offering a "resolution meeting" with the relevant officer to discuss their concerns in the hope an internal resolution could be reached. The quality assurance team were now providing responses, and a mediation meeting is also offered. It was felt that these measures would give enough opportunity for the local authority to resolve the concerns that have been raised and prevent further escalation to stages 2 and 3.
- iv. The complaints procedure does not cover compensation. When money is paid out to a complainant this is a gesture of goodwill or if the ombudsman had suggested the complaint be remedied in that way.
- v. Data showing where significant number of complaints are received where departments have failed to return a lessons learnt form, are to be included in future reports.
- vi. The CCRM's team including herself is made up of 5 officers. The process followed when a complaint is first received was explained.
- vii. Data on repeat complainants is not held as each complaint regardless of who it comes from is treated on its own merit.
- viii. Complainants are asked in the first stages if any reasonable adjustments need to be considered. If a complainant is identified as needing an advocate, the case would be put on hold until one was assigned. The process for allocating an advocate through "onside advocacy" was explained.

#### **The committee noted the report.**

Action 2025/26-03: The CCRM to include data showing where significant number of complaints are received where departments have failed to return a lessons learnt form are to be included in future reports.

#### **Chairperson Announcements**

The chairperson informed the committee that he was using his discretion in allowing the following items on the agenda to be discussed, the papers had been published late but it was felt to be inappropriate to postpone reviewing the accounts and in the best interest of the Council that the signing of the statement of accounts should not be delayed.

#### **89. 2024/25 EXTERNAL AUDIT FINDINGS REPORT**

The Director of Finance (DOF) introduced the report and offered her thanks to the council's finance team and Grant Thornton (GT) for the collaborative work they had undertaken this year and working through a challenging audit process to bring the audit findings report in a timely manner. The following principal point were noted:

1. The report confirmed the statement of accounts for 2024/25 were true, fair and free from material error. They were compliant with the Chartered Institute of Public Finance and Accountancy (CIPFA) code of practice and the local audit and accountability act.
2. A small number of disclosure and presentation adjustments were identified. Some had been made in the final set of financial statements. Those that had not been adjusted were generally immaterial in nature.
3. The DOF had alerted an issue in relation to decision making and governance in respect of an individual capital project to GT. She had conducted a piece of internal assurance work to identify opportunities where controls could be strengthened around capital projects. The findings had been shared with both internal and external audit. GT orchestrated additional work to provide assurance in respect of the financial statements and their value for money arrangements of whether there were any further instances to consider. The results confirmed and provided assurance in what the internal review had shown that there were no additional risks, instances or breaches in laws or regulations.

The Public Sector Audit Director (PSAD) explained they had received the accounts well in advance of the statutory deadline of the 30<sup>th</sup> of June which enabled them to start the audit earlier than planned. She advised the audit had gone well with both teams working together and spending some time physically on site at Plough Lane had helped move audit queries forward. A handful of areas were outstanding, all of which were expected at that stage and were in line with their original time scale to sign by the end of the month.

With regards to the capital projects and in line with ISA 240, as auditors, GT were required to carry out additional procedures to ensure there were no further issues which could impact on their opinion. No further issues were identified, and an unqualified opinion was proposed.

The PSAD expressed her thanks to the DOF, chief accountant (CA) and the finance team for their support. The council were in a great position, not common in the sector at that time and with the additional challenges that were faced, to stay on track with the original time scale was a great achievement for both sides.

The Public Sector Audit Manager (PSAM) gave an overview of the report which included details around materiality, an overview of the significant risks identified and other areas impacting the audit. She expressed her thanks to the CA and noted her team had reported that this had been one of the most fun audits they had done.

In response to committee questions, it was noted:

- i. How the DOF discovered the management override issue in relation to the student accommodation project was explained. Assurances were given that the existing controls in place were effective and the expenditure incurred, and the level of work completed were within the approved governance and decision that had been taken.
- ii. The reduction from £94.9 million net asset to a £7.1 million liability for pensions was explained.
- iii. 54% of total assets were revalued during 2024/25, it was explained that Investment properties were valued annually whilst property, plant and equipment assets are valued on a rolling basis, a new section each year being selected to gain a comprehensive valuation across a period of time. Further details on the movements in valuations would be circulated to the committee.

- iv. The PSAD's main concern under ISA 240 with having no formal review process for journals under £250K was because journals could be used to override positions and manipulate the financial statements and the financial position. It was best practice that all journals are reviewed within a system with an audit trail in place. There are limitations in the current software used and this would be addressed when it was time to be renewed. It was noted that this area had been tested extensively because of the significant risk and there have been no instances of journals that had been inappropriately posted.

The chairperson offered his thanks to the PSAD, her team and the CA for their collaborative achievements. Thanks, and congratulations were extended to the CMFCS.

The CMFCS offered his thanks to the PSAD her team and the team at GT for their hard work in securing Herefordshire as the 1<sup>st</sup> in the Country to sign for the second year in a row.

**The committee noted the report.**

Action 2025/26-04: The DOF to provide the committee with movements in valuations for investment properties, property, plant and equipment assets.

## **90. ANNUAL GOVERNANCE STATEMENT 2024/25**

The Director of Finance (DOF) introduced the Annual Governance Statement (AGS) 2024/25 a draft of which was presented to the committee in June. The only change made following feedback from the Committee, was additional wording added under core principle G with regards to good practices around transparency to include arrangements for member and public questions.

### **RESOLVED**

**The committee approves the Annual Governance Statement.**

## **91. 2024/25 STATEMENT OF ACCOUNTS**

The Director of Finance (DOF) introduced the statement of accounts a draft of which was presented to the committee in June. The document remained largely unchanged with a small presentation adjustment having been made with regards to the property plant and equipment valuations.

The audit opinion confirmed the accounts were true, fair and free from material error and that they are compliant with the Chartered Institute of Public Finance and Accountancy (CIPFA) code of practice and the local audit and accountability act.

The Chair expressed his congratulations and thanks to the DOF and officers for their hard work and dedication.

**RESOLVED: That the 2024/25 Statement of Accounts (at Appendix 1) be approved; and the letter of representation (at Appendix 2) be signed by the chairperson of the committee and the Chief Finance Officer.**

## **92. EXTERNAL AUDITOR'S ANNUAL REPORT 2024/25**

The Director of Finance (DOF) introduced the report. The following principal points were noted:

- The annual auditors report is a review of the arrangements that have been put in place under three key themes, financial sustainability, governance and the three ES - economy, efficiency and effectiveness in the council's use of resources. The report outlines against each of those criteria the recommendations made, and any weaknesses identified in arrangements.
- No significant weaknesses or improvement recommendations were found in respect of financial planning arrangements.
- Key recommendations had been raised in respect of the dedicated school's grant (DSG), and control of capital expenditure to ensure there is effective oversight and governance around major projects.
- An improvement recommendation had been raised in respect of financial sustainability that related to the delivery of savings in the previous financial year.
- Governance arrangements had received a green rating against all themes.
- Positive improvement within children's services were highlighted and it having downgraded from a red rating to amber.

The Value for Money Manager (VMM) highlighted the significant improvements in children's services as reflected in the recent Ofsted report and in its reallocation from red to amber in his annual report. The dedicated schools grant (DSG) deficit which is a national issue effecting all council was highlighted and the council's need to continue to work with schools, education providers and the DfE through the SEND and AP Change Programme to support the management of cost pressures in the High Needs Block. GT as a firm were actively lobbying the government for this issue to be addressed.

In response to committee questions, it was noted:

- 1.The VMM felt local authorities needed to make "more noise" around the DSG and to make national government better understand what the issues were.
- 2.The Cabinet Member Finance and Corporate Services (CMFCS) confirmed that cabinet were already lobbying MPs, and working with the Rural Services Network (RSN), County Council Network (CCN) and the Local Government Association (LGA) to raise concerns.
- 3.A deputy section 151 officer with significant experience in DSG had been appointed within the finance team.
- 4.Government intervention was required but the council were being proactive and taking control of the elements they could by reviewing its deficit management plan and joining the plan up with the capital program to consider how to increase efficiency.
- 5.At quarter 1, £5.9 million (50%) of the £11.9 million brought forward savings had been delivered with a further £4.6 million (38%) forecast to be delivered in year; £1.4 million (12%) remained at risk and with focused activity underway to resolve or mitigate in year. The delivery of savings in full and on time is critical to ensure the 2025/26 revenue outturn position is balanced and to prevent further pressure on future years' budgets. Progress on delivery of savings and mitigations would continue to be monitored.
- 6.The potential risk to the budget with Herefordshire being 1 of 43 locations central government had selected for a new project on health care to help keep people out of hospital and in their own home was discussed.
- 7.No recommendations had been made around partnership working but there was scope to broaden the framework.

**The committee noted the report.**

### **93. INTERNAL AUDIT PLAN 2025/26**

The Director of Finance (DOF) introduced the Internal Audit Plan 2025/26. The following principal points were noted:

- The plan had been developed using a risk based, assurance mapping approach, which aligned to the council's corporate objectives and priorities and the key

risks which may prevent them from being achieved. It had been informed by a variety of sources including the Council Plan 2024-2028, Delivery Plan 2025/26, Corporate Risk Register and Risk Management Strategy.

- Each of the core financial system audits are to be audited with sufficient regularity to provide assurance that foundations and building blocks are in place to give opportunity to address any weaknesses in a more timely manner.
- The Plan would remain flexible and included an element of contingency in order to be able to respond to new and emerging risks as and when they are identified.
- The traditional framework approach enables the council and members of the audit and governance committee to hold the delivery of internal audit work throughout the year to account.

In response to committee questions, it was noted:

1. An audit in the procurement of the public realm contract had already been undertaken, but a further audit would be undertaken and likely included on the audit plan for 2026/27 once contract management works and service delivery had been experienced.
2. There are two principal and two senior auditors assigned to Herefordshire. The Head of Internal Audit (HIA) had a further 6 auditors in her team, who could be redeployed to work on the Herefordshire audit plan as and if required.

**RESOLVED: The committee approves the internal audit plan 2025/26.**

#### **94. WORK PROGRAMME**

The committee's work programme was noted.

#### **95. DATE OF NEXT MEETING**

Tuesday, 28 October 2025. 2pm.

The meeting ended at 12.15 pm

**Chairperson**





# Title of report: 2024/25 Updated External Audit Findings Report

**Meeting: Audit and Governance Committee**

**Meeting date: Tuesday 28 October 2025**

**Report by: Director of Finance**

## **Classification**

Open

## **Decision type**

This is not an executive decision

## **Wards affected**

All Wards

## **Purpose**

To consider the final, updated external audit findings report for the year ended 31 March 2025. This report was considered by the Committee at the September meeting. All findings remain unchanged with the exception of the fee analysis for 2024/25 which includes final fee variations.

## **Recommendation(s)**

**That:**

- a) **The Committee notes the updated Audit Findings Report and fee variations for 2024/25.**

## **Alternative options**

1. (None; the audit of the council's statutory accounts is a requirement of the Accounts and Audit (England) Regulations 2015 (as amended).

## **Key considerations**

2. The updated external audit findings report for 2024/25 is attached at Appendix 1. The report was first considered by the Committee at the meeting held on 25 September 2025. All findings remain unchanged with the exception of the fee analysis noted from page 60 of the report.
3. The proposed fee variations for 2024/25 represent additional work completed in respect of IFRS 16: Leases and investigation work in respect of capital programme governance

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

arrangements. The proposed variations will be subject to review by the Public Sector Audit Appointments for final determination.

### **Community impact**

4. In accordance with the code of corporate governance to support effective accountability the council is committed to reporting on actions completed and outcomes achieved, and ensuring stakeholders are able to understand and respond as the council plans and carries out its activities in a transparent manner. External audit contributes to effective accountability.

### **Environmental impact**

5. 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.
6. Whilst this is a decision on back-office functions and will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the Council's Environmental Policy.

### **Equality duty**

7. 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.
8. 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**

9. The external audit fee detail is provided in Appendix 1. Grant Thornton agree the fee payable through Public Sector Audit Appointments (PSAA) who manage the external audit.

### **Legal implications**

10. Under Part 3 paragraph 5.11 of the Constitution, it is a function of the Audit and Governance Committee to review and agree the External Auditor's Plan.

### **Risk management**

11. The council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control. The external audit is not designed to test all internal controls or identify all areas of control weakness, however, if external audit identify any control weaknesses, these are reported. The external audit work continues in this area, the audit findings report attached at Appendix 1 details the conclusions on work completed.

### **Consultees**

12. None.

## **Appendices**

Appendix 1: The Audit Findings Report for Herefordshire Council year ended 31 March 2025.

## **Background papers**

None identified.



# **Audit Findings (ISA 260) Report for Herefordshire Council**

Year ended 31 March 2025

29 September 2025



## Herefordshire Council

Plough Lane  
Hereford  
HR4 0LE

29 September 2025

## Grant Thornton UK LLP

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Dear Members of the Audit and Governance Committee

### Audit Findings for Herefordshire Council for the year ended 31 March 2025

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [transparency-report-2024-25.pdf \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2024-25.pdf).

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

Grace Hawkins

Director  
For Grant Thornton UK LLP

**Chartered Accountants**

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# **01 Headlines and status of the audit**

# Headlines (1)

This page, and the following pages, summarise the key findings and other matters arising from the statutory audit of Herefordshire Council (the 'Authority') and the preparation of the group and Authority's financial statements for the year ended 31 March 2025 for the attention of those charged with governance.

## Financial statements

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

- the group and Authority's financial statements give a true and fair view of the financial position of the group and Authority and the group and Authority's income and expenditure for the year; and,
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Our audit work is being completed during June-September, as planned. Our findings are summarised on pages 17 to 32. We have identified adjustments to the financial statements that are detailed at pages 38 to 48.

We have also raised recommendations for management as a result of our audit work. These are set out at page 49. Our follow up of recommendations from the prior year's audit are detailed at page 50.

The Council and the audit team has undertaken extensive further investigation work, including the involvement of forensics specialists, as a result of findings in respect of the governance of one capital programme (please see page 20). No further areas of concern were identified as a result of this work.

Our work is complete, and an unqualified opinion was issued to the Council on 29 September 2025.

We have concluded that the other information to be published with the financial statements, including the Annual Governance Statement, is consistent with our knowledge of your organisation and with the financial statements we have audited.

# Headlines (2)

## Value for money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice (the 'Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance.

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this. We identified significant weaknesses in the Authority's arrangements and so are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

# Headlines (3)

## Statutory duties

The Local Audit and Accountability Act 2014 (the ‘Act’) also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

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

## Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

# Headlines (4)

## National context – audit backlog

### Government proposals around the backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published by the following dates:

- For years ended 31 March 2025 by 27 February 2026
- For years ended 31 March 2026 by 31 January 2027
- For years ended 31 March 2027 by 30 November 2027

The statutory instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

Herefordshire Council have not been subject to any disclaimer of opinion because of the backstop as all audits have been completed within the deadlines over previous years, and there is no expectation that the financial statements will not be published by the backstop dates going forward.

# Headlines (5)

## Implementation of IFRS 16

Implementation of IFRS 16 Leases became effective for local government bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Local government accounts webinars were provided for our local government audit entities during March, covering the accounting requirements of IFRS 16. Additionally, CIPFA has published specific guidance for local authority practitioners to support the transition and implementation on IFRS 16.

### Introduction

IFRS 16 updates the definition of a lease to:

- “a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.”

In the public sector the definition of a lease is expanded to include arrangements with nil consideration. This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires the right of use asset and lease liability to be recognised on the balance sheet by the lessee, except where:

- leases of low value assets
- short-term leases (less than 12 months).

This is a change from the previous requirements under IAS 17 where operating leases were charged to expenditure.

The principles of IFRS 16 also apply to the accounting for PFI liabilities.

The changes for lessor accounting are less significant, with leases still categorised as operating or finance leases, but some changes when an authority is an intermediate lessor, or where assets are leased out for little or no consideration.

### Impact on the Authority

The Council have applied the requirements of IFRS 16 in the 2024/25 accounts. This has resulted in a £13.4 million increase to the opening balance of PPE. The majority of the adjustment relates to the remeasurement of the Council's PFI asset. The Council had a relatively small number of peppercorn leases. The Council have updated their accounting policies and disclosures accordingly.

# Overview and status of the audit

## Recap of our audit approach

Materiality has been set at 2% of the gross cost of services expenditure as per the draft financial statements (2023/24: 1.5%), resulting in a materiality of £10.500 million for the Council (2023/24: £7.600 million), and £10.600 million for the Group (2023/24: £7.700 million). This has been increased from the materiality communicated in our Audit Plan which was based on the net cost of services as per the prior year signed accounts, therefore the increase is in line with the increase in costs from 2023/24 to 2024/25.

Herefordshire Council has only one entity which is consolidated into the Group financial statements; Hoople Limited. The only balance in the accounts of Hoople Limited which is material to the Group financial statements is the employee expenses, therefore this has been tested by Grant Thornton directly to provide sufficient audit assurance. This is consistent with the approach communicated in our Audit Plan.

There have been no significant changes to our risk assessment communicated in our Audit Plan.

## Status of the audit

Our work is complete, and an unqualified opinion was issued to the Council on 29 September 2025.

# 02 Group audit

# Group audit

In accordance with ISA (UK) 600 Revised, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

The table below summarises our final group scoping, as well as the status of work on each component.

Component	Risk of material misstatement to the group?	Scope – planning	Scope – final	Auditor	Key Audit Partner / Responsible Individual	Status	Comments
Herefordshire Council	Yes	Scope 1	Scope 1	Grant Thornton UK	Grace Hawkins	●	Our work is largely complete, however a handful of areas of audit work are scheduled to be finalised in September. For more details please refer to the ‘Status of audit’ on page 12.
Hoople Ltd	Yes	Scope 2	Scope 2	Not applicable		●	The only balance held in Hoople Ltd’s accounts which is material to the group financial statements is their employee benefits expenditure. This balance alone has been tested in full by the group audit team to ensure sufficient appropriate audit evidence over the group balances. No reliance has been placed on the component auditor.  No issues have been identified from our work performed.

- [Scope 1]

Audit of entire financial information of the component, either by the group audit team or by component auditors (full-scope)
- [Scope 2]

Specific audit procedures designed by the group auditor (specific scope)
- [Scope 3]

Specific audit procedures designed by a component auditor (specific scope)
- Out of scope

Out of scope components are subject to analytical procedures performed by the Group audit team to group materiality.
- Planned procedures are substantially complete with no significant issues outstanding.
- Planned procedures are ongoing/subject to review with no known significant issues.
- Planned procedures are incomplete and/or significant issues have been identified that require resolution.

# 03 Materiality

# Our approach to materiality (1)

As communicated in our Audit Plan dated 14 March 2025, we determined Group materiality at the planning stage as £10.3 million based on 2% of prior year net cost of services. At year-end, we have reconsidered planning materiality based on the draft consolidated financial statements, this has led to an increase of group materiality to £10.6 million. A recap of our approach to determining materiality is set out below.

## Basis for our determination of materiality

- We have determined Group materiality at £10.6million based on professional judgement in the context of our knowledge of the Authority, including consideration of factors such as debt arrangements, the business environment in which the Council operates and the control environment.
- We have used 2% of gross cost of services expenditure as the basis for determining materiality.
- The benchmark and percentage applied in determining materiality reflects the nature of the Council's primary objectives and has been considered appropriate.
- The percentage applied has been increased from 1.5% applied in the prior year, following an update to Grant Thornton internal guidance and a reassessment of risk.
- The materiality communicated in our Audit Plan was based on the cost of services reported in the 2023/24 financial statements. This has been updated upon receipt of the draft 2024/25 financial statements, which has resulted in an increase in the overall materiality.

## Performance materiality

- Where audit work on components is being performed using component performance materiality, this has been set at between £4.372 million (for Hoople Ltd) and £7.553 million (for the Council), with the component performance materiality used reflecting the relative risk and size of that component to the group.

## Specific materiality

- A lower materiality has been determined for the senior officers' remuneration disclosure. This has been set at £10,000 per individual officer, which covers 2 bandings in the disclosure.

## Reporting threshold

- We will report to you all misstatements identified in excess of £0.525 million, in addition to any matters considered to be qualitatively material.

# Our approach to materiality (2)

A summary of our approach to determining materiality is set out below.

	Group (£)	Authority (£)	Qualitative factors considered
Materiality for the financial statements	10,600,000	10,500,000	Financial statement materiality is based on 2.0% of 2024/25 draft gross cost of services expenditure.
Performance materiality	7,950,000	7,875,000	Performance materiality is based on 75% of financial statement materiality.
Reporting threshold	530,000	525,000	Triviality is set at 5% of financial statement materiality.
Specific materiality for individual senior officers' remuneration disclosure	10,000	10,000	We consider the disclosure of senior officers' remuneration to be a sensitive disclosure and therefore have applied a lower materiality.

# 04 Overview of significant risks identified

# Overview of audit risks

The below table summarises the significant risks discussed in more detail on the subsequent pages. Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	Medium	●
Valuation of land and buildings	Significant	↔	✗	High	●
Valuation of investment properties	Significant	↔	✗	High	●
Valuation of the pension fund net asset/liability	Significant	↔	✗	High	●
The revenue cycle includes fraudulent transactions	Rebutted	↔	✓	low	●
The expenditure cycle include fraudulent transactions	Rebutted	↔	✓	low	●

- ↑ Assessed risk increase since Audit Plan
- ↔ Assessed risk consistent with Audit Plan
- ↓ Assessed risk decrease since Audit Plan

- Not likely to result in material adjustment or change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Likely to result in material adjustment or significant change to disclosures within the financial statements

# Significant risks (1)

Risk identified	Audit procedures performed	Key observations
<p><b>Management override of controls</b></p> <p>Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>evaluated the design and implementation of management controls over journals;</li> <li>analysed the journals listing and determined the criteria for selecting high risk unusual journals;</li> <li>identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration; and</li> <li>gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness;</li> </ul>	<p><u>Journals</u></p> <p>As in the prior year, we have noted that the Authority’s ledger system does not allow for the digital approval of journals before they can be posted. Instead, management maintains a spreadsheet record of the journals and also manually tracks the approvals. We have also noted that there is no formal review process for journals which fall below £2 million total value, or £250,000 for an individual journal line. The use of a spreadsheet to record the approval of journals presents a risk that this record could be manipulated and the controls could be circumvented. The lack of a digital record of approvals in the ledger has also limited our ability to perform our data analytics routines in the identification of risky journals. We appreciate that this is a limitation of the ledger system and therefore not easily in the control of management, and also note that they have taken some steps to address our prior year recommendations by improving the data recorded on the spreadsheet they use. As we consider that elements of the risks identified previously still remain, we have kept open our prior year recommendations in respect of this matter. An update from management can be found on page 52.</p> <p>No issues were identified from our testing of journal entries.</p> <p><u>Estimates and Judgements</u></p> <p>We are satisfied that judgements made by management are appropriate and have been determined using consistent methodology.</p> <p>Having assessed management judgements and estimates individually and in aggregate we are satisfied that there is no material misstatement arising from management bias across the financial statements.</p>

# Significant risks (2)

25

Risk identified	Audit procedures performed	Key observations
<p><b>Management override of controls (continued)</b></p> <p>Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities.</p>	<p>We have:</p> <ul style="list-style-type: none"><li>evaluated the design and implementation of management controls over journals;</li><li>analysed the journals listing and determined the criteria for selecting high risk unusual journals;</li><li>identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration; and</li><li>gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness;</li></ul>	<p><u><b>Management Override Issue &amp; Investigation</b></u></p> <p>The Council’s Capital Strategy and Capital Programme, supported by Cabinet approval processes and Programme Management Office oversight, set out a governance framework intended to provide assurance over cost control, delivery monitoring, and escalation for major capital projects. However, these arrangements are not consistently applied. Review of the Student Accommodation project identified management override of expected controls, with approval decisions made using outdated viability assessments, insufficient segregation of duties, procurement lacking a documented rationale, legal advice not escalated appropriately, and documentation and audit trails for key decisions were incomplete.</p> <p>Extensive further investigation work was completed by the Council and the audit team to establish whether this was an isolated issue, including the involvement of forensics specialists where necessary. No further areas of concern were identified as a result of this work.</p>

# Significant risks (3)

Risk identified	Audit procedures performed	Key observations
<p data-bbox="104 422 843 458">The revenue cycle includes fraudulent transactions</p> <p data-bbox="104 476 1424 625">Under ISA (UK) 240, there is a rebuttable presumed risk of material misstatement due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud related to revenue recognition.</p> <p data-bbox="104 644 1274 679">This risk was rebutted in our audit plan, and that assessment remains appropriate.</p>	<p data-bbox="1424 422 1696 458">n/a - risk rebutted</p>	<p data-bbox="1905 422 2201 458">n/a - risk rebutted</p>
<p data-bbox="104 698 820 733">Presumed risk of fraud in expenditure recognition</p> <p data-bbox="104 752 1424 976">Practice note 10: Audit of financial statements of Public Sector Bodies in the United Kingdom (PN10) states that the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition for public sector bodies. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.</p> <p data-bbox="104 995 1274 1031">This risk was rebutted in our audit plan, and that assessment remains appropriate.</p>	<p data-bbox="1424 698 1696 733">n/a - risk rebutted</p>	<p data-bbox="1905 698 2201 733">n/a - risk rebutted</p>

# Significant risks (4)

Risk identified	Audit procedures performed	Key observations
<b>Valuation of land and buildings</b>  The significant value of land and buildings and the sensitivity to changes in assumptions.	<p>We have:</p> <ul style="list-style-type: none"><li>• Evaluated management’s processes and assumptions for the calculation of the estimate, the instructions issued to management’s valuation experts and the scope of their work.</li><li>• Evaluated the competence, capabilities and objectivity of the valuation expert.</li><li>• Evaluated the valuer’s report to identify assets that have large and/or unusual changes in value and/or approach to the valuation and subject those assets to testing.</li></ul>	<p>As in the prior year we have identified errors as a result of incorrect areas being used to form the valuations of both land and building asses and investment properties. These errors have resulted in adjustments to the financial statement and are reported on pages 39 and 40. In the prior year we raised a recommendation in respect of this matter and that recommendation remains open; an update from management can be found on page 54.</p>
<b>Valuation of investment properties</b>  The significant value of investment properties and the sensitivity to changes in assumptions.	<ul style="list-style-type: none"><li>• Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding.</li><li>• Tested a sample of asset valuations to ensure that the correct accounting treatment has been applied and correctly reflected in the financial statements.</li><li>• Engaged a valuation expert to review the valuation instructions sent to the Council’s valuer and the valuation report received.</li><li>• For land and buildings valuations; Evaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to their carrying value at the year end.</li></ul>	<p>We are satisfied that judgements made by management are appropriate and have been determined using consistent methodology.</p> <p>Having assessed management judgements and estimates individually and in aggregate we are satisfied that there is no material misstatement arising from management bias across the financial statements.</p>

# Significant risks (5)

Risk identified	Audit procedures performed	Key observations
<div data-bbox="104 429 547 464">Valuation of net pension asset</div> <p data-bbox="104 482 899 785">The Authority’s share of the pension fund net asset represents a significant estimate in the financial statements. The pension fund net asset is considered a significant estimate due to the size of the numbers involved (£94.9m in the Authority’s Balance Sheet at 31 March 2025, before the application of the asset ceiling) and the sensitivity of the estimate to changes in key assumptions.</p> <p data-bbox="104 803 899 1220">The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code. We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. However, the Authority has had to consider the potential impact of ‘IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset’. Because of this we have assessed the recognition and valuation of the pension asset as a significant risk. <i>(continued overleaf)</i></p>	<p data-bbox="899 429 1065 464">We have:</p> <ul data-bbox="899 482 1862 1220" style="list-style-type: none"><li data-bbox="899 482 1862 635">• Evaluated management's processes and controls for the calculation of the gross asset and gross liability and estimates, the instructions issued to the actuarial expert and the scope of their work;</li><li data-bbox="899 654 1862 806">• Evaluated the assumptions made by the actuary in the calculation of the estimate, using work performed by an auditor’s expert and additional follow up procedures, where required;</li><li data-bbox="899 825 1862 892">• Evaluated the data used by management’s experts in the calculation of the estimates;</li><li data-bbox="899 911 1862 949">• Considered the impact of IFRIC 14 and evaluated its application;</li><li data-bbox="899 968 1862 1078">• Performed substantive analytical procedures over the gross assets, gross liabilities and in year pension fund movements, investigating any deviations from audit expectations; and</li><li data-bbox="899 1096 1862 1220">• Assessed the accuracy and completeness of the IAS 19 estimates and related disclosures made within the Council’s financial statements.</li></ul>	<p data-bbox="1862 429 2446 849">The Authority had considered the potential impact of IFRIC 14 before the commencement of the audit and had engaged their actuary to prepare an assessment as part of the IAS 19 report. As a result, the Authority have recognised a credit to the balance sheet of £102.0 million in respect of an asset ceiling, which has reduced the £94.9 million net asset to a £7.1 million liability.</p>

# Significant risks (6)

Risk identified	Audit procedures performed	Key observations
<p data-bbox="104 428 721 464">Valuation of net pension asset (continued)</p> <p data-bbox="104 482 912 1206">The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have an approximately 1.5% effect on the liability/asset. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in the calculation. With regard to these assumptions, we have therefore identified valuation of the Authority’s net pension liability as a significant risk.</p>		

# 05 Other findings

# Other areas impacting the audit

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan.

Issue	Commentary	
<b>IFRS 16 implementation</b> The adoption of IFRS 16 is required for local government authorities at 1 April 2024. The Authority have disclosed the implementation of the new accounting standard, the nature of the changes in the accounting policy for leases, along with the impact of IFRS 16 on transition.	We have: <ul style="list-style-type: none"><li>- Reviewed the accounting policies and disclosures in relation to the adoption of IFRS 16;</li><li>- Tested the calculation of the lease liabilities;</li><li>- Tested the valuation of right of use assets;</li><li>- Assessed the completeness of the assets and liabilities, and management’s procedures and controls for identifying leases falling under IFRS 16.</li></ul>	<b>Auditor view</b> Our work has not identified any issues in regard to the completeness of leases or application of the new IFRS16 accounting standard.

# Other findings – significant matters

Issue	Commentary	
Prior period adjustments	The Authority has received £22.9million of grants from the Department for Communities and Local Government (DCLG) which was incorrectly classified as a non-ring-fenced grant despite there being conditions attached to the grant. As a result, the grant income has been charged through the tax and non-specific grant income line in the CIES, when it should have been charged through the costs of services. This issue was present in the prior year, and therefore, as the amount is material, the Council will prepare a prior period adjustment, to correct the prior year balances (£16.5million).	<p><b>Auditor view</b></p> <p>The Authority have appropriately corrected for the issue identified and made the necessary disclosures.</p> <p><b>Management response</b></p> <p>These grants are part of the Settlement Funding Assessment for budget setting and have historically been treated as grants within Taxation and non-specific grant income. Management have agreed to amend the grant income to be included within appropriate directorate lines within Net cost of services.</p>

# Other findings – key judgements and estimates (1)

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
<b>Valuation of land and buildings</b>  £385.7m at 31 March 2025	<p>Other land and buildings comprises £297.7m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£89.0m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Authority has engaged Wilks, Head and Eve to complete the valuation of properties as at 31 March 2025 on a five yearly cyclical basis. 54% of total assets were revalued during 2024/25 (2023/24: 80%).</p> <p>Management have considered the year end value of non-valued properties. Management have applied indices to determine whether there as been a material change in the total value of these properties. Management’s assessment of assets not revalued has identified no material change to the properties value.</p> <p>The total year end valuation of land and buildings was £385.7m, a net decrease of £8.8m from 2023/24 (£394.5m).</p>	<p>We have carried out the following work in relation to this estimate, in line with the revised ISA540 requirements:</p> <ul style="list-style-type: none"><li>- Assessed management’s expert to ensure suitably qualified and independent;</li><li>- Assessed the completeness and accuracy of the underlying information used to determine the estimate;</li><li>- Assessed the appropriateness of any alternative site assumptions;</li><li>- Assessed the impact of any changes to valuation method; and</li><li>- Assessed adequacy of disclosures of estimate in the financial statements.</li></ul>	<p>● <b>Amber</b></p> <p>We have applied our own indices to determine the potential change in value of assets not revalued at 31 March 2025, and identified a potential non material understatement</p>

**Assessment:**

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious
- [Green] We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

# Other findings – key judgements and estimates (2)

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
<b>Valuation of investment property</b> £53.5m at 31 March 2025	<p>The Authority has engaged Wilks, Head and Eve to complete the annual valuation of investment properties held at fair value as at 31 March 2025. 100% of total assets were revalued during 2024/25.</p> <p>The total year end valuation of investment property was £53.5m, a net increase of £0.9m from 2023/24 (£52.6m).</p>	<p>We have carried out the following work in relation to this estimate, in line with the revised ISA540 requirements:</p> <ul style="list-style-type: none"><li>- Assessed management’s expert to ensure suitably qualified and independent;</li><li>- Assessed the completeness and accuracy of the underlying information used to determine the estimate;</li><li>- Assessed the appropriateness of any alternative site assumptions;</li><li>- Assessed the impact of any changes to valuation method; and</li><li>- Assessed adequacy of disclosures of estimate in the financial statements.</li></ul>	<p>● Green</p> <p>No issues were identified in relation to the assumptions used. There were differences noted in a number of the floor plans used as part of the source data review. This has been outlined on page 54.</p>

# Other findings – key judgements and estimates (3)

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment																								
<p><b>Valuation of net pension liability</b></p> <p>£7.5m at 31 March 2025</p> <p>IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the Balance Sheet as an asset and whether any additional liabilities are required in respect of onerous funding commitments.</p> <p><i>(continued)</i></p>	<p>The Authority’s net pension liability at 31 March 2025 is £7.5m (PY £8.7m) [comprising the Worcestershire County Council Local Government Pension Scheme and unfunded defined benefit pension scheme obligations. The Authority uses Hyman Robertson to provide actuarial valuations of the Authority’s assets and liabilities derived from these schemes. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2022. Given the significant value of the gross pension fund assets and liabilities, small changes in assumptions can result in significant valuation movements. There has been a £1.1m net actuarial gain during 2024/25.</p>	<p>We have carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none"><li>- Assessed management’s expert to ensure they are suitably qualified and independent;</li><li>- Assessed the actuary’s approach taken, and performed detailed work to confirm reasonableness of approach;</li><li>- Made use of PwC as auditors' expert to assess actuary and assumptions made by actuary – please see below:</li></ul> <table><tr><th>Assumption</th><th>Actuary value</th><th>PwC range</th><th>Assessment</th></tr><tr><td>Discount rate</td><td>5.8%</td><td>5.80%-5.85%</td><td>Reasonable</td></tr><tr><td>Pension increase rate</td><td>2.80</td><td>2.70%-2.80%</td><td>Reasonable</td></tr><tr><td>Salary growth</td><td>4.3%</td><td>2.70%-3.80%</td><td>Optimistic</td></tr><tr><td>Life expectancy – Males currently aged 45/65</td><td>21.2/22.5</td><td>23.7 ±8-10 years/22.1 ±8-10 years</td><td>Reasonable</td></tr><tr><td>Life expectancy – Females currently aged 45/65</td><td>23.6/25.4</td><td>26.4 ±8-10 years/24.3 ±8-10 years</td><td>Reasonable</td></tr></table> <p><i>(continued)</i></p>	Assumption	Actuary value	PwC range	Assessment	Discount rate	5.8%	5.80%-5.85%	Reasonable	Pension increase rate	2.80	2.70%-2.80%	Reasonable	Salary growth	4.3%	2.70%-3.80%	Optimistic	Life expectancy – Males currently aged 45/65	21.2/22.5	23.7 ±8-10 years/22.1 ±8-10 years	Reasonable	Life expectancy – Females currently aged 45/65	23.6/25.4	26.4 ±8-10 years/24.3 ±8-10 years	Reasonable	<p>● Green</p> <p>No issues were identified in relation to the assumptions used.</p>
Assumption	Actuary value	PwC range	Assessment																								
Discount rate	5.8%	5.80%-5.85%	Reasonable																								
Pension increase rate	2.80	2.70%-2.80%	Reasonable																								
Salary growth	4.3%	2.70%-3.80%	Optimistic																								
Life expectancy – Males currently aged 45/65	21.2/22.5	23.7 ±8-10 years/22.1 ±8-10 years	Reasonable																								
Life expectancy – Females currently aged 45/65	23.6/25.4	26.4 ±8-10 years/24.3 ±8-10 years	Reasonable																								

# Other findings – key judgements and estimates (4)

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
<div> <div> Valuation of net pension liability </div> <div> £7.5m at 31 March 2025 </div> <div> IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits' available in the form of refunds from the plan or reductions in future contributions to the plan. </div> </div>		<div> We have carried out the following work in relation to this estimate: </div> <div> <ul style="list-style-type: none"> <li>- Assessed the completeness and accuracy of the underlying information used to determine the estimate;</li> <li>- Assessed the impact of any changes to valuation method;</li> <li>- Assessed the reasonableness of the Authority’s share of the LGPS pension assets and any asset ceiling consideration under IFRIC 14;</li> <li>- Assessed the reasonableness of any changes in estimates;</li> <li>- Assessed the adequacy of disclosures of estimates in the financial statements; and</li> <li>- Assessed the accuracy and completeness of the IAS 19 estimates and related disclosures made within the Authority’s financial statements.</li> </ul> </div>	

# Other findings – Information Technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application and details of the ratings assigned to individual control areas.

		ITGC control area rating				Related significant risks/other risks
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Unit 4 (Business World)	ITGC assessment (design and implementation effectiveness only)	<div><div></div>Green</div>	<div><div></div>Green</div>	<div><div></div>Green</div>	<div><div></div>Green</div>	Management override of controls; valuation of PPE and IP; valuation of pension liability

Assessment:

- [Red] Significant deficiencies identified in IT controls relevant to the audit of financial statements
- [Amber] Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- [Green] IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- [Black] Not in scope for assessment

# 06 Communication requirements and other responsibilities

# Other communication requirements

Issue	Commentary
Matters in relation to fraud	The Council and the audit team has undertaken extensive further investigation work, including the involvement of forensics specialists, as a result of findings in respect of the governance of a capital programme (please see page 20). This work did not identify any instances of fraud.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	The Council and the audit team has undertaken extensive further investigation work, including the involvement of forensics specialists, as a result of findings in respect of the governance of a capital programme (please see page 20). This work did not identify any instances of breaches in laws and regulations.
Written representations	Representations were provided by management after approval at the Audit and Governance Committee, these include specific representation in respect of the prior period adjustment that has been identified.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Authority’s banking, lending and investment partners. This permission was granted, and the requests were sent. All of these requests were returned with positive confirmations.
Disclosures	Our review found no material omissions in the financial statements.
Audit evidence and explanations	All information and explanations requested from management was provided.

# Other responsibilities (1)

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2024). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"><li>• The use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities</li><li>• For many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Authority’s financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.</li></ul> <p>(continued)</p>

# Other responsibilities (2)

Issue	Commentary
Going concern	<p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"><li>• the nature of the Authority and the environment in which it operates</li><li>• the Authority’s financial reporting framework</li><li>• the Authority’s system of internal control for identifying events or conditions relevant to going concern</li><li>• management’s going concern assessment.</li></ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"><li>– a material uncertainty related to going concern has not been identified; and</li><li>– management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li></ul>

# Other responsibilities (3)

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We expect to issue an unmodified opinion in this respect.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"><li>• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,</li><li>• if we have applied any of our statutory powers or duties.</li><li>• where we are not satisfied in respect of arrangements to secure value for money and have reported significant weaknesses.</li></ul> <p>We have nothing to report on these matters except we have reported two significant weaknesses in our Auditor’s Annual Report which accompanies this report.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Note that work is not required as the Authority does not exceed the threshold.</p>
Certification of the closure of the audit	<p>We cannot formally conclude the audit and issue an audit certificate for Herefordshire Council for the year ended 31 March 2025 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have received confirmation from the National Audit Office the audit of the Whole of Government Accounts is complete for the year ended 31 March 2025. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.</p>

# 07 Audit adjustments

# Audit adjustments (1)

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


## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below, along with the impact on the key statements.

Detail	Comprehensive Income and Expenditure Statement	Balance Sheet	Impact on total net comprehensive expenditure	Impact on general fund
	£'000	£'000	£'000	£'000
<b>1. Investment property areas</b>				£nil
During the year, a part of one of the Council's investment properties was sold, however the disposed portion of the property remained included in the area that was valued by the Council's valuer at 31 March 2025, resulting in an overstatement of the valuation. The overstatement amounted to £4.997 million. We have been able to isolate this error to the asset in which it was found.	Surplus on revaluation of non-current assets, through other comprehensive income overstated:  £4,997	Investment property overstated:  £4,997	Total comprehensive expenditure understated:  £4,997	
There is no impact on the general fund as revaluation gains/losses are charged to the revaluation reserve in unusable reserves.				

# Audit adjustments (2)

## Impact of adjusted misstatements

Detail	Comprehensive Income and Expenditure Statement	Balance Sheet	Impact on total net comprehensive expenditure	Impact on general fund
	£'000	£'000	£'000	£'000
<b>2. Classification of ring-fenced grants</b>	There is no net impact on the CIES, however individual balances are affected.	£nil	£nil	£nil
 The Authority has received £22.9 million of grants from the Department for Communities and Local Government (DCLG) which was incorrectly classified as a non-ring-fenced grant despite there being conditions attached to the grant. As a result, the grant income has been charged through the tax and non-specific grant income line in the CIES, when it should have been charged through the costs of services. This issue was present in the prior year, and therefore, as the amount is material, the Council will also prepare a prior period adjustment, to correct the prior year balances.	Cost of services income understated:			
	£22,900			
	Tax and non-specific grant income overstated:			
	£22,900			
<b>Overall impact</b>	<b>£4,997</b>	<b>£4,997</b>	<b>£4,997</b>	<b>Nil</b>

# Audit adjustments (3)

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure	Misclassification or change identified	Adjusted?
1. Note 19 Property, plant and equipment movements	The disclosure of the adjustment to the opening balance of PPE, due to the initial application of IFRS 16, omitted the PFI assets and therefore the disclosure does not cast. This does not affect the balance sheet balance as the closing balance disclosed is correct.	Yes
2. Note 19 Property, plant and equipment movements	The Council have disclosed the value of assets revalued at 31 March 2025 as £299.6 million. This figure is overstated by £2.8 million, due to the inclusion of the adjustment due to the initial application of IFRS 16 on several right of use assets.	No
3. Cash Flow Statement	In our Council cash flow testing, we identified a balancing figure variance of £1.8 million in Investing Activities, which the council was unable to explain. This variance is also reflected in the consolidated group cash flow.	No
4. Note 26 Private finance initiatives (PFI)	The Council has shown £10.3 million relating to the remeasurement of the opening balance of PFI liabilities under IFRS 16. The Grant Thornton PFI team have calculated that £824,000 of this actually relates to in-year measurements which we would expect to be separately identified. There is no impact on the total liability recorded in the financial statements. This guidance was released in June after the publication of the draft financial statements.	No
5. Note 21 Capital Financing Requirement (CFR)	In 2014/15, £20 million of spend on road investments was financed by prudential borrowing. It was agreed that the service would repay that borrowing principal through the allocation of Local Transport Plan capital grant each year. This repayment has been added to the CFR balance each year within the note when no new asset has been created, resulting in a cumulative overstatement of the CFR balance of £5.4 million. There is no adjustment to the ledger or the main statements. As this amount is immaterial no Prior Period Adjustments disclosures are required.	Yes

# Audit adjustments (4)

## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

		Comprehensive Income and Expenditure Statement	Balance Sheet	Impact on total net comprehensive expenditure	Impact on general fund	Reason for not adjusting
Detail		£'000	£'000	£'000	£'000	
64	<b>1. Invoices received testing</b>	Cost of services expenditure overstated:	Creditors Overstated	Total comprehensive expenditure overstated:	Nil	Not material and an estimated potential error.
	We identified misstatements from our testing of invoices received around the year end date. The first relates to an invoice for services received across the 23/24 and 24/25 years. The invoice was received late, and no accrual was posted in 23/24, resulting in a £33,147 overstatement in the 24/25 expenditure. The second is a similar situation, where an invoice relating to services received in 24/25 was received late, however in this case an accrual was posted into the 24/25 year, but the accrual was overestimated by £57,217 such that the 24/25 expenditure is overstated.	£721	£721	£721		
	We have estimated that the potential impact of these errors, if seen across the portion of the invoices that we haven't tested, could be around £721k.					

# Audit adjustments (5)

## Impact of unadjusted misstatements

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net comprehensive expenditure £'000	Impact on general fund £'000	Reason for not adjusting
<b>2. Capital Financing Requirement (Note 21)</b> During 2024/25, the financing of £5.2m historic broadband spend was amended from prudential borrowing to grant financing. Historic MRP charges of £1.6m were not reversed which would have resulted in a debit to the Capital Adjustment Account.	Nil	Debit Capital Adjustment Account £1,600 Credit Unusable Reserves £1,600	Nil	Nil	Not material and an estimated potential error.
<b>3. Academy cash balances</b> A misstatement of £1.557m has been included within the Council's cash balance which relates to schools that have become academies. We would not expect these to be included within the cash balance as they are no longer the responsibility of Herefordshire Council. We have questioned the impact of this error for prior years accounts and have identified that there were no transfers of schools to academies in the prior year and therefore this misstatement only affects the current year.		Cash overstated £1,557 Earmarked reserves overstated £1,557			

# Audit adjustments (6)

## Impact of unadjusted misstatements

Detail		Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net comprehensive expenditure £'000	Impact on general fund £'000	Reason for not adjusting
8	4. Land and building areas	Surplus on revaluation of non-current assets, through other comprehensive income overstated:	Property, Plant and Equipment overstated:	Total comprehensive expenditure understated:	£nil	Not material and an estimated potential error.
	During the year, we have identified an error in two of our selected samples where the GIA which was used in the draft valuation changed changing the valuation by 0.768million. The GIA used in the draft valuation was not correct which was updated post this was picked for sample testing.	£636	£768  Revaluation Reserve overstated  £132	£636		

# Impact of unadjusted misstatements in the prior year (1)

The table below provides details of misstatements identified during the prior year audit which were not adjusted for within the final set of financial statements for 2023/24, and the resulting impact upon the 2024/25 financial statements. We also present the cumulative impact of both prior year and current year unadjusted misstatements on the 2024/25 financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement	Balance Sheet	Impact on total net comprehensive expenditure	Impact on general fund	Reason for not adjusting/2024/ 25 update
	£'000	£'000	£'000	£'000	
<b>1. Accruals - 1</b>					
We identified an accrual for £3.134m of expenditure incurred in 2023/24. The associated invoice, received post-year end, amounted to £2.349m, with £2.296m relating to 23/24. Of the original accrual, only £2.189m related to this invoice, therefore the accrual is understated by £0.107m and so the expenditure for 2023/24 is understated by this amount, and the expenditure for 2024/25 is overstated by the same.	Net cost of services expenditure understated £360	Accruals understated £360	Net surplus overstated £360	General fund balance overstated £360	Immaterial estimated error No continuing impact on 2024/25.
We estimate that, if the error found in our sample is representative of the population from which it was selected, then the total misstatement could be £360,000.					

# Impact of unadjusted misstatements in the prior year (2)

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net comprehensive expenditure £'000	Impact on general fund £'000	Reason for not adjusting/2024/ 25 update
<div>2. Accruals - 2</div> <div>From our expenditure invoice testing, we identified several examples where expenditure either wasn't fully accrued in prior years, or accruals were not accurate. These examples gave rise to a total overstatement in the 2023/24 expenditure of £99,815.</div> <div>We estimate that, if the error found in our sample is representative of the population from which it was selected, then the total misstatement could be £2.905 million.</div>	Net cost of services expenditure understated £2,905		Net surplus understated £2,905	General fund balance understated £2,905	Immaterial error No continuing impact on 2024/25.

# Impact of unadjusted misstatements in the prior year (3)

Detail	Comprehensive Income and Expenditure Statement	Balance Sheet	Impact on total net comprehensive expenditure	Impact on general fund	Reason for not adjusting/2024/ 25 update
	£'000	£'000	£'000	£'000	
<div>3. Land and building floor areas</div> <div><p>Through our testing of the other land and buildings valuations we sought to verify the floor areas used by the valuer in their calculations. In a number of cases, we identified variances between the floor areas used by the valuer and those supported by technical site drawings.</p><p>In some cases, the valuations were overstated as a result, and in some cases understated. As such, we had no reason to believe that there has been any deliberate attempt to inflate the valuations.</p><p>The net impact of those assets which were tested was an overstatement in the property, plant and equipment of £714k, with the misstatement being a mixture of overstatements and understatements which netted off.</p><p>(Continued overleaf)</p></div>	Net cost of services expenditure understated  £1,416	Property, plant and equipment overstated  £714	Net surplus overstated  £714  (Net cost of service expenditure is understated by £1,416k, however other comprehensive income is also understated by £702k, such that the net effect on total comprehensive income is an overstatement of the surplus position by £714k)	£nil as the charge to the general fund is transferred to the capital adjustment account	Immaterial error.  Four out of five assets identified in the prior year were revalued as part of 2024/25. The remaining one asset has been considered as part of assets not revalued. No continuing impact on 2024/25.

# Impact of unadjusted misstatements in the prior year (4)

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net comprehensive expenditure £'000	Impact on general fund £'000	Reason for not adjusting
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### 3. Land and building floor areas (continued)

The other side of the error is an understatement in the revaluation reserve (£702k) and an understatement in the charge through the surplus or deficit on provision of services, which would ultimately be transferred to the capital adjustment account (CAA) (£1,416k).

We estimated that, if the error found in our sample were representative of the population from which it was selected, then the total misstatement in PPE could be £1,121k, in the revaluation reserve it could be £1,103k and in the CIES/CAA it could be £2,224k.

Not that similar errors have been found in the current year .

Potential overall impact of prior year unadjusted misstatements	Expenditure overstated £1,129	Accruals understated £360 PPE overstated £714	Net surplus understated £1,831	General fund balance understated £2,545	
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# Action plan

We set out here our recommendations for the Authority which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<div><div>●</div><div>Medium</div></div>	<div><div>Issue</div><div>We have identified an immaterial reportable differences in the capital financing requirement and the council and group cash flow (page 42).</div><div>Management have not been able to provide a suitable explanation for the total variances identified.</div></div>	<div><div>We recommend that management investigate these differences further and seek to either correct, or be in a position to explain it, in time for the 2025/26 financial statements audit.</div><div>Management response:</div><div>The Council has assessed the calculation of its CFR by reference to the Prudential Code and the CIPFA Practitioners' Guide to Capital Finance in Local Government (2019), comparing the CFR items on the balance sheet at 31 March 2025 with the disclosure per Note 21: Capital expenditure and capital financing. A review has been completed, resulting in an adjustment to Note 21 and an immaterial unadjusted misstatement. The immaterial cashflow reconciliation difference will be reviewed for 2025/26 closedown.</div></div>

- Key
- High – Significant effect on control system and/or financial statements
  - Medium – Limited impact on control system and/or financial statements
  - Low – Best practice for control systems and financial statements

# Follow up of prior year recommendations (1)

We identified the following issues in the audit of the Authority’s 2023/24 financial statements, which resulted in recommendations being reported in our 2023/24 Audit Findings Report. We have followed up on these recommendations below.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
<p><b>Ongoing</b></p> <p>There has been no change to the Council’s approach to journals below this limit and we feel that the risks described in the prior year remain relevant in the current year.</p>	<p><b>Issue</b></p> <p>We noted that there is no formal review process for journals which fall below £2 million total value, or £250,000 for an individual journal line.</p> <p>Additionally, we noted a case where a member of the finance team had been requested to post journals without appropriate support being supplied and this was not challenged by the member of the finance team before posting the journal.</p> <p>Management perform monthly budget monitoring, which they believe sufficiently reduces the risk of material misstatement from journals below the authorisation limit, however there is a risk that this may be insufficient to identify inappropriate journals which could cumulatively become material. We targeted our testing towards journals which fell in the £225,000 - £250,000 range and did not identify any instances of management override of controls.</p> <p><i>(continued overleaf)</i></p>	<p>We recommended that the Council implements a process whereby some, if not all, of the journals below the current threshold are reviewed and that evidence of this review is retained for future audits.</p> <p><b>Management update:</b></p> <p>There are robust controls in place over the processing of journals to ensure segregation of duties with supplementary controls to ensure secondary review through routine monthly budget monitoring arrangements. This process ensures that instances of incorrect postings, at a cost centre level, are identified in a timely manner.</p>

# Follow up of prior year recommendations (2)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
	<p><b>Risk</b></p> <p>Not having robust controls around the approval of journals presents a number of risks:</p> <ol style="list-style-type: none"><li>1. Without formal approval processes, there is a lack of accountability for the accuracy and validity of journal entries. This can lead to ambiguity regarding the individuals responsible for authorising and verifying the entries, making it difficult to assign accountability for errors or irregularities.</li><li>2. The absence of journal approval procedures can compromise the transparency and integrity of financial records. It may result in unauthorised or unverified entries being included in the accounting system, making it challenging to track and understand the origin and purpose of specific transactions.</li><li>3. Not having journals approved can create opportunities for errors, misstatements, or fraudulent activities to go undetected. It undermines the principle of segregation of duties and internal controls, increasing the risk of unauthorized or inappropriate journal entries being made without proper scrutiny.</li><li>4. Unapproved journal entries can result in inaccuracies in financial statements, potentially leading to misstated financial results and misinformed decision-making. It may also impact the organisation's ability to provide reliable and transparent financial information to stakeholders and investors</li></ol>	

# Follow up of prior year recommendations (3)

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Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
<p><b>Ongoing</b></p> <p>The Council have updated their journal review spreadsheet to include additional information about the timing of the review and the reviewer. However, we still consider that this process of reviewing journals in a spreadsheet, outside the ledger system, is at risk of manipulation; although we recognise that the Council is limited by the functionality of their accounting system.</p>	<p><b>Issue</b></p> <p>For journals posted throughout the year which fall above the £2 million/£250,000 authorisation limit, we noted that only an excel spreadsheet is maintained which summarises the journals but does not show any evidence that these have been appropriately reviewed. Management have assured us that the review takes place in practice, however without any evidence of this we have not be able to verify if that is the case.</p> <p><b>Risk</b></p> <p>There is a risk that the expected review and approval of journals is not taking place in practice. Please see page 51 for a discussion of the risks associated with a lack of robust journals approval processes.</p>	<p>We recommended that the Council implements a process whereby evidence of the review of all journals above the review threshold is retained for audit.</p> <p><b>Management update:</b></p> <p>There are robust controls in place over the processing of journals to ensure segregation of duties with supplementary controls to ensure secondary review through routine monthly budget monitoring arrangements. This process ensures that instances of incorrect postings, at a cost centre level, are identified in a timely manner. Evidence of review for audit purposes has been added to the spreadsheet.</p>

# Follow up of prior year recommendations (4)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
<p><b>Ongoing</b></p> <p>From our testing this year, we have found further instances of misstatement from either inaccurate of missing accruals, therefore this recommendation remains open.</p>	<p><b>Issue</b></p> <p>From our testing, we have identified several instances of the accruals concept not being appropriately applied. We note that this was identified as an issue in the prior year also, and a recommendation was made. It appears that this remains a problem, although we are satisfied that the impact on the accounts is not currently likely to be material.</p> <p><b>Risk</b></p> <p>Not consistently applying the accruals concept presents a number of risks:</p> <ul style="list-style-type: none"><li>– Not applying the accruals concept can result in misleading financial statements that do not accurately reflect the company's financial position and performance. This can impact the ability of stakeholders to make informed decisions.</li><li>– Inaccurate financial reporting resulting from not applying the accruals concept can hinder effective planning and decision-making. Management relies on accurate financial information to make strategic decisions, and a lack of accrual accounting can impede this process.</li><li>– Without the accruals concept, the valuation of assets, liabilities, and equity can be distorted, impacting the organisation's overall financial position and performance measures.</li></ul>	<p>We recommended that management reviews their processes and controls surrounding the accurate application of the accruals concept to ensure that all income and expenditure is recognised in the period to which it relates.</p> <p><b>Management update:</b></p> <p>At each year end accruals are processed to ensure that income and expenditure is accounted for in the period in which the council received or provided the goods or service. Due to the strict closedown timetable, estimates may be included using judgement and reasonable expectations of value. We will continue to ensure that a review of income and expenditure around the financial year end is undertaken to ensure accurate recording.</p>

# Follow up of prior year recommendations (5)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
<p><b>Ongoing</b></p> <p>From our testing this year, we have found further instances of misstatement from inaccurate floor area data used by the valuer in the valuation of both the investment properties and the other land and buildings</p>	<p><b>Issue</b></p> <p>We identified that incorrect floor area data had been used in the valuation of the property, plant and equipment. We are satisfied that the impact of the error is unlikely to be material however we have only reviewed a sample of assets.</p> <p><b>Risk</b></p> <p>There is a risk that the property, plant and equipment could be misstated as a result of using inaccurate data</p>	<p>We recommended that management reviews the floor area data shared with the valuer to ensure it is accurate.</p> <p><b>Management update:</b></p> <p>We have continued to review the floor area evidence to provide assurance over data integrity.</p>

# 08 Value for Money arrangements

# Value for Money arrangements

## Approach to Value for Money work for the year ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Additionally, The Code requires auditors to share a draft of the Auditor’s Annual Report (AAR) with those charged with governance by 30<sup>th</sup> November each year from 2024-25. Our draft AAR will be reported to you at the Audit and Governance Committee on 25 September 2025.

In undertaking our work, we are required to have regard to three specified reporting criteria. These are as set out below.



### Improving economy, efficiency and effectiveness

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



### Financial sustainability

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



### Governance

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

In undertaking this work we have identified significant weaknesses in arrangements. These are outlined in detail within our Auditor’s Annual Report.

# 09 Independence considerations

# Independence considerations (1)

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers). In this context, there are no independence matters that we would like to report to you.

We are required to report to you details of any breaches of the requirements of the FRC Ethical Standard, and of any safeguards applied and actions we have taken to address any threats to independence. No such breaches have been identified.

- We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard
- Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

# Independence considerations (2)

As part of our assessment of our independence we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Authority or group that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Authority or group or investments in the group held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Authority or group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Authority or group.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Authority/group, senior management or staff (that would exceed the threshold set in the Ethical Standard).

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council’s Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

# Fees and non-audit services (1)

The following tables below sets out the total fees for audit and non-audit services that we have been engaged to provide or charged from the beginning of the financial year to September 2025, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the group’s policy on the allotment of non-audit work to your auditor.

None of the below services were provided on a contingent fee basis.

For the purposes of our audit, we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Herefordshire Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees.

Audit fees	£
Audit of Authority (scale fee)	391,322
Introduction of IFRS16*	1,500
Additional fee in relation to Investigation work*	23,344
Total	416,166

\* Potential for additional fees was flagged in our Audit Plan as this is the first year of the implementation of the new standard. This has been calculated based on the additional time taken to gain assurance over the Council’s approach and implementation.

\*\* The Council and the audit team has undertaken extensive further investigation work, including the involvement of forensics specialists, as a result of findings in respect of the governance of a capital programme (please see page 20). The final fee in relation to this additional work will be reported in the final version of our Audit Findings Report.

# Fees and non-audit services (2)

## Audit-related non-audit services

Service	2023/24 (£)	2024/25 (£)	Threats Identified	Safeguards applied
Certification of Housing Benefits Subsidy claim – 2020/21	51,823	-	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £152,146 in comparison to the total fee for the audit of £391,322 and in particular relative to Grant Thornton UK LLP’s turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived risk to an acceptable level.
Certification of Housing Benefits Subsidy claim – 2021/22*	28,698	28,698		
Certification of Housing Benefits Subsidy claim – 2022/23*	28,698	28,698	Self-review (because Grant Thornton provides audit services)	
Certification of Housing Benefits Subsidy claim – 2023/24	-	72,250		
Certification of teachers’ pension claim – 2020/21	5,500	-	Management (as Grant Thornton reports to the grant paying body)	
Certification of teachers’ pension claim – 2022/23	-	10,000		
Certification of teachers’ pension claim – 2023/24	-	12,500		
Total	114,719	152,146		

\*These services were engaged in prior periods but have continued to be delivered into 2024/25 and therefore are included in both years.

## Total audit and non-audit fee

Audit fee: £391,322	Non-audit fee: £152,146
---------------------	-------------------------

The above fees are exclusive of VAT and out of pocket expenses.

# Fees and non-audit services (3)

The fees reconcile to the financial statements as follows:

Service	2023/24 (£)	2024/25 (£)
Audit of Authority	391,839	416,166
<b>Services engaged in 2023/24:</b>		
Certification of Housing Benefits Subsidy claim – 2020/21	51,823	
Certification of Housing Benefits Subsidy claim – 2021/22	28,698	
Certification of Housing Benefits Subsidy claim – 2022/23	28,698	
Certification of teachers’ pension claim – 2020/21	5,500	
<b>Services engaged in 2024/25:</b>		
Certification of Housing Benefits Subsidy claim – 2023/24		45,450
Certification of teachers’ pension claim – 2022/23		10,000
Certification of teachers’ pension claim – 2023/24		12,500
<b>Total (agrees to financial statements)</b>	<b>506,558</b>	<b>484,116</b>

This covers all services provided by us and our network to the group/Authority, its directors and senior management and its affiliates, that may reasonably be thought to bear on our integrity, objectivity or independence.

# Additional fee analysis – fee variation for IFRS 16

The following table sets out further information on additional fees.

Grade	Rate (Determined by PSAA)	Hours	Fee variation for Audit 2024/25
Partner/Director	£428	0	Senior review time has been absorbed into the allocated review time for the audit.
Senior Manager/Manager	£236	0	
Senior Auditor	£153	0	N/a
Other staff	£117	13	1,500 (rounded).
Total			1,500

The above is subject to review by PSAA who will make a final determination.

# Additional fee analysis – fee variation for Investigation Work

The following table sets out further information on additional fees.

Grade	Rate (Determined by PSAA)	Hours	Fee variation for Audit 2024/25
Partner/Director	£428	38	16,264
Senior Manager/Manager	£236	30	7,080
Senior Auditor	£153	0	0
Other staff	£117	0	0
Total		68	23,344

The above is subject to review by PSAA who will make a final determination.

# Appendices

# A. Communication of audit matters with those charged with governance

Our communication plan		Audit Plan	Audit Findings
88	Respective responsibilities of auditor and management/those charged with governance	●	
	Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
	Confirmation of independence and objectivity	●	●
	A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
	Significant matters in relation to going concern	●	●
	Matters in relation to the group audit	●	●
	Views about the qualitative aspects of the Group’s accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
	Significant findings from the audit		●
	Significant matters and issue arising during the audit and written representations that have been sought		●
	Significant difficulties encountered during the audit		●
	Significant deficiencies in internal control identified during the audit		●
	Significant matters arising in connection with related parties		●

# A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

**Respective responsibilities**

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

**Distribution of this Audit Findings report**

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

# Our team and communications

## Grant Thornton core team

Grace Hawkins

Engagement Lead

- Key contact for senior management and Audit and Governance Committee
- Overall quality assurance

Cathy Smith

Audit Manager

- Audit planning
- Resource management
- Performance management reporting

Priya Sharma

In-charge accountant

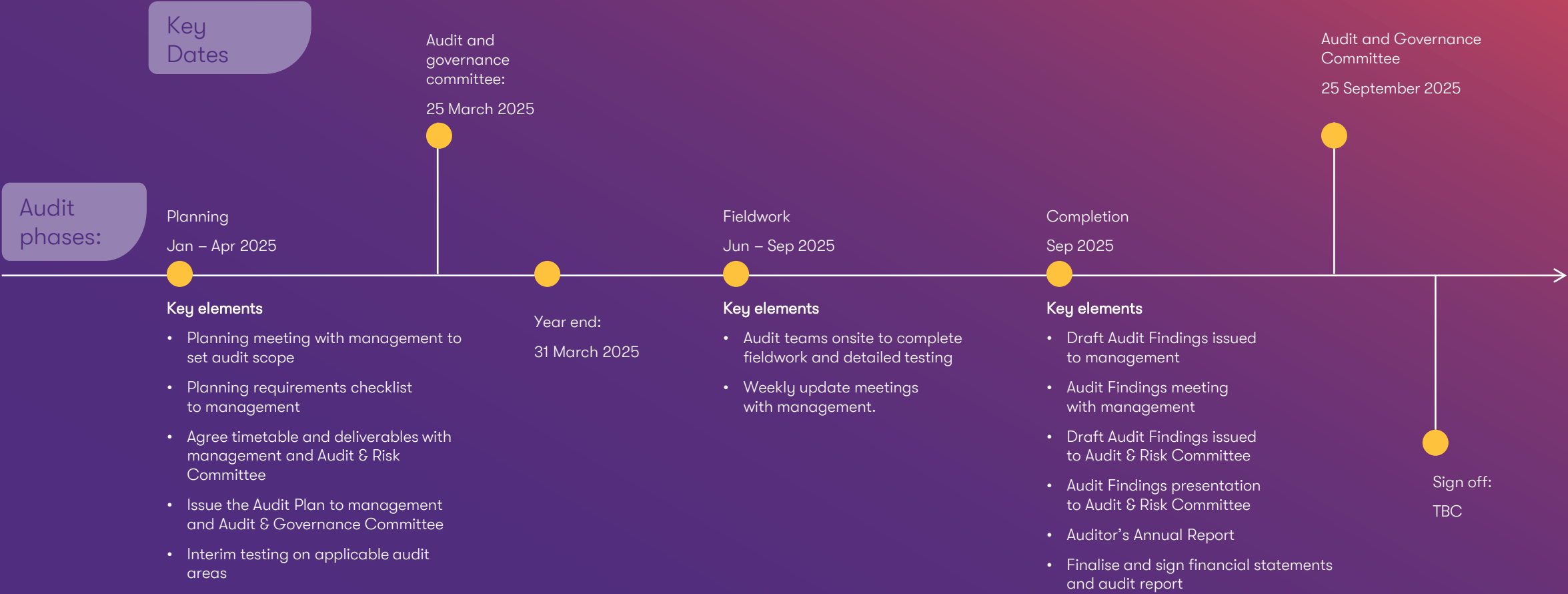
- On-site audit team management
- Day-to-day point of contact
- Audit fieldwork

	Audit reporting	Audit progress	Technical support
Formal communications	<ul style="list-style-type: none"><li>• The Audit Plan</li><li>• The Audit Findings</li><li>• Auditor’s Annual Report</li><li>• Progress and Sector Update Reports</li></ul>	<ul style="list-style-type: none"><li>• Audit planning meetings</li><li>• Audit clearance meetings</li><li>• Communication of issues log</li></ul>	<ul style="list-style-type: none"><li>• Technical updates</li></ul>
Informal communications		<ul style="list-style-type: none"><li>• Communication of audit issues as they arise</li></ul>	<ul style="list-style-type: none"><li>• Notification of up-coming issues</li></ul>

As part of our overall service delivery, we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

# Logistics

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# Title of report: Internal Audit Update Report Quarter 2 2025/26

**Meeting: Audit and Governance Committee**

**Meeting date: Tuesday 28 October 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**

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

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

## **Recommendation(s)**

**That the Committee:**

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

## **Alternative options**

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

## Key considerations

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

## Community impact

4. The council's code of corporate governance commits the council to managing risks and performance through robust internal control and strong public financial management and to implementing good practices in transparency, reporting, and audit to deliver effective accountability. By ensuring robust management responses to identified risks, the council will be better able to meet priorities outlined in The Herefordshire Council Plan 2024-2028.

## Environmental Impact

5. 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.
6. Whilst this is a report for information 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. 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.
8. 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

9. There are no specific resource implications from the report itself.

## Legal implications

10. There are no specific legal implications arising from this report itself.

## Risk management

11. There is a risk that the level of work required to give an opinion on the council's systems of internal control is not achieved. This is mitigated by the regular active management and monitoring of the programme of internal audit work, and subsequent coverage assessments.
12. Risks identified by internal audit are mitigated by actions proposed by management in response. Progress on implementation of agreed actions is now reported to this committee as part of the internal audit progress reports.

### **Consultees**

13. None.

### **Appendices**

Appendix A SWAP Internal Audit Progress Report Quarter 2 2025-26

### **Background papers**

None identified.



# Herefordshire Council

## Report of Internal Audit Activity – Quarter 2

October 2025

## Contents

The contacts at SWAP in connection with this report are:

**Lucy Cater**

Assistant Director

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**Jaina Mistry**

Principal Auditor

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[jaina.mistry@swapaudit.co.uk](mailto:jaina.mistry@swapaudit.co.uk)

- Contents:

Internal Audit Definitions

Audit Plan Progress

Finalised Audit Assignments

At the conclusion of audit assignment work each review is awarded a “Control Assurance Definition”;

- **No**
- **Limited**
- **Reasonable**
- **Substantial**

•

## Audit Framework Definitions

### Control Assurance Definitions

<b>No</b>	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.
<b>Limited</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>Reasonable</b>	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.
<b>Substantial</b>	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.

Non-Opinion – In addition to our opinion based work we will provide consultancy services. The “advice” offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance. Consultancy services from Internal Audit offer management the added benefit of being delivered by people with a good understanding of the overall risk, control and governance concerns and priorities of the organisation.

Recommendations are prioritised from 1 to 3 on how important they are to the service/area audited. These are not necessarily how important they are to the organisation at a corporate level.

Each audit covers key risks. For each audit a risk assessment is undertaken whereby with management risks for the review are assessed at the Corporate inherent level (the risk of exposure with no controls in place) and then once the audit is complete the Auditors assessment of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.



Audit Framework Definitions

Categorisation of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors; however, the definitions imply the importance.

	Categorisation of Recommendations
Priority 1	Findings that are fundamental to the integrity of the service’s business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management
Priority 3	Finding that requires attention.

Definitions of Risk

Risk	Reporting Implications
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	Issues of a minor nature or best practice where some improvement can be made.

# Audit Plan Progress 2025/26

OFFICIAL

Audit Type	Directorate	Audit Area	Status	Opinion	No of Agreed Actions	Priority			Comment
						1	2	3	
Governance	Community Wellbeing	CQC Inspection Readiness 2024/25	Final Report	Advisory	0	-	-	-	Reported in July
Operational	Economy and Environment	VFM Assessment – Public Realm Contract and Minor Works Framework 2024/25	Final Report	Low Reasonable	3	-	2	1	Reported in July
Operational	Corporate Services	Mutual Employment Resignation Scheme (MERS) 2024/25	Final Report	Low Substantial					Report Included
Follow-Up	Corporate Services	Polygamous / Dual Employment 2024/25	Final Report	Advisory					Report Included
Operational	Children and Young People	Dedicated Schools Grant (DSG) – High Needs Block 2024/25	Draft Report						Waiting for Management Sign Off
Key Financial	Corporate Services	Housing Benefit and Council Tax Reductions 2024/25	Draft Report						Waiting for Management Sign Off
Operational	Economy and Environment	Public Rights of Way 2024/25	Draft Report						Waiting for Management Sign Off
Key Financial	Corporate Services	Council Tax	Draft Report						
Operational	Community Wellbeing	Temporary Accommodation	In Progress						
Key Financial	Corporate Services	Payroll	In Progress						
Operational	Economy and Environment	Transport Hub 2025/26	In Progress						
Follow-Up	Community Wellbeing	Court of Protection	In Progress						

# Audit Plan Progress 2025/26

OFFICIAL

Audit Type	Directorate	Audit Area	Status	Opinion	No of Agreed Actions	Priority			Comment
						1	2	3	
Operational		HUG2	In Progress						
Core Financial	Corporate Services	Treasury Management	Ready to Start						
Key Financial	Corporate Services	NNDR	Ready to Start						
Core Financial	Corporate Services	Accounts Payable	Initiated						
Core Financial	Corporate Services	Bank Reconciliations							
Grant Certification	Economy and Environment	Bus Subsidy Grant	Complete						
Grant Certification	Economy and Environment	Local Transport Capital Block Funding Grant	Complete						
Follow-Up		Follow-Up of Agreed Actions (not included in an audit above)	On Going						
Other Audit Involvement		Management of the IA Function and Client Support	On Going						
Other Audit Involvement		Contingency – Provision for New Work based on emerging risks							

Action Tracking



Action Tracking

In Quarter 1, 62 Open Agreed Actions were reported for Herefordshire Council.

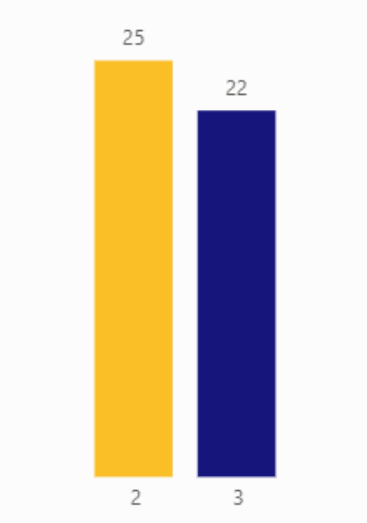
Since the Q1 report, 15 actions have been closed off, and no new actions have been agreed recorded.

Therefore, there are currently 47 Open Agreed Actions. A breakdown of the current actions pending remediation, along with number per priority can be seen in the table to the right.

Work will continue to gain an update from responsible officers, and report updates to this Committee.

Any actions not remediated, will be discussed with officers and where appropriate, a revised timescale agreed.

Open Actions by Priority



Open Agreed Actions, by due date, are shown below.

Not yet due	Due within 30 days	1-30 days overdue	31-60 days overdue	61-90 days overdue	91+ days overdue	Total Actions
4	8	4	(Blank)	12	19	47

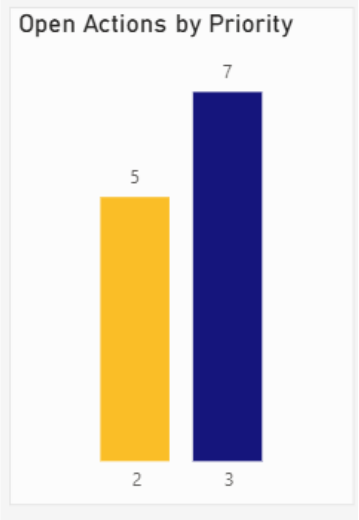
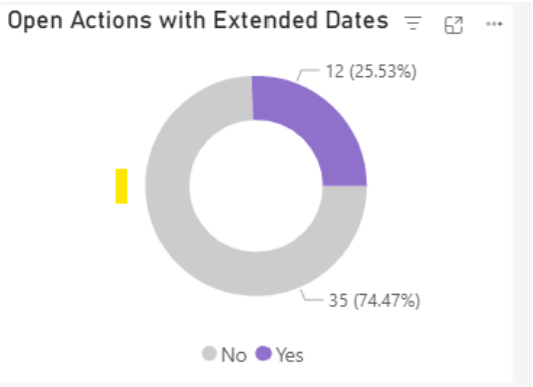
40 of the Open Agreed Actions are currently being followed-up as part of an internal audit review, or as part of our follow-up process.

Internal Audit follow-up all agreed actions on a monthly basis.

Action Tracking

- Action Tracking – Revised Timescales

Open Agreed Actions, with a revised timescale has reduced to 12 from 18 (quarter 1)



The following are the Internal Audit reports, of each audit review finalised,  
since the last Committee update

MERS (Mutual Employment Recognition Scheme) – Final Report – September 2025

Audit Objective

To provide assurance that the Council considered the risks of staff leaving and the impact on services through the specific promotion of MERS to control costs, ensuring savings have been or will be achieved as a result of the scheme.

Executive Summary



Assurance Opinion

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

Management Actions

Priority 1	0
Priority 2	0
Priority 3	0
Total	0

Organisational Risk Assessment

Low

Our audit work includes areas we consider have a high organisational risk and potential significant impact.  
  
The key audit conclusions and resulting outcomes should be considered by both senior management and the Audit Committee.

Key Conclusions



The Council considered the risks of staff leaving (taking up the option of MERS) and the impact on service provision was discussed during the approval process held by CLT. Although evidence of the decisions made has not been formally documented, this was a council strategy for reducing costs.



Criteria for eligibility was updated throughout the scheme, and these updates were well communicated across the Council. As above, evidence of changing criteria has not been formally documented and therefore could have been open to challenge.



The MERS savings target was estimated at £4.5M, of which the Council reached £2.375M, as take up wasn't as high as expected. The savings gap is monitored through quarterly monitoring reports to Cabinet and has been fully mitigated.

Audit Scope

As part of this work, we reviewed:

- Policies, procedures and updates regarding the MERS scheme.
- Criteria for eligibility to participate in the scheme, ensuring transparency and fairness.
- Approval processes and risk assessments / consideration of the impact on services.
- Operational impact, including an impact analysis on workforce and service productivity, workforce planning documents/risk assessments with identified mitigation.

**Other Relevant Information**

- Policies and procedures were in place to ensure the scheme achieved its objective.
- All MERS leavers sampled were evidenced as meeting eligibility criteria.
- Impact to the service area was shown to be considered and from discussions with senior management/service managers there was a good understanding of impact to service however there was inconsistency as to how this had been recorded e.g., risk assessments/impact analysis and mitigations for the loss of staff.


We have not raised a formal action, but the Council may want to consider introducing a formal reporting process for changes / decisions made to reduce the risk of any possible challenge. This could be applied to all future projects and supports good governance.

## Polygamous Working Follow-Up – Final Report – October 2025

### Follow Up Audit Objective

To follow-up the recommendations made in the Herefordshire Council Counter Fraud Manager's Report on Polygamous Working (2023).

### Executive Summary


 Advisory	Advisory Report	Follow Up Progress Summary				
	The advice provided in this report encompasses risk analysis and evaluation based on current activity/operations. Please see below for details of why an advisory report has been used.	Assessment	Complete	Ongoing/ Under Review	Not Complete	Total
		Number	14	1	0	15


### Background & Audit Scope

During 2022/23 two investigations were undertaken in relation to potential Polygamous Working Fraud (an employee working more than one job) by the Council's Counter Fraud Manager (CFM). In 2023, following these investigations, the CFM produced an internal report and action plan. However, there is no evidence to support that this internal report and action plan was disseminated to relevant key officers and/or business areas, preventing the acceptance and ownership of suggested improvements. Hence, as there has been no effective position updates on progress of the action plan, SWAP was asked to review.

The aim of our audit is to provide an assessment on progress of the CFM's action plan, or help to inform, if a further internal audit review is required/necessary. We have undertaken a desktop review using the CFM's 2023 report as a starting point and held discussions with key officers from relevant departments. Our discussions confirmed that the position of some actions within the report had naturally updated with business progression. The findings below provide a summary of the status.

### Key Findings

	<p>14 actions have been assessed as complete,</p> <ul style="list-style-type: none"> <li>• Polygamous Working Fraud Risk Assessment</li> <li>• External Review (HMRC) – Tax Evasion</li> <li>• SWAP Internal Audit</li> <li>• Staff Welfare Reviews</li> <li>• Fraud Awareness Activity</li> <li>• Update of mandatory E-Learning</li> <li>• Review of Abnormal Tax Codes</li> <li>• NFI Results Matching</li> <li>• Completion of Code of Conduct E-Learning – both staff and agency</li> <li>• Review of Objectives and Deliverables – Agency Workers</li> <li>• Declarations of Interest – Policy Review</li> <li>• Completion of Declarations of Interest Forms – including 'nil return declarations'</li> </ul>
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	<ul style="list-style-type: none"> <li>• Development of the declarations register in Business World</li> <li>• Review of Recruitment Agency Contracts</li> </ul> <p>These actions have been assessed as being completed following meetings held with relevant officers, and information received.</p>
	<p>1 action has been assessed as ongoing / to be kept under review.</p> <ul style="list-style-type: none"> <li>▪ NFI Fraud Hub Proof of Concept – this is dependent on the outcome of the pilot scheme being undertaken by some London Boroughs</li> </ul> <p>A further update will requested in due course</p>

#### Additional Information

It is pleasing to note that 14 of the 15 actions have been mitigated by the policies, procedures and processes adopted by the Council.





# Title of report: Regulatory Investigatory Powers Act 2000 (RIPA) Update

**Meeting: Audit and Governance Committee**

**Meeting date: Tuesday 28 October 2025**

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

## **Classification**

Open

## **Decision type**

This is not an executive decision

## **Wards affected**

(All Wards);

## **Purpose**

To provide an update to the Committee about the operation of Regulatory Investigatory Powers Act 2000 (RIPA) within the Council.

## **Recommendation(s)**

**That the Committee:**

- a) notes the RIPA Policy does not require any update since adoption in October 2024;
- b) delegates that certain updates to the RIPA Policy is made to the Monitoring Officer as set out in paragraph 8 of this report;
- c) notes that RIPA powers have not been used by the Council; and
- d) agrees that further reports about the use of RIPA need only to be reported once RIPA has been utilised by the Council.

## **Alternative options**

1. There are no other options.

## Key considerations

2. The Council's Constitution tasks this committee with the role of 'To oversee the council's arrangements for Regulatory Investigatory Powers Act 2000 (RIPA) and Investigatory Powers Act 2016 under its Policy'.

### RIPA Policy

3. The Constitution does not state the frequency of oversight or what triggers a reference to Audit & Governance. This contrasts with other responsibilities of the Committee which often refers to 'annual reviews'.
4. The [RIPA Policy](#) was reviewed and updated in June 2021. In June 2023 an officer review considered that the policy did not require updating. In October 2024, this Committee approved changes upon recommendation of officers.
5. Neither the Policy nor the terms of reference for the committee are clear as to the period that the Policy should be considered by the Committee. Ordinarily we would expect officers to keep the policy up to date as they occur.
6. Other corporate policies are updated by officers when required due to legislative or other requirements. The RIPA Policy has been reviewed by officers, and it is not currently considered to require any substantive changes.
7. Accordingly, it is considered that simple or consequential changes should be made to the policy as the need arises (for example due to changes to legislation or statutory guidance) without needing to await the annual review by Audit & Governance.
8. The recommendation to committee is that technical changes including those required due to change in legislation, or guidance or those required by, and consequential changes, to correct any error, resolve any inconsistency within the policy or as a result of any other decision of the council is delegated to the Monitoring Officer.

### Use of RIPA

9. RIPA has not been used by the Council for the purposes of surveillance since October 2024.

## Community impact

10. The right to privacy and a family life is a fundamental right enshrined in law. As is the right to a fair trial. The former however is a qualified right and there are occasions for the purposes of detection and investigation of crime that officers need to breach that right in a specific and proportionate way. The legal frameworks controlling such breaches are set out in the legal frameworks embedded in the Regulation of Investigatory Powers Act 2002 and Investigatory Powers Act 2016 and associated codes of practice. The former requires the Council to have a policy and for it to have robust procedures to ensure that these fundamental rights aren't breached unlawfully

## Environmental impact

11. No impact

## Equality duty

12. 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.
13. The mandatory equality impact screening checklist has been completed for this project/decision/activity and it has been found to have no impact for equality.

## Resource implications

14. There are no direct resource implications.

## Legal implications

15. Part II of the Regulation of Investigatory Powers Act 2000(RIPA) places covert surveillance on a statutory basis enabling public authorities identified in the legislation to carry out surveillance operations without breaching the Human Rights Act 1998
16. A number of statutory instruments and codes of practice published by the Home Office govern the operation of RIPA.
17. Organisations using RIPA are subject to regular inspection by the IPCO

## Risk management

18. Failure to comply with legislation places the council at risk of legal challenge. Approval of the new policy and compliance with the policy and legislation ensures that the risk to the council is low.

## Consultees

19. None.

## Appendices

None

## Background papers

None





# Title of report: Whistleblowing Update

**Meeting: Audit and Governance Committee**

**Meeting date: Tuesday 28 October 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 update the Committee as to the operation of the Whistleblowing Policy.

## **Recommendation(s)**

**That:**

- a) **The committee notes the operation of the employee Whistleblowing Policy since the update in October 2024.**

## **Alternative options**

1. There are no other alternatives.

## **Key considerations**

2. The Terms of Reference for this committee includes at paragraph 3.5.12 (e) *'To maintain an overview and agree changes to the council policies on whistleblowing and the 'Anti-fraud and corruption strategy'.*
3. A Whistleblowing Policy has been adopted by the Council to expressly provide a position and process around protections for staff (and associated workers) who wish to make a public interest disclosure. This reflects the legal protections under the Public Interest Disclosure Act 1998.

4. On [23 June 2023](#) the Committee reviewed and approved the existing Whistleblowing Policy and this is available to staff on the Council's [website](#).
5. The policy sets out the policy and steps involved should an employee wish to make a disclosure. In addition, there is a further process that enables a member of staff to make a disclosure anonymously through the Monitoring Officer.
6. The concept of 'whistleblowing' is not just related to that performed under the employee Whistleblowing Policy. Ordinary complaints from members of the public and service users are technically someone 'whistleblowing' and these are dealt with under the Council complaints processes. This process includes where a person wishes to make an anonymous complaint.
7. The number of referrals made to the Council via the Monitoring Officer anonymously was 6 in 2020/21, 9 in 2021/22, 14 in 2022/23, 3 in 2023/24, 2 for 2024/25 and 2 so far for 2025/26.
8. Even if a matter is raised through the whistleblowing channel to the Monitoring Officer, there is the option to enable a disclosure to be made without disclosing the name of the person raising the concern – however, the individual is informed that the facts may reveal their identity and any investigation may be compromised if it is done anonymously.

#### Disclosures in 2024/25

9. Five disclosures have been received in 2024/25
10. Three disclosures were closed as did relate to the Council. The first related to a different council and the second related to a third-party body. In both circumstances, advice and sign posting was made to the complainant to suggest how they could progress their complaint with the appropriate body. The third complaint related to an individual who was not employed by the Council. The offer was made to refer the complaint to the relevant body, but this was not requested, and the nature of the complaint was not sufficiently serious that the Council would consider making such a referral without further information or grounds.
11. In respect to the final two disclosures, both were investigated by the relevant department and in both instances, the disclosures were found to be valid which required corrective changes to process and policies within each department. Recommendations were made and these were accepted and implemented within the department.

#### Disclosures in 2025/26

12. Five disclosures have been received in 2025/26.
13. Investigations into two disclosures are ongoing. One disclosure has been investigated in full by the manager and director and no findings have been made.
14. The final two disclosures are on hold and with the persons raising the concern.

#### Whistleblowing Policy

15. It is not considered that the Whistleblowing Policy requires any further update.

### **Community impact**

16. Herefordshire 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. Periodic reviews to ensure the Policy remains current, fit

for purpose and effective helps the council to meet the principles within its code of corporate governance.

### **Environmental Impact**

17. There are minimal environmental impacts in the Whistleblowing Policy though of course any environmental concerns can be raised under the policy.

### **Equality duty**

18. The policy is open to all employees. Many complaints are raised on an anonymous basis. Where a matter is raised and if it relates to an equality issue, then it would be investigated by the relevant department as part of the complaint. The mandatory equality checklist has been completed and it is not considered that this paper has any negative impacts on employees with a protected characteristic.

### **Resource implications**

19. There are no resource implications as the operation of the Whistleblowing Policy.

### **Legal implications**

20. Any legal implications are set out in the body of this report.

### **Risk management**

21. Failure to maintain a legally compliant whistle blowing policy could contravene employment law and leave the council open to challenge with associated financial penalties and bring the council into disrepute.

### **Consultees**

22. None

### **Appendices**

None

### **Background papers**

None





# Title of report: Annual Governance Statement Progress Update

**Meeting: Audit and Governance Committee**

**Meeting date: Tuesday 28 October 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 progress in respect of actions identified to deliver continuous improvement in governance arrangements.

## **Recommendation(s)**

**That:**

- a) **The committee notes the activity completed to deliver improvements in governance arrangements in 2025/26.**

## **Alternative options**

1. None, the publication of an Annual Governance Statement (AGS) is a requirement of the Accounts and Audit (England) Regulations 2015 (as amended) and a review of progress to deliver identified improvements is considered best practice, in preparation for the AGS for the financial year ending 31 March 2026.

## **Key considerations**

2. 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. It reports on the governance framework and internal controls in place for the financial year and considers any significant governance issues up to the date of publication of the audited Statement of Accounts.

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

3. 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 the financial year and the key governance mechanisms in place to manage risks of failure in delivering outcomes and decision making.
4. The preparation and publication of the AGS is 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.

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

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

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

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

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

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

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

5. The approved, and audited, AGS for 2024/25 identified actions to deliver continuous improvement in governance arrangements. An update on activity to deliver these improvements is included at Appendix 1 to this report.
6. Activity will continue over the remainder of the 2025/26 financial year to inform the assessment of effectiveness of governance arrangements for production of the AGS for the year ended 31 March 2026.

## Community impact

7. 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.
8. The annual review ensures that arrangements are effective in supporting achievement of the council's vision and county plan priorities.

## Environmental impact

9. 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.

10. 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**

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 activity and it has been found to have no impact for equality.

### **Resource implications**

13. There are no specific resource implications from the report itself.

### **Legal implications**

14. The Accounts and Audit (England) Regulations 2015 include a requirement for all councils to produce an AGS; this review ensures that activity to deliver improvements during the financial year is reported to the Committee.

### **Risk management**

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

### **Consultees**

16. None.

### **Appendices**

Appendix 1 Update on actions to improve governance arrangements  
Appendix 2 Approved Annual Governance Statement 2024/25

### **Background papers**

None identified.





## UPDATE ON ACTIVITY TO DELIVER IMPROVEMENTS IN GOVERNANCE ARRANGEMENTS DURING 2025/26

Core Principle	Area for Improvement	Activity in 2025/26
<b>Core Principle A:</b> Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	<p>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.</p>	<p>Training to strengthen the consideration of equality impact assessments will be delivered to Service areas as part of the development of the 2026/27 budget. This training will include information on sources of diversity data to support EIAs (Herefordshire Joint Strategic Needs Assessment, population and census data) and guidance in respect of the consultation process.</p> <p>Risk management training has been delivered to Cabinet and the council's Leadership Group and tailored support is provided to risk owners and Service and Directorate teams as part of routine risk management activity.</p> <p>Mandatory training for employees in 2025 includes 5 modules:</p> <ul style="list-style-type: none"> <li>• Information Access &amp; Information Governance</li> <li>• Information Security</li> <li>• Health &amp; Safety and Fire Safety</li> <li>• Display Screen Equipment (DSE)</li> <li>• Equality, Diversity &amp; Inclusion (EDI)</li> </ul> <p>Risk management training will be delivered to all Members as part of the mandatory training programme in 2025/26.</p>
	<p>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.</p>	<p>The Employee Code of Conduct and supporting Employee Interest Policy and Employee gifts and hospitality Policy set out rules for dealing with employees' interests. Each employee is required to make an annual return with regard to personal interests, in addition to declaring any gifts and hospitality or interests as they arise.</p> <p>Improvements to the process for employees to declare interests are under review.</p>
	<p>Incorporation of equality considerations in service planning templates to improve ownership of equality within each service area.</p>	<p>Training to strengthen the consideration of equality impact assessments will be delivered to Service areas as part of the development of the 2026/27 budget. This training will include</p>

		information on sources of diversity data to support EIAs (Herefordshire Joint Strategic Needs Assessment, population and census data) and guidance in respect of the consultation process.
<b>Core Principle B:</b> Ensuring openness and comprehensive stakeholder engagement	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.	<p>A Major Projects Delivery dashboard has been developed during 2025/26 and a monthly update is provided to Corporate Leadership Team and Cabinet. The dashboard highlights the key dates and decisions as well as Lead Officers, planned activity and RAG status in respect of each of the council's major projects. This process ensures additional oversight of risks in the delivery of projects.</p> <p>This is in addition to the individual project boards and Member and Officer project specific working groups.</p> <p>An independent review has been commissioned to provide assurance of the capacity and capability of the council to deliver the major projects. This will include a detailed review of 7 individual projects with a further review of the capital programme and interdependencies.</p>
	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.	<p>Corporate Services Officers representing Procurement, Finance, Legal and Risk elements within projects have met outside of project board meetings during 2025/26 to consider thematic issues and risks, led by the Director of Finance (S151 Officer).</p> <p>The newly appointed Deputy S151 Officer took up post in October and Terms of Reference for the Corporate Services Gateway Board will be agreed in October 2025.</p>
<b>Core Principle C:</b> Defining outcomes in terms of sustainable economic, social, and environmental benefits	Development of an updated Carbon Management Plan and associated action plan.	<p>A Cabinet Task &amp; Finish group was established to update the Carbon Management Plan (CMP) and action plan to improve focus and consistency of the council's emissions reporting and targeted actions.</p> <p>A draft CMP including action plan has been completed and will be subject to review by the Service lead prior to review and approval by the Cabinet Task &amp; Finish Group. It is expected that the plan will be implemented from 1 April 2026.</p>
	Continued work with strategic partners, residents and local organisations to develop a revised countywide carbon dioxide reduction strategy aspiring for carbon neutrality by 2030.	The Herefordshire Climate and Nature Board has met three times since April. Officers have worked on carbon budget modelling for energy, buildings, domestic, land use and agriculture and waste management and transport to inform the Board's priority actions.

		<p>A Climate and Nature networking breakfast was held in May attended by c 60 key stakeholders. This was an opportunity for Board to update on the carbon budget modelling, priority actions and key themes.</p> <p>A buildings event to show case renewable energy and sustainable construction and demonstrations of Solar PV and battery storage rigs, and Heat Pumps is being planned for March 2026 by the Board's Buildings sub-group.</p> <p>The Greener Footprints communications channels and e-bulletin aims to support the county's response to the climate &amp; nature emergencies. It highlights schemes what the Council offer in that area e.g. Warm Homes Local Grant, Biodiversity and Nature grant scheme, community car clubs, biodiversity schemes for schools, Business energy grants etc as well as initiatives provided by other local organisations, and examples of carbon reduction initiatives in businesses, schools and homes.</p> <p>Over 50 schools have now signed up to Let's Go Zero and c 20 schools now have climate action plans. Three school climate action workshops have been held with a further three planned up until 31 March 2026.</p>
<b>Core Principle D:</b> Determining the interventions necessary to optimise the achievement of the intended outcomes	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.	Finance, Service and Performance teams are working together to identify improvements and strengthen links between activity and financial data in 2025/26.
	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.	
<b>Core Principle E:</b> Developing the entity's capacity, including the capability of its leadership and the individuals within it	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	Grow@HC is a new career conversation tool aimed at supporting career development at Herefordshire Council. The Innovate programme is a 5.5 day face to face programme aimed at senior, experienced leaders, or those aspiring to make

	skills and capabilities. The Lead@HC Programme will aim to develop inspirational leaders across four themes: Grow, Aspire, Empower, Innovate.	that career move, with or without previous leadership development. The first cohort in 2026. The Empower programme is a 4.5 day experiential programme, aimed at new and experienced operational line managers, with or without previous leadership training with training planned for the first cohort from November 2025 to April 2026. The Aspire is aimed at aspiring line managers and is delivered over a 2 day programme supported by wrap around learning. The first cohort is underway (September to November 2025) and the second cohort will receive training between January and March 2026.
	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.	The Finance team continues to investigate opportunities to develop, tailor and simplify reporting outputs from the finance system to support budget holders and inform decision making. This work will continue over the course of the financial year.
<b>Core Principle F:</b> Managing risks and performance through robust internal control and strong public financial management	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.	<p>The Corporate Leadership Team (CLT) and Cabinet have undertaken quarterly reviews of the Corporate Risk Register to update risk scores, consider the adequacy of control measures and mitigating actions and identify new threats and opportunities to the delivery of the objectives and priorities of the Council Plan 2024-28.</p> <p>The council's 2025/26 Internal Audit Plan has been reviewed to ensure it is aligned to the refreshed Risk Strategy and risks identified in the Corporate Risk Register.</p> <p>A consistent Risk Register template to record and monitor individual Directorate, Service and Project risks has been developed with automated links and escalation flags; this template aligns risks to the council's approved Risk Strategy and Risk Appetite Statement. A SharePoint site and Teams channel has been established to share guidance, training and enable interaction between risk owners</p> <p>Training was delivered to the council's Leadership Group in September 2025.</p> <p>The risk management strategy will continue to be embedded in 2025/26; the risk management intranet page will be updated and risk management dashboard reporting will be developed.</p>

<p><b>Core Principle G:</b> Implementing good practices in transparency, reporting and audit to deliver effective accountability</p>	<p>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.</p>	<p>A review of the Internal Audit Plan for 2025/26 has been undertaken and was approved by Audit &amp; Governance Committee at the meeting held 25 September 2025.</p> <p>The revised 2025/26 Internal Audit Plan has been developed using a risk-based, assurance mapping approach, which is aligned to the council's corporate objectives and priorities and the key risks which may prevent them from being achieved. The Plan has been informed by a variety of sources including the Council Plan 2024-2028, Delivery Plan 2025/26, Corporate Risk Register, Risk Management Strategy, other sources of assurance including peer review and professional body inspections, engagement with Directorate Leadership Teams, benchmarking against audit plans of other local authorities and intelligence from previous audit and counter-fraud work.</p>
	<p>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.</p>	<p>Training to strengthen the consideration of equality impact assessments will be delivered to Service areas as part of the development of the 2026/27 budget. This training will include information on sources of diversity data to support EIAs (Herefordshire Joint Strategic Needs Assessment, population and census data) and guidance in respect of the consultation process.</p>
	<p>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.</p>	<p>Equality, Diversity and Inclusion (EDI) training was one of the five modules of mandatory training in the council's Programme for 2025. As noted above, the development of the 2026/27 Revenue Budget includes tailored training and guidance for Directorates in respect of equality impact assessments.</p>



# 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:

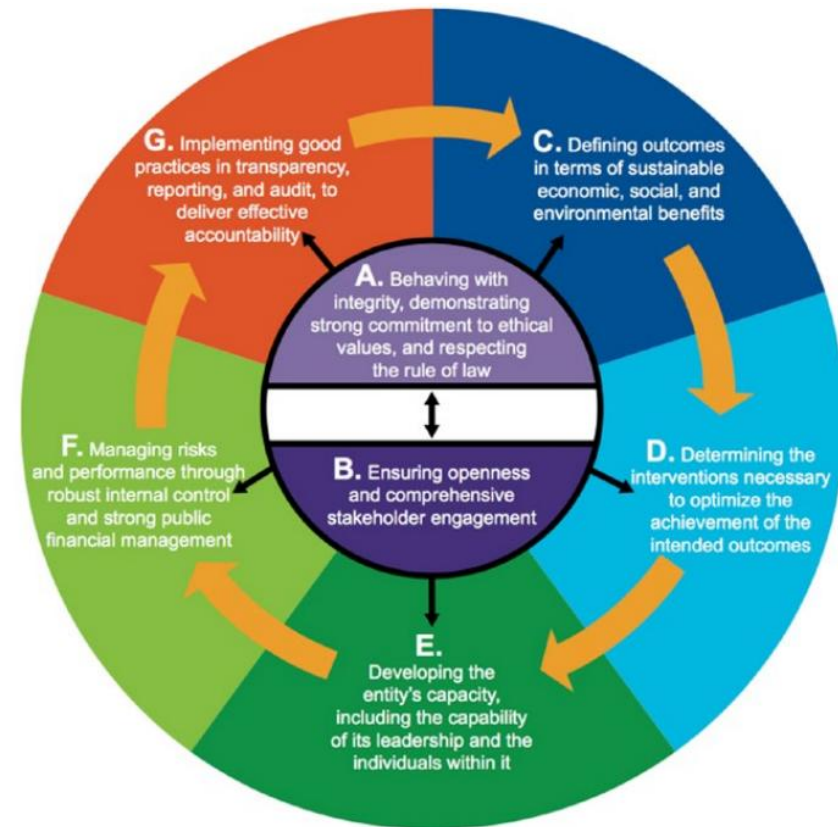
- our business is conducted in accordance with all relevant laws and regulations;
- public money is safeguarded and properly accounted for; and
- resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people.

## 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

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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.
- 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.

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- 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 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.

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- 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.
- 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:

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- 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. 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.

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- 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 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.

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- 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 and Public and Member questions and answers.
- 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.
- 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

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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

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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: 25/09/2025**

**Jonathan Lester**  
**Leader of the Council**  
**Date: 25/09/2025**





# Title of report: Update on Risk Management Activity

**Meeting: Audit and Governance Committee**

**Meeting date: Tuesday 28 October 2025**

**Report by: Director of Finance**

## **Classification**

Open

## **Decision type**

This is not an executive decision

## **Wards affected**

All Wards

## **Purpose**

To provide assurance of the adequacy of the council's risk management framework and internal controls in 2025/26.

## **Recommendation(s)**

**That:**

- a) **The committee notes the activity to embed the revised risk management strategy and strengthen risk management activity across the council at Corporate, Directorate and Service levels; and**
- b) **The committee considers the frequency for future risk management activity updates.**

## **Alternative options**

1. The Audit & Governance Committee is responsible for reviewing the adequacy of the council's governance arrangements, including the risk management framework and internal controls. The Committee may choose not to review the council's risk management arrangements. This is not recommended as risk management is an integral part of the council's governance arrangements.

## Key considerations

2. The revised Risk Management Strategy 2025/26 and Risk Appetite Statement were approved by Cabinet in June 2025. The Strategy sets out the approach and principles of risk management, outlining the council's risk appetite, to inform the management of risks by Members and Officers across the council.
3. The Corporate Leadership Team (CLT) have undertaken a review of the Corporate Risk Register (included at Appendix A) at 30 June 2025 to update risk scores, consider the adequacy of control measures and mitigating actions and identify new threats and opportunities to the delivery of the objectives and priorities of the Council Plan 2024-28.
4. In addition to this quarterly update, CLT and Cabinet continue to monitor risks throughout the year to ensure appropriate and proportionate controls are in place as part of the risk management framework and internal control framework.
5. The revised Corporate Risk Register approved by Cabinet in June 2025 included 8 corporate risks. At Quarter 1, an additional risk has been identified and added to the risk register. Corporate Risk ref. R9 recognises the risk of financial failure of a major supplier to the council, resulting in disruption to the delivery of statutory services or major projects.
6. There have been no changes to the risk scores for the remaining 8 corporate risks during Quarter 1. The scores of each of these risks have been reviewed by the relevant Risk Owner, supported by discussion and oversight by CLT.
7. In addition to the review of the Corporate Risk Register, CLT members are engaged in activity to refresh Directorate level risk registers and embed the revised Strategy across the council.
8. The council's 2025/26 Internal Audit Plan has been reviewed to ensure it is aligned to the refreshed Risk Strategy and risks identified in the Corporate Risk Register. The development of a comprehensive risk-based plan ensures that internal audit activities are focused on the highest-impact risks to the council's objectives. The revised Plan was approved by Audit & Governance Committee in September 2025.
9. Activity to embed and strengthen risk management arrangements completed to date in 2025/26 is outlined below:
  - i. A consistent Risk Register template to record and monitor individual Directorate, Service and Project risks has been developed with automated links and escalation flags; this template aligns risks to the council's approved Risk Strategy and Risk Appetite Statement.
  - ii. Testing of populated risks registers to confirm functionality and cohesion with the Strategy.
  - iii. A SharePoint site and Teams channel has been established to share guidance, training and enable interaction between risk owners.
  - iv. Delivery of risk management training to the council's Leadership Group in September 2025 with workshop activity to test the application of the Risk Management Strategy and Appetite Statement to decision-making in respect of major projects.
10. Further activity currently underway and planned to be completed in 2025/26 includes:
  - i. An audit of risks transferred from previously used registers to the new risk register templates will be undertaken to confirm the completeness of transfer.
  - ii. Moderation of risk scores across Service, Directorate and Project Risk Registers.
  - iii. Review and challenge of control measures and mitigating actions.
  - iv. Update of the council's Risk Management Intranet page.
  - v. Development of Risk Management dashboard reporting.

## Community impact

11. 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'.

## 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. Whilst this is a report for information 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

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. It is recognised that each identified individual corporate risk may have its own individual impacts on equalities or assessed as a risk due to its effect on equality. These are monitored as part of the ongoing individual service or project delivery. Effective risk management arrangements will ensure the council complies with its equality duties.

## Resource implications

16. There are no specific resource implications from the report itself.

## Legal implications

17. The Audit & Governance Committee is responsible for reviewing the adequacy of the council's governance arrangements, including the risk management framework and internal controls.
18. It is not a function of the Committee to examine specific risks however its functions include monitoring of the development and operation of risk management processes and receiving assurance from internal and external sources of the effectiveness of arrangements.

## Risk management

19. This is a report to review the Corporate Risk Register and risk management arrangements in 2025/26.

## Consultees

20. None.

## Appendices

Appendix A Corporate Risk Register Quarter 1 2025/26

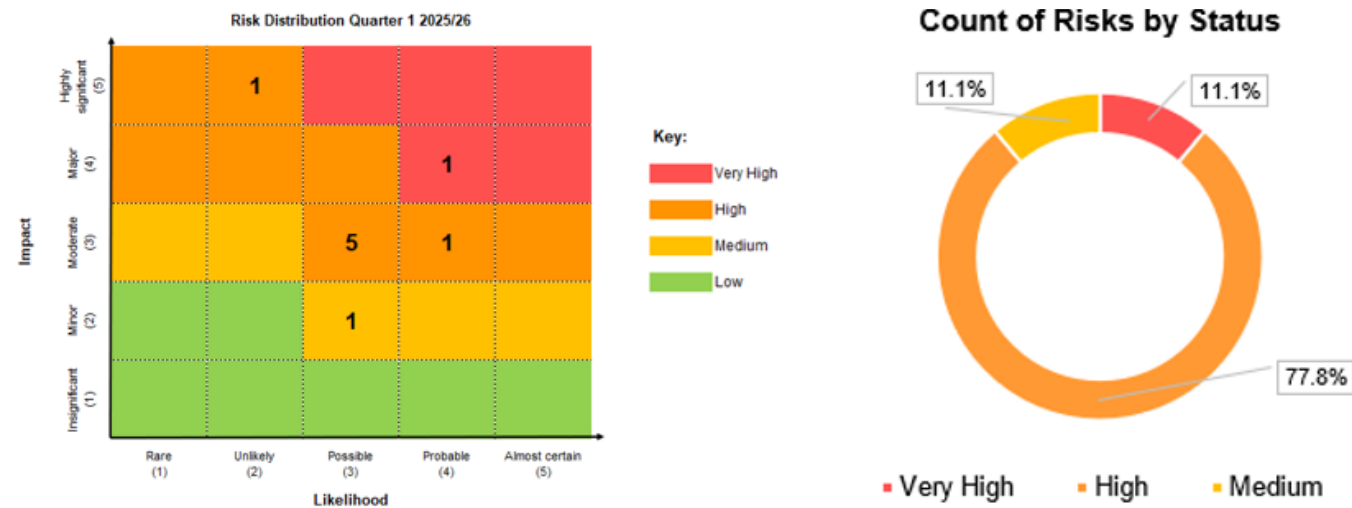
**Background papers**

None.

Appendix A: Corporate Risk Register Update at Quarter 1 2025/26

Ref	Corporate Risk	2025/26 Q1 Residual	2025/26 Q2 Residual	2025/26 Q3 Residual	2025/26 Q4 Residual	Current RAG
R1	Failure to discharge duty of care for a vulnerable child or vulnerable adult.	10				High
R2	Demand for client-based services continues to increase resulting in increased budget pressures and poor outcomes for those people in receipt of our services.	12				High
R3	Lack of local special educational needs and disabilities (SEND) placement provision to meet current and future levels of demand.	16				Very High
R4	Failure to deliver capital and major projects within identified resources and planned timeframes resulting in significant overspend and reduced project outcomes.	9				High
R5	Failure to deliver a sustainable financial strategy that supports delivery of the Council Plan priorities.	9				High
R6	Inability to attract and recruit candidates and retain staff leading to an inability to deliver services.	6				Medium
R7	Inability to respond adequately to a significant emergency affecting ability to provide priority services.	9				High
R8	Risks within the West Mercia community area.	9				High
R9_NEW	Risk of financial failure of major supplier.	9				High

Risk rating	Action
Very High	Immediate and significant management action and control required. Continued proactive monitoring of risk.
High	Seek cost effective management actions and controls. Continued proactive monitoring of risk.
Medium	Seek cost effective control improvements. Monitor and review risk regularly.
Low	Seek improvements to controls if cost effective to do so. Monitor and review risk regularly.



Ref	Corporate Risk	Risk Category	Risk Appetite	Control Measures/Mitigating Actions	Inherent Risk Score	Residual Risk Score
R1	<p>Failure to discharge duty of care for a vulnerable child or vulnerable adult.</p> <p><b>Risk Owner:</b> Corporate Directors: Community Wellbeing, Children &amp; Young People</p>	<p><b>Strategic Delivery - Council Plan Priority: PEOPLE</b></p> <p><b>(Exception 1: Safety and wellbeing of residents)</b></p>	<p><b>Exception 1: Averse</b> Limited appetite to risk. The council is responsible for providing services to those who need it most, including vulnerable adults and children and operates rigorous safeguarding measure to ensure the health and safety of residents. The council will continually seek to avoid activities that present a threat to the safety of the public and will do everything possible to prevent the loss of life.</p>	<p><b>Services for Adults</b> There are clear processes in place for same-day triage of safeguarding concerns raised and action is taken for those at greatest risk. Outcomes are monitored by frontline managers with senior management oversight. All staff access training aligned to their job roles and responsibilities. The Principal Social Worker (PSW) led practitioner forums provide further support and embed practice for staff working with vulnerable adults. Daily case discussions take place and established processes for escalation are in place across the service. The Deprivation of Liberty Safeguards (DoLS) Service follows the Association of Directors of Adult Social Services (ADASS) guidance for case prioritisation. Continuous professional development for staff and providers, additional legal support and constant review and prioritisation of cases waiting for assessment is undertaken. Safe and well checks are undertaken for those at high risk. There are duty arrangements in place to cover emergencies and any urgent work required. Oversight and assurance of multi-agency safeguarding practice is delivered by the Herefordshire Safeguarding Adults Board (HSAB). The Complex Adult Risk Management (CARM) process has been reviewed and strengthened. There is an established process of 'Team Around Me' and 'Breaking the Cycle' forums with partners to ensure a joined-up approach by agencies to support adults with multiple complex vulnerabilities.</p> <p><b>Children's Services</b> Children's Safeguarding procedures and Practice Standards in place to guide practice.</p>	<p><b>Likelihood:</b> 3 (Possible)</p> <p><b>Impact:</b> 5 (Highly significant)</p> <p><b>Inherent Risk Score = 15</b></p>	<p><b>Likelihood:</b> 2 (Unlikely)</p> <p><b>Impact:</b> 5 (Highly significant)</p> <p><b>Residual Risk Score = 10</b></p>

Ref	Corporate Risk	Risk Category	Risk Appetite	Control Measures/Mitigating Actions	Inherent Risk Score	Residual Risk Score
				<p>An audit programme is in place to review compliance with practice standards. There is regular (monthly) supervision of social workers – KPI and Adult review compliance</p> <p>The Better Outcomes Panel is responsible for reviewing children in care placements. The Service Director receives and is the decision maker on all children received into care.</p> <p>Cases with high risk are reviewed within Legal Gateway meeting chaired by Senior Manager and attended by Legal to ensure threshold for proceedings is considered.</p>		
R2	<p>Demand for client-based services continues to increase resulting in increased budget pressures and poor outcomes for those people in receipt of our services.</p> <p><b>Risk Owner:</b> Corporate Directors: Community Wellbeing, Children &amp; Young People</p>	<p><b>Strategic Delivery - Council Plan</b> <b>Priority: PEOPLE</b></p>	<p><b>Open</b></p> <p>The council is ambitious in its aim to support children and young people to thrive within highly effective schools and flourishing communities. It seeks out opportunities to collaborate with partners to support residents to live healthy lives within connected and safe communities and is prepared to accept a level of risk to deliver against this priority.</p>	<p>A Budget Resilience Reserve was established in 2024/25 to manage the impact of in-year cost pressures and volatility in demand across social care budgets in 2025/26 and 2026/27. A balance of £7.0m has been carried forward at 1 April 2025 to be allocated by the S151 Officer and Cabinet approval to ensure that appropriate measures have been taken within Directorates.</p> <p><b>Demand for Adult Services:</b> Demand pressures are managed through a robust 'front-door' prevention strategy including: Promotion of Technology Enabled Care (TEC), Community options via Talk Community model, Monthly review of operational performance data, Pathway Redesign and Structural Reform, Community Brokerage, Case Collaboration and Peer Challenge, Complex Care Pathway Development and a Prevention-focused Culture.</p> <p>Joint working arrangements are in place and the Integrated Care Board (ICB) for complex care pathway has been established for those with high level needs.</p>	<p><b>Likelihood:</b> 4 (Probable)</p> <p><b>Impact:</b> 4 (Major)</p> <p><b>Inherent Risk Score = 16</b></p>	<p><b>Likelihood:</b> 4 (Probable)</p> <p><b>Impact:</b> 3 (Moderate)</p> <p><b>Residual Risk Score = 12</b></p>

Ref	Corporate Risk	Risk Category	Risk Appetite	Control Measures/Mitigating Actions	Inherent Risk Score	Residual Risk Score
				<p>Monthly Budget Board meetings are in place to monitor spend and progress in the delivery of savings, and opportunities for income maximisation, is monitored via a dedicated Savings Programme group.</p> <p>Monthly Directorate Budget Reports track spend against budget, identify cost pressures and highlight financial risks.</p> <p>Managing the market work programme will include a redesign of block contract beds to increase capacity.</p> <p>A feasibility review of a council-controlled care capacity for complex/dementia care is underway.</p> <p><b>Demand for Children's Services:</b> Regular meetings between Service Directors and Finance to monitor budget throughout the year and identify cost pressures in timely manner.</p> <p>There is a strong cultural message from Directorate leadership to ensure Best Value in the delivery of services.</p> <p>The Better Outcome Panel, chaired by the Service Director, oversees placement costs.</p> <p>A Care Placement Sufficiency Strategy is expected to be completed June 2025. The Strategy will ensure value for money through sufficiency of safe and appropriate options for young people.</p>		
<b>R3</b>	Lack of local special educational needs and disabilities (SEND) placement provision to meet current and future levels of demand. Risk that the needs of children with SEND cannot be met in Herefordshire and/or Out of County placements will be required, leading to costs exceeding budget and poorer outcomes for children and young people.	<b>Strategic Delivery - Council Plan</b> <b>Priority: PEOPLE</b>	<b>Open</b> The council is ambitious in its aim to support children and young people to thrive within highly effective schools and flourishing communities. It seeks out opportunities to collaborate with partners to support residents to live healthy lives within connected and safe communities and is prepared to accept a level of risk to deliver against this priority.	<p>The Area SEND inspection was completed in December 2024 and an action plan has been developed to address the areas for improvement identified.</p> <p>A new SEND service manager was appointed in September 2024 to provide additional managerial oversight, scrutiny and direction to this part of the service.</p> <p>Business cases for increased Alternative Provision (AP) are in development to maximise inclusive education and reduce the use and cost of independent provision. The proposed additional provision will be</p>	<p><b>Likelihood:</b> 4 (Probable)</p> <p><b>Impact:</b> 4 (Major)</p> <p><b>Inherent Risk Score = 16</b></p>	<p><b>Likelihood:</b> 4 (Probable)</p> <p><b>Impact:</b> 4 (Major)</p> <p><b>Residual Risk Score = 16</b></p>

Ref	Corporate Risk	Risk Category	Risk Appetite	Control Measures/Mitigating Actions	Inherent Risk Score	Residual Risk Score
	<b>Risk Owner:</b> Corporate Director Children & Young People			delivered through the capital programme in 2025/26 and 2026/27. The Dedicated Schools Grant (DSG) Deficit Management Plan is monitored by the Director of Children's Services (DCS) and S151 Officer as part of monthly Budget Boards. The plan includes detailed financial modelling of the impact of current and planned increases in provision. The Department of Education (DfE) is providing funding for a new special school in Herefordshire, expected to open in 2026/27. This school will increase the number of in-county specialist education places.		
R4	<p>Failure to deliver capital and major projects within identified resources and planned timeframes resulting in significant overspend and reduced project outcomes.</p> <p><b>Risk Owner:</b> Corporate Director of Economy &amp; Environment</p>	<b>Strategic Delivery - Council Plan</b> <b>Priority: GROWTH PLACE</b>	<b>Open</b> The council is aspirational and seeks out opportunities to attract investment, drive business growth and development of talent across the county and is prepared to accept a level of risk to deliver against this priority. The council is innovative and pioneering in its commitment to managing the effects of climate change across the county. It has ambitious plans to deliver learning and culture projects and to expand infrastructure, to support economic growth and housing, and is prepared to accept a level of risk to deliver against this priority.	<p>Each major project has an assigned Senior Responsible Officer, a dedicated Project Management Officer Project Manager and a Project Board of relevant representatives from across the council (relevant service area, legal, finance, property services etc) to lead delivery.</p> <p>Additional controls are in place to monitor expenditure in respect of capital and major projects linked to cashflow requirements via monthly Directorate Budget Boards.</p> <p>An external review of capacity and capability of Directorate teams including the Project Management Office and enabling, corporate functions (finance, procurement, legal) has been commissioned to ensure appropriate skills and resources are in place to successfully deliver capital and major projects. Where gaps are identified, additional resources will be allocated.</p>	<p><b>Likelihood:</b> 4 (Probable)</p> <p><b>Impact:</b> 4 (Major)</p> <p><b>Inherent Risk Score = 16</b></p>	<p><b>Likelihood:</b> 3 (Possible)</p> <p><b>Impact:</b> 3 (Moderate)</p> <p><b>Residual Risk Score = 9</b></p>
R5	<p>Failure to deliver a sustainable financial strategy that supports delivery of the Council Plan priorities. (Including delivery of savings, commercial income, capital</p>	<b>Financial</b>	<b>Cautious</b> The council has a cautious appetite level towards legal and compliance risks with robust processes in place to ensure the risk of legal challenge is minimised.	<p>Council set a balanced budget for 2025/26 at its meeting in February 2025.</p> <p>An MTFS gap of £4.2m is projected for the period to 2028/29 and this is expected to be managed via transformation of service delivery, increasing opportunities to recover costs of service delivery, expenditure reviews</p>	<p><b>Likelihood:</b> 4 (Probable)</p> <p><b>Impact:</b> 4 (Major)</p>	<p><b>Likelihood:</b> 3 (Possible)</p> <p><b>Impact:</b> 3 (Moderate)</p>

Ref	Corporate Risk	Risk Category	Risk Appetite	Control Measures/Mitigating Actions	Inherent Risk Score	Residual Risk Score
	<p>receipts and ensuring resources are available to deliver statutory obligations and fund organisational development and transformation.)</p> <p><b>Risk Owner:</b> Director of Finance (S151 Officer)</p>			<p>and reviewing the size and shape of the workforce.</p> <p>The forecast outturn position against budget is reported on a monthly basis to Directorates and CLT.</p> <p>Effective budget monitoring arrangements are in place via Directorate Budget Boards to monitor delivery of services against agreed budget, achievement of savings and delivery of capital and major projects.</p> <p>Expenditure controls will continue in 25/26 via Directorate Control Panels to challenge and reduce, defer or stop spend above £500. High quality financial reporting is achieved through additional controls to ensure forecasting informed by reliable, timely activity data.</p> <p>The Finance Team adhere to statutory deadlines; an unqualified audit opinion was achieved in 2023/24 and the 2024/25 are in progress to be published by 31 May 2025 with audit testing expected to take place during Quarter 2.</p> <p>Additional controls are in place to monitor expenditure in respect of capital and major projects linked to cashflow requirements via monthly Directorate Budget Boards.</p> <p>A review of earmarked reserves undertaken in December 2024 and the Budget Resilience Reserve was established to manage demand pressures in 2025/26 and 2026/27.</p> <p>A review of third party spend is underway as part of the Transformation Strategy.</p>	<b>Inherent Risk Score = 16</b>	<b>Residual Risk Score = 9</b>
<b>R6</b>	<p>Inability to attract and recruit candidates and retain staff leading to an inability to deliver services. Loss of skills knowledge and experience (retention &amp; recruitment) in relation to staffing.</p> <p><b>Risk Owner:</b></p>	<p><b>Strategic Delivery - Council Plan</b></p> <p><b>Priority: TRANSFORMATION</b></p>	<p><b>Open</b></p> <p>The council is committed to improving the use of technology across its services and will embrace new technologies, test ideas and develop a culture of innovation to improve services and deliver value for money. Transformation and</p>	<p>The council's Workforce Strategy 2024-2028 was approved for implementation in April 2024. The Strategy has been developed to recruit, retain and invest in a skilled and well-trained workforce.</p> <p>A Children &amp; Young People Workforce Strategy, aligned to the Corporate Workforce Strategy with a specific focus on ambitions for staff in the C&amp;YP Directorate, is in place</p>	<p><b>Likelihood:</b> 3 (Possible)</p> <p><b>Impact:</b> 3 (Moderate)</p> <p><b>Inherent Risk Score = 9</b></p>	<p><b>Likelihood:</b> 3 (Possible)</p> <p><b>Impact:</b> 2 (Minor)</p> <p><b>Residual Risk Score = 6</b></p>

Ref	Corporate Risk	Risk Category	Risk Appetite	Control Measures/Mitigating Actions	Inherent Risk Score	Residual Risk Score
	Director of HR and OD		Digital Strategies in place to support deliver of aims.	to support permanent recruitment and development of staff internally. The Spirit of Herefordshire recruitment brand has been developed to increase awareness of job opportunities within the council and county and provide relevant information to ensure a positive candidate experience and support strong applications. The council offers welcome and retention scheme payments to respond to challenges in the recruitment and retention of qualified and experienced social workers. Through the council's Learning & Organisation (L&OD) team, activity to identify and recruit to new apprenticeship programmes is underway. A leadership development programme (@LeadHC) has been developed and 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.		
R7	<p>Inability to respond adequately to a significant emergency affecting ability to provide priority services.</p> <p>Including severe weather, critical damage to council buildings, loss of power or infrastructure, cyber security.</p> <p><b>Risk Owner:</b> Corporate Leadership Team/Cabinet Members</p>	<p><b>Legal &amp; Compliance</b> <b>Governance</b> <b>Data &amp; Technology</b> <b>Security</b> <b>Reputational</b></p>	<p><b>Cautious</b></p> <p>The council has a cautious appetite level towards these risk categories with robust processes in place to ensure the impact on service delivery is minimised.</p>	<p>Gold/Silver emergency planning arrangements are in place across the council. Training has been delivered to Gold/Silver level officers in 2025.</p> <p>An Information Directory has been set up to ensure responsible individuals can provide an effective/timely response.</p> <p>Training exercises are planned in 2025/26 with partner agencies to test and review the adequacy of arrangements.</p>	<p><b>Likelihood:</b> 3 (Possible)</p> <p><b>Impact:</b> 4 (Major)</p> <p><b>Inherent Risk Score = 12</b></p>	<p><b>Likelihood:</b> 3 (Possible)</p> <p><b>Impact:</b> 3 (Moderate)</p> <p><b>Residual Risk Score = 9</b></p>

Ref	Corporate Risk	Risk Category	Risk Appetite	Control Measures/Mitigating Actions	Inherent Risk Score	Residual Risk Score
R8	<p>Risks within the West Mercia community area including:</p> <ul style="list-style-type: none"> <li>• Terrorism</li> <li>• Cyber and fraud</li> <li>• Serious and organised crime (such as people trafficking)</li> <li>• Accidents and system failures (such as power failure or an interruption to water supplies)</li> <li>• Natural and environmental hazards (such as flooding or heatwaves)</li> <li>• Human and animal disease (such as flu pandemics or foot &amp; mouth)</li> <li>• Societal risks (such as riots)</li> </ul> <p><b>Risk Owner:</b> Corporate Leadership Team/Cabinet Members</p>	<p><b>Legal &amp; Compliance Governance Data &amp; Technology Security Reputational</b></p>	<p><b>Cautious</b></p> <p>The council has a cautious appetite level towards these risk categories with robust processes in place to ensure the impact on service delivery is minimised.</p>	<p>The council is a member of West Mercia Local Resilience Forum (LRF). The member organisations meet regularly to assess the risks of accidents and emergencies and put in place plans to prevent or reduce risks. The LRF has close link to government departments to share information on local risks. Members undertake training and exercises together to prepare for emergencies.</p> <p>The aim of the West Mercia LRF is to ensure there is an appropriate level of preparedness to enable an effective multi-agency response to emergency incidents in the West Mercia area and to get partners working together to ensure that preparations and plans are in place for emergencies.</p> <p>The LRF <a href="#">Community Risk Register</a> is maintained and published by West Mercia LRF. This register aims to localise some of the items included in the <a href="#">National Risk Register</a>.</p>	<p><b>Likelihood:</b> 3 (Possible)</p> <p><b>Impact:</b> 4 (Major)</p> <p><b>Inherent Risk Score = 12</b></p>	<p><b>Likelihood:</b> 3 (Possible)</p> <p><b>Impact:</b> 3 (Moderate)</p> <p><b>Residual Risk Score = 9</b></p>
R9	<p>Risk of financial failure of major supplier resulting in disruption to the delivery of statutory services or major projects.</p> <p><b>Risk Owner:</b> Corporate Leadership Team/Cabinet Members</p>	<p><b>Strategic Delivery - Council Plan Priority: PEOPLE, PLACE, GROWTH</b></p> <p><b>(Exception 1: Safety and wellbeing of residents)</b></p>	<p><b>Exception 1: Averse</b></p> <p>Limited appetite to risk. The council is responsible for providing services to those who need it most, including vulnerable adults and children and operates rigorous safeguarding measure to ensure the health and safety of residents. The council will continually seek to avoid activities that present a threat to the safety of the public and will do everything possible to prevent the loss of life.</p>	<p>Procurement activity across the council includes financial assessments, credit checks and related due diligence to monitor supplier financial health and quality of service provision. These arrangements are currently under review and will be strengthened to include wider market intelligence to mitigate the risk of potential business failure by a company bidding to contract with the council for goods/services.</p> <p>Proactive relationships and effective collaboration with key suppliers encourage information sharing and joint risk planning to identify potential risks in a timely manner to enable prompt recovery action.</p>	<p><b>Likelihood:</b> 3 (Possible)</p> <p><b>Impact:</b> 4 (Major)</p> <p><b>Inherent Risk Score = 12</b></p>	<p><b>Likelihood:</b> 3 (Possible)</p> <p><b>Impact:</b> 3 (Moderate)</p> <p><b>Residual Risk Score = 9</b></p>

Ref	Corporate Risk	Risk Category	Risk Appetite	Control Measures/Mitigating Actions	Inherent Risk Score	Residual Risk Score
				Contractual safeguards for major contracts and suppliers including performance metrics, delivery timelines, penalties for delays and terminations arrangements are in place to protect the council's financial and legal interests in the event of business failure.		





# Title of report: Energy from waste loan update

**Meeting: Audit and Governance Committee**

**Meeting date: Tuesday 28 October 2025**

**Report by: Director of Finance, Chief Accountant**

## **Classification**

Open

## **Decision type**

This is not an executive decision

## **Wards affected**

(All Wards);

## **Purpose**

To update the committee on the current status of the energy from waste loan arrangements to enable the committee to fulfil its delegated functions.

## **Recommendation(s)**

**That:**

- a) The risks to the council, as joint lender, are confirmed as being 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; and**
- b) Arrangements for the administration of the loan are reviewed and confirmed as satisfactory.**

## **Alternative options**

1. None; the loan arrangement was contractually agreed in May 2014, no breaches or areas of concern have taken place during the reporting period. This report provides an update on the arrangement to the Audit and Governance Committee in its role as the waste loan governance committee which entails reviewing risks to the lender and monitoring administration of the loan.

## Key considerations

2. In 1998, the council, in partnership with Worcestershire County Council, entered into a 25 year contract with Mercia Waste Management Limited (Mercia) for the provision of an integrated waste management system using the Private Finance Initiative. In 2014, a variation to the contract was signed, to build, finance and operate an energy from waste plant in Hartlebury.
3. The councils (the Lenders) provided a total of £163.5 million to Mercia (the Borrower) as a long term loan split across two facilities (Facility A £35.45 million and Facility B £128.05 million). Herefordshire Council provided 24.2% of the loan (value £39.57 million).
4. Facility A was fully repaid in December 2022. The repayments for Facility B have been extended for 5 years until January 2029 in line with the extension to the Waste Management Services contract.
5. This report enables the committee to fulfil the functions delegated to it in relation to the governance of the waste loan arrangement; specifically to review the risks to the council as lender and to monitor administration of the loan.
6. Since the last report to the committee in October 2024, the loan arrangement has continued to be repaid in line with expectations, and risks to the council are considered to be reasonable and appropriate.
7. The ownership of Mercia Waste Management has changed. In June 2024, FCC Servicios Medio Ambiente completed the purchase of Urbaser UK (one of the two main owners of Mercia Waste Management). The impact of this on the parent company guarantee and the loan facility is considered in Appendix 3, the joint risk register.

## Update to loan balance

8. During the last year, since the previous report to the committee, the following loan repayments have been made:

Loan balance	Interest £m	Principal £m	Total £m
<b>Loan balance at October 2024</b>		<b>28.1</b>	
December 2024 repayment	0.9	0.5	1.4
June 2025 repayment	0.9	0.6	1.5
<b>Loan balance at October 2025</b>		<b>27.0</b>	

## Loan agreement ratios

9. The ratios are a financial covenant imposed by Lenders (in this case the council and Worcestershire County Council together as Lenders) as a monitoring mechanism to provide early warning of project distress and potential Borrower (in this case Mercia) default on their repayment obligations. The ratios provide a measure of the project's historic and future performance in relation to its ability to service current and upcoming debt liabilities. The ratios are reported every 6 months in June and December.
10. The ratios reported at June 2025 were as follows:

Ratio	Calculation	Reason	Compliance value	Actual value at June 2025	Actual value at June 2024
The Historic Annual Debt Service Cover Ratio	Preceding 12 months actual cash flows  Divided by  Loan principal and interest repayments over the preceding 12 months	To assess the ability to service current debt obligation over the preceding 12 month period	1.35	3.13	2.22
The projected Annual Debt Service Cover Ratio	Following 12 months actual cash flows  Divided by  Loan principal and interest repayments over the next 12 months	To assess the ability to service future debt obligations over the following 12 month period	1.35	2.78	1.98
The Loan Life Cover Ratio before distributions	NPV all future cash flows plus available reserve balances  Divided by  Loan principal outstanding	To assess the ability to repay the outstanding loan balance from future cash flows over the remaining life of the loan	1.40	14.07	9.05

11. The ratio calculations have been supplied by Mercia along with forecasts of future ratio value up until the end of the loan agreement. There are no ratios that are forecast to be below the agreed compliance values.
12. Mercia have supplied a Ratio Compliance Certificate confirming that, as at June 2025, all ratios are within the levels outlines in the Senior Term Loan Facilities Agreement. There are no areas of concern to highlight to the committee. This Certificate is included in Appendix 1.
13. Mercia have supplied a Senior Term Loan Facility Agreement Assurance Statement for Lenders to provide some assurance to the council that loan covenants have been met, and there are no significant issues or risks to future loan repayments. This Statement is included in Appendix 2.

### Community impact

14. 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. The committee's assurance that any risks associated with the loan arrangement have sufficient mitigation actions applied supports adherence to the code.
15. The loan arrangement supports the continued viability and affordability of the contracted waste disposal arrangement.

## Environmental impact

16. 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.
17. This is an update on an existing loan arrangement and will have minimal environmental impacts. However, consideration has been made to minimise waste and resource use in line with the Council's Environmental Policy, which is managed as part of the overall waste collection and disposal service provision.

## Equality duty

18. 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.
19. 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

20. There are no financial implications arising from the recommendations in this report. The loan arrangement is being repaid as expected, the implications of the agreed loan arrangements are reflected in the council's medium term financial strategy and treasury management strategy as agreed by Council in February 2025.

## Legal implications

21. The terms and arrangements for this loan agreement are set out in the senior term loan facilities agreement. There are no specific legal implications arising from this report. The function of the committee is set out in the constitution under 3.5.13. This report relates to functions (a) to review risks as lender and (b) to monitor the administration of the loan.

## Risk management

22. Attached at Appendix 3 is the joint risk register with Worcestershire County Council.

## Consultees

23. None

## Appendices

Appendix 1 – Ratio Compliance Certificate

Appendix 2 – Senior Term Loan Facility Agreement Assurance Statement for Lenders

Appendix 3 – Joint Risk Register

**Background papers**

None identified.



## Ratio Compliance Certificate

To: Worcestershire County Council and The County of Herefordshire District Council ("The Lenders").

Attention: Sherief Loutfy and Judith Tranmer

From: Mercia Waste Management Limited

**The senior term loan facilities agreement dated 30<sup>th</sup> December 2022 between, among others, Mercia Waste Management and the Lenders (the "Senior Term Loan Facilities Agreement")**

We refer to the Senior Term Loan Facilities Agreement. Terms defined in the Senior Term Loan Facilities Agreement have the same meaning in this notice.

Pursuant to clause 15.8 (Ratio Compliance Certificate) of the Senior Term Loan Facilities Agreement we confirm that:

(a)

- (i) the Historic Annual Debt Service Cover Ratio on 30 June 2025 was 3.13;
- (ii) the Projected Annual Debt Service Cover Ratio on 30 June 2025 was 2.78; and
- (iii) the Loan Life Cover Ratio on 30 June 2025 as 14.07 : 1; and

(b) so far as the Borrower is aware:

- (i) no Default has occurred other than any previously notified to the Lenders or waived in accordance with clause 21.3 (Remedies, Waivers, Amendments and Consents) of the Senior Term Loan Facilities Agreement

Date:.....

By:.....

Director



# Senior Term Loan Facility Agreement

## Assurance Statement for Lenders

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Statement from Mercia Waste Management

### 1. Financial Performance

The Company continued to produce a satisfactory performance both in terms of profitability and cash generation throughout the last 12 months. Tonnages received under the Contract whilst slightly lower than modelled were within c1% of the level predicted. Income from recycling is ahead of the prior year whilst electricity prices have remained fairly stable.

The Company's capacity to make repayments of the loan and associated interest in full and on time remains firmly in place.

### 2. Loan Repayment

Repayments of Capital and Interest for the period ending 30<sup>th</sup> June 2025 were made on time in accordance with the Loan Agreement as have such all previous payments. The Company has every confidence that it will be able to deal with the payments due at the end of December 2025 in the same way.

### 3. Buildings, Plant and other Infrastructure

No problems exist which would require the Lenders attention at any of the Company's Facilities.

### 4. Compliance with Environmental Conditions and Permits

There are no material issues at any sites.

### 5. Insurance

The company completed the renewal process for the Energy from Waste Plant during February. We continue to benefit from our best-in-class rating flowing from the Plant design and our collaborative approach to risk management with the Insurer.

There are no significant issues to report in respect of claims or other matters.

### 6. Key Staff

Jim Haywood retired in April and Lyn Gennoe (Financial Controller) is the main finance contact in Mercia Waste Management Ltd. There have been some changes to junior finance roles as a consequence of streamlining finance systems throughout the business. There have been no changes to operational personnel.

L Gennoe - Mercia Waste Management. 22.09.2025



Risk Ref	Description of risk	Gross Impact	Gross Likelihood	Gross Risk Score	Risk control approach	Mitigating Actions	Residual Impact	Residual Likelihood	Residual Risk Score	Risk Ref
a	Weakening of Mercia Waste Management parent company guarantee due to the acquisition of Urbaser's UK business to FCC Servicios Medio Ambiente	Substantial	Medium	11 (A)	Risk treated	<p>WCC have procured legal advice from Eversheds Sutherland and Ashurst LLP regarding the continuing guarantee from FCC to ensure that existing protections are not inferior to that previously enjoyed. HCC have also been involved in the process. In addition, WCC engaged KPMG to perform an independent review which confirmed that FCC Servicios is of adequate financial standing and capacity to act as Guarantor for the Waste Management Service Contract.</p> <p>The proposed change represents a reasonable and appropriate arrangement in light of current industry practice and market conditions. This work was done in partnership with Herefordshire and Racheal their Interim S151 has been fully involved and concurs with this assessment</p>	Negligible	Low	3 (G)	
b	Default of loan repayments by borrower to lenders due to SPV (Mercia) or HZI falling into administration.	Critical	Medium	15 (A)	Risk transferred	<p>The maximum exposure to the Councils has been calculated and included within the sufficiency assessment of the Council's reserves. All press articles are scanned regularly for indications of financial strength issues and followed up to ensure counterparty risk is not increased. In December 2023 the Council was informed that an announcement had been made on the Spanish Stock Exchange stating that Urbaser Limited would be purchased by FCC the deal which would leave Mercia with one owner rather than two is subject to the approval of The Competitions and Markets Authority and all legal matters relating to the Waste Mngement Contract and Loan will be considered at the appropriate time.</p>	Substantial	Very Low	6 (G)	a
c	Impact of extension of contract with Mercia Waste Management by the County on the ability of company to repay the loan	Substantial	Low	6 (G)	Risk treated	<p>KPMG have conducted an analysis of the ratio's used for the ability of Mercia Waste Management to repay the loan on the basis of the extension and reduction in payments. KPMG have provided assurance that the revised ratios should not impact on the company's ability to repay the extended 5 year loan.</p>	Substantial	Very Low	6 (G)	
d	Mercia loan principal and / or interest repayments are below the required values as per the rates agreed in the STFLA .	Substantial	Very Low	6 (G)	Risk treated	<p>The Council's treasury team maintain a spreadsheet detailing drawdowns to date and expected future principal and interest payments. This is reconciled to Mercia's repayment spreadsheet and will be matched to principal and interest repayments received from Mercia during the post construction period. The County receive an assurance statement within the Committee Report and the latest being on the 15th February 2024 provided by MWM..</p>	Substantial	Almost Impossible	5 (G)	f

Key	
High 19 – 24	Unacceptable Risk: Immediate control/improvement required
Medium 8 – 18	Acceptable Risk: Close monitoring and cost effective control improvements sought.
Low 1 – 7	Acceptable Risk: Need periodic review, low cost control improvements sought if possible.

Scoring Matrix				
Likelihood				
Very High	9	19	21	24
High	8	12	20	23
Medium	4	11	15	22
Low	3	10	14	18
Very Low	2	6	13	17
Almost Impossible	1	5	7	16
	Negligible	Substantial	Critical	Extreme
	Impact			





# Title of report: Work programme

**Meeting: Audit and Governance Committee**

**Meeting date: 28 October 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

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Further information on the subject of this report is available from  
Jen Preece, email: [jennypreece@herefordshire.gov.uk](mailto: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)		Internal Audit Plan 25/26			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 Progress Report		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				1) Contract and Financial Procedure Rules Update 2) Constitution updates	Accounting Policy Update (if required)	Annual review of exemptions to contract procedure rules
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	Work Programme 1) Annual review of the Council’s use of the Regulation of. Investigatory Powers Act 2000 (RIPA). 2) Review of Risk Management arrangements	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				