

# Agenda

## Audit and Governance Committee

Date: **Tuesday 9 June 2026**

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Time: **2.00 pm**

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Place: **Conference Room 2, 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:

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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**

## Agenda

		Pages
1.	<p><b>APOLOGIES FOR ABSENCE</b></p> <p>To receive apologies for absence.</p>	
2.	<p><b>NAMED SUBSTITUTES (IF ANY)</b></p> <p>To receive details of any councillor nominated to attend the meeting in place of a member of the committee.</p>	
3.	<p><b>DECLARATIONS OF INTEREST</b></p> <p>To receive declarations of interest in respect of items on the agenda.</p>	
4.	<p><b>MINUTES</b></p> <p>To approve and sign the minutes of the meeting held on 24 March 2026.</p>	11 - 16
<p><b>HOW TO SUBMIT QUESTIONS</b></p> <p>Deadline for receipt of questions is 5pm on Wednesday 3 June 2026.</p> <p>Questions must be submitted to <a href="mailto:councillorservices@herefordshire.gov.uk">councillorservices@herefordshire.gov.uk</a>.</p> <p>Questions sent to any other address may not be accepted.</p> <p>Accepted questions and the response to them will be published as a supplement to the agenda papers prior to the meeting. Further information and guidance is available at <a href="http://www.herefordshire.gov.uk/getinvolved">www.herefordshire.gov.uk/getinvolved</a></p>		
5.	<p><b>QUESTIONS FROM MEMBERS OF THE PUBLIC</b></p> <p>To receive any questions from members of the public.</p>	
6.	<p><b>QUESTIONS FROM COUNCILLORS</b></p> <p>To receive any questions from councillors.</p>	
7.	<p><b>DRAFT ANNUAL REPORT OF THE AUDIT AND GOVERNANCE COMMITTEE</b></p> <p>To provide the committee with the draft annual report covering the work undertaken by the Committee, during the 2025/26 municipal year.</p>	17 - 24
8.	<p><b>APPOINTMENT TO STANDARDS PANEL</b></p> <p>To appoint to the membership of the Standards Panel.</p>	25 - 28
9.	<p><b>UPDATE ON RISK MANAGEMENT ACTIVITY</b></p> <p>To provide assurance of the adequacy of the council's risk management framework and internal controls in 2025/26.</p>	29 - 42
10.	<p><b>DRAFT ANNUAL GOVERNANCE STATEMENT 2025/26</b></p> <p>To seek the view of the committee as to whether the draft Annual Governance Statement (AGS) for 2025/26 properly reflects the internal control environment the council is operating in and the appropriateness of actions identified to improve governance arrangements.</p>	43 - 64

<b>11. 2025/26 DRAFT STATEMENT OF ACCOUNTS</b>	65 - 200
To note the draft, unaudited Statement of Accounts for 2025/26.	
<b>12. INTERNAL AUDIT OPINION 2025/26</b>	201 - 230
To present a summary of the work undertaken by Internal Audit during 2025/26 and to give an overall opinion on levels of assurance resulting from this work.	
Due to the information contained in The Internal Audit Annual Opinion (Appendix A), it is deemed unnecessary to submit a separate quarterly monitoring report. Instead, we have produced a condensed version of the usual report which contains a summary of the work concluded since the last meeting of this Committee.	
<b>13. INTERNAL AUDIT CHARTER AND MANDATE 2026/27</b>	231 - 242
To present to the Audit and Governance Committee the Internal Audit Charter and Mandate 2026/27 for consideration and approval.	
<b>14. WORK PROGRAMME</b>	243 - 246
To consider the committee's work programme (Appendix A).	
<b>15. DATES OF FUTURE MEETINGS</b>	
To agree the dates of future meetings. The following dates are suggested:	
Tuesday 21 July 2026 2pm	
Tuesday 29 September 2026 2pm	
Tuesday 3 November 2026 2pm	
Tuesday 26 January 2027 2pm	
Tuesday 23 March 2027 2pm	
Tuesday 8 June 2027 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.

## **Recording of meetings**

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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 Tuesday 24 March 2026 at 2.00 pm**

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

**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:

S Carter	Head of Strategic Finance (Deputy S151)
L Cater	Head of Internal Audit, South West Audit Partnership
S O'Connor	Head of Legal Services and Deputy Monitoring Officer
O Edwards	Manager, Grant Thornton
G Hawkins	Public Sector Audit Director Grant Thornton
N Mason	Councillor
J Preece	Democratic Services Officer
R Sanders	Director of Finance

**124. APOLOGIES FOR ABSENCE**

Apologies were received from councillor Peter Hamblin.

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

Councillor Dave Davies attended the meeting as a substitute member for councillor Peter Hamblin.

**126. DECLARATIONS OF INTEREST**

There were no declarations of interest.

**127. MINUTES**

**RESOLVED:**

**That the minutes of the meeting held on 27 January 2026 be confirmed as a correct record and signed by the chairman.**

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

There were no questions received from members of the public.

## 129. QUESTIONS FROM COUNCILLORS

There were no questions received from councillors.

## 130. CONSTITUTION UPDATES

The Head of Legal Services introduced the report the purpose of which was to recommend changes to the constitution to Full Council.

- 10 recommendations had been prepared and were included in the appendices.
- Changes had arisen organically, largely from officers raising issues with parts of the constitution that “don’t make sense” and not from any individual member group.
- The aim was to identify and resolve issues early, avoiding problems at Full Council.
- Extensive consultation had taken place with officers, group leaders (twice) and political groups and external organisations including a prior meeting of the Audit and Governance committee.
- The committee were asked to approve the report going to Full Council.
- An additional recommendation to make minor changes in consultation with the Chairperson, due to a late group response that had not yet been reviewed was sought.

In response to committee questions, it was noted that;

1. The Monitoring Officer (MO) would exercise discretion on whether a repeat question was materially the same, whether circumstances had changed, or whether an original question was adequately answered.
2. Clearer guidance on questions was not included in the constitution but would be placed on line explaining the purpose of the changes and the reasoning behind restrictions, to avoid appearing to limit public participation. Reference of this would be added into the council final report. **(action 2025/26-12)**
3. The public questions register which recorded all past questions to support consistency and enforcement would be reintroduced with the possibility of publishing online to be explored. **(action 2025/26-13)**
4. It was clarified that the rule about “ongoing, repeat or business usual” capital schemes only applied to routine, recurring programmes such as school property maintenance, IT refresh cycles, or standard highway upgrades. Schemes where the same type of work is repeated each year, did not require a new full business case each time. However, this did not apply to multiphase projects. If phase one of a major project had a full business case approved, this did not remove the need for a new full business case for phase two. Each phase still required its own proper assessment unless it fell into the routine “repeat” category.
5. The aim of the LRP was to improve outcomes for everyone involved in parish and town council Code-of-Conduct issues. Personally the HLS agreed with the idea that if a parish or town council choose not to handle its own internal conduct matters and instead, asked the county council and Monitoring Officer to carry out a full investigation, then it would be reasonable for that council to pay the associated costs, noting that such investigations can be time consuming and resource intensive, and the principle is that councils should take responsibility for the problems they generated.

**Resolved that the committee approves the recommendations in the report to be submitted to the next available full Council meeting, and delegates any further changes to the Monitoring Officer/ Deputy MO in consultation with the chair of the committee.**

### 131. STATUTORY ACCOUNTS 2025/26 PROGRESS, ACCOUNTING POLICIES AND ESTIMATES

The Head of Strategic Finance (HSF) introduced the report the purpose of which was to provide an update on progress made against the 2025/26 statutory accounts workplan and present the accounting policies and estimates which informed the financial statements. The following principal points were noted.

- The council is on target to produce the draft statement of accounts by the 31 May 2026 and to be brought before the committee on 9 June 2026 for approval.
- Attention was drawn to [appendix 1](#), which set out the accounting policies used in the Statement of Accounts. One key policy had changed in relation to the revaluation of property, plant & equipment (PPE) which would now take place once every five years on a rolling basis with indexation being used in the intervening years.
- [Appendix 2](#) outlined the estimates and professional judgements applied in preparing the accounts, including those related to the PPE valuation changes. All estimates and judgements are subject to review by the council's external auditors, Grant Thornton.
- The statutory deadline to publish the unaudited accounts is 30 June 2026 and the deadline to publish the audited accounts is 31 January 2027. The team were on track, meeting all internal timelines and preparing well for audit.
- The final audited accounts and the audit opinion are planned for the 29 September 2026 committee.

#### Resolved

**That the committee deems the arrangements for the preparation of the 2025/26 statutory accounts as satisfactory; and approved the accounting policies.**

### 132. EXTERNAL AUDITOR'S DRAFT ANNUAL PLAN 2025/26

The draft External Audit Plan for 2025/26 sets out how the financial statements for the year ending 31 March 2026 would be audited. It was noted that;

- Materiality thresholds have increased due to the Major Local Audit threshold increasing from £500m to £875m gross expenditure, meaning the council was no longer classified as a major audit.
- Audit fieldwork was due to begin in June 2026 with a completion targeted before the 29 September 2026 Audit & Governance Committee. Early testing was already underway to ease the year end workload.
- Four significant risks, consistent with previous years were identified in Management Override of Controls, Valuation of Land & Buildings, Investment Property Valuations and Pension Assets & Liabilities.
- Two significant weakness in Value for Money (VFM) arrangements remained from the previous year with regards to the Dedicated Schools Grant (DSG) Deficit and Medium-Term Financial Plan (MTFP).
- No VfM risks were identified in governance or economy, efficiency, effectiveness.

In response to committee questions, it was noted;

1. There was no change to the current audit approach for pensions, with reliance on pension fund actuary and auditors remaining standard practice.
2. Materiality was explained as the financial threshold below which errors are not considered significant to the reader of the accounts.
3. The council holds majority stakes in two companies, 80% in Hoople and 100% in Cyber Quarter both of which are recorded in the councils group

accounts. In contrast, Maylord Orchards is treated as a council owned asset, with its income and expenditure reported directly through the council's normal budget processes and routine financial monitoring.

**Resolved that the committee approves the proposed external audit annual plan for 2025/26.**

**133. INTERNAL AUDIT UPDATE REPORT Q4 2025/26**

The Head of Internal Audit introduced the report confirming that six final reports had been completed since the committee's previous meeting, with three receiving high or substantial assurance. The audit team continued to track all agreed actions, noting that 19 actions were more than 90 days overdue. These outstanding items related to two historic audits, which were planned to be incorporated into the 2026/27 audit programme.

In response to committee questions, it was noted;

1. The Director of Finance (DOF) in relation to concerns raised regarding the Transport Hub report explained that discussions had taken place with SWAP about the audit findings. An independent industry expert had reviewed the project, and their conclusions differed from SWAP's report. Further joint work would be conducted to understand the inconsistencies. Internally, the transport hub project was rated green in the Q3 performance report and was progressing on schedule, with a commitment to provide the committee with a fuller briefing once the additional review was completed. **(action 2025/26-14)** It was acknowledged that lessons had been learned and reports would go through proper internal quality assurance and corporate leadership oversight before being brought to the committee in future.
2. It was explained that the council often brought in external experts for major projects, but the issue in this case was that the experts' findings were not shared with internal audit while both reviews were happening. The lack of coordination led to differing assurance opinions. A key lesson was to improve timely information sharing with internal auditors whenever expert reviews were underway.
3. The DOF explained that despite the limited assurance rating with regards to council tax report, she did not believe there were significant risks within council tax processes. A 98% collection rate, one of the highest nationally was highlighted and consistent surpluses reported in the collection fund. Whilst some improvements were planned, including reviewing single person discounts and strengthening bank reconciliations, these formed part of the normal cyclical work rather than indicators of significant issues. With the existing performance and controls in place she was not sure the limited assurance rating was warranted.
4. The DOF confirmed that the council actively worked to return historic council tax credits to residents but often struggled to trace people who had moved or changed bank accounts. These credits were kept safely on the accounts until confirmed. Although the total amount spanned decades, it represented only a tiny fraction of the amount collected annually.

**134. WORK PROGRAMME**

The committee noted the work programme.

**135. DATE OF NEXT MEETING**

Tuesday 9 June 2026.

The meeting ended at 3.16 pm

**Chairperson**





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

**Meeting: Audit and Governance Committee**

**Meeting date: Tuesday 9 June 2026**

**Report by: Democratic Services Officer**

### **Classification**

Open

### **Decision type**

This is not an executive decision.

### **Wards affected**

(All Wards)

### **Purpose**

To provide the committee with the draft annual report covering the work undertaken by the Committee, during the 2025/26 municipal year.

### **Recommendation(s)**

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

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

### **Alternative options**

1. The Committee could decide to omit some items or include others in the report. This is not recommended because it demonstrates the work of the committee during the 2025/26 municipal year.
2. The committee could choose not to produce an annual report. This is not recommended because it provides a visible demonstration of how the committee is fulfilling its role and compliments the council's objectives of being open and transparent.

### **Key considerations**

3. The draft annual report located at Appendix A of this report is from the Audit and Governance Committee and provides an update on the work undertaken by the Committee, during 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)

municipal year.

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

### **Community impact**

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

### **Environmental impact**

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

### **Equality duty**

8. 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.
9. The mandatory equality impact screening checklist has been completed for this decision, and it has been found to have no impact for equality

### **Resource implications**

10. There are no financial implications.

### **Legal implications**

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

### **Risk management**

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

### **Consultees**

13. None

### **Appendices**

Appendix A Draft Annual Report of the Audit and Governance Committee

### **Background papers**

None identified.

# Draft Annual Report of the Audit and Governance Committee

## Role of the Audit and Governance Committee

The purpose of the audit and governance committee is to provide independent assurance on the adequacy of the risk management framework together with the internal control of the financial reporting and annual governance processes. The responsibility for functions are set out in paragraphs 3.5.9(e) to paragraph 3.5.15 of the [Council constitution](#).

## Brief summary of report

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

- Accounts
- Code of Conduct
- Governance
- Internal Audit
- External Audit
- Information Requests and Complaints. Service Requests, Enquiries, Compliments and LGSCO decisions
- Regulation of Investigatory Powers
- Risk Framework
- Shareholder Committee
- Waste Contract

### 1. Chairman's Introduction

The information summarises the work of the committee during the last municipal year and so is not new. The purpose is to put in one place an easy-to-read summary of the work of the committee.

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

## 2. Accounts

### Statutory Accounts 2024/25

The Finance Team prepared the council's Statement of Accounts for 2024/25 and published one month ahead of the statutory deadline of 30 June 2025: presenting the draft, unaudited accounts to Audit & Governance Committee in June 2025.

In September 2025, the Audit & Governance Committee approved the audited Statement of Accounts and the Annual Governance Statement for 2024/25, providing assurance to Members and residents on the council's timely financial reporting processes, governance framework and internal controls in place throughout the financial year.

## 3. Code of Conduct

During 2025/26, the Monitoring Officer received 52 complaints about alleged breaches of the Code of Conduct; 4 proceeded to formal investigation. There were 32 complaints in the previous year. 98% of complaints related to elected members of Town or Parish Councils (compared to 84% in 2024/25).

During 2025/26, a standards panel meeting was held in relation to complaints raised against a member of a parish/town council which found that member in breach of the Code.

The Committee agreed on 15th July 2025 to change the Code of Conduct arrangements to enable a parish or town council 'breathing space' to attempt to settle minor complaints against councillors without the requirement for a monitoring officer investigation. This 'local resolution' is entirely voluntarily for the parish or town council. The change was approved by Council on 22 May 2026.

The Committee received the Monitoring Officers 6 monthly update reports on the Code of Conduct on the 15 July 2025 and 27 January 2026.

## 4. Governance

### I. Financial Procedure Rules and Contract Procedure Rules

In January 2026, the Committee reviewed updates to the Contract Procedure Rules, the Financial Procedure Rules and the Financial Procedure Rules Guidance Notes. These important governance documents provide clarity of roles and processes for those charged with undertaking financial and procurement activity. It is important the rules are updated to ensure transparency in the use of public resources and compliance with relevant legislation.

The Committee an update on exemptions to the Contract Procedure Rules for the period 1 April 2024 to 31 March 2025 to receive assurance that contracts are awarded in line with the rules wherever possible and that exemptions are only granted where there is a sound rationale for approval.

### II. Constitutional Review

The Committee has overseen the 12 monthly review of the Constitution which has led to a number of recommendations that were made to full Council on the 22 May 2026.

This included updating the questions procedure, planning rules, financial procedure rules, changes to the Code of Conduct and formalities for group consultations.

The review included consultations with relevant officers, political groups (via group leaders on 11 November 2025 and 04 February 2025), briefing to a group, a working group of Audit and Governance

before approval for recommendation to Council by Audit and Governance Committee on the 24 March 2026.

### **III. Whistleblowing**

The Committee received an annual report on the Whistleblowing Policy on the 28 October 2025.

During 2025/26, 5 whistleblowing disclosures were made to the Council under the formal Whistleblowing Policy using the whistleblowing route via the Monitoring Officer.

The Committee heard that 1 had been investigated in full with no findings with a second having partial findings. Another anonymous complaint was filed but was an ongoing matter already known to the service area. There were 2 further complaints received and replied to, but the complainant took no further actions (they did not specify what their whistleblowing concerns was).

### **5. Internal Audit**

In September 2025, the Committee approved the Internal Audit Plan, setting out how Internal Audit resources will be utilised and deployed in 2025/26. For 2025/26 the Internal Audit Plan was developed using a risk based, assurance mapping approach, aligned to the council's corporate objectives and priorities and the key risks which may prevent them from being achieved.

The Committee has received quarterly Internal Audit progress reports throughout 2025/26 to review audit work completed against the approved plan and receive assurance in respect of the internal controls and governance arrangements across the council. Internal Audit also provided regular updates on the implementation of audit recommendations to enable the Committee to consider the effectiveness of the agreed management actions and impact of improvements.

During 2025/26, the Committee reviewed a number of reports presented by Internal Audit where audit testing and review provided only 'limited assurance'. The role of the Committee in such instances is to understand weaknesses identified and gain assurance that recommendations and agreed actions will strengthen controls and deliver improvements.

### **6. External Audit**

The council's external auditors issued an unqualified audit opinion in September 2025, with no material errors in the financial statements identified through their audit testing.

As part of the work undertaken by the external audit team, the appropriateness of the council's accounting policies, accounting estimates and financial statement disclosures were evaluated with no errors or omissions noted.

Herefordshire Council was the first local authority to receive an audit opinion, including Value for Money opinion, on this date. The issue of an unqualified audit opinion for 2024/25 is a significant achievement for the council and is the result of high-quality financial statements and supporting audit evidence and an effective relationship between the council's finance team and external auditors, supported by members of the Audit & Governance Committee.

The timely completion of the statutory, independent, audit process provides valuable assurance over the local authority's arrangements to provide complete, accurate and timely financial statements as well as confirming the appropriateness of accounting policies and treatment of estimates and judgements.

The audited balances, including earmarked reserve balances, carried forward into the new financial year can be relied upon to inform budget setting and medium-term financial planning.

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

In September 2025, the Audit & Governance Committee considered a report from the Information Governance Manager entitled 'Annual Review of the Council's Information Requests & Complaints 2024/25'. This report detailed performance information for the municipal year 2024/25, specifically around information requests received by the council, and information security incidents and data breaches. The report set out the volume of information requests received, including Freedom of Information (FOI) requests, Environmental Information Regulation (EIR) requests, subject access requests under data protection legislation, and requests from the police and other organisations. The number of requests had increased slightly compared to the previous municipal year. The report also detailed the disclosure log, which publishes FOI / EIR requests previously answered, and an increase in the number of requests dealt with as business as usual.

The report also detailed the other work undertaken by the Information Governance team during the year, which included assessing data protection impact assessments for new programmes, projects and systems involving the processing of personal data, the review of information security policies and procedures, and a service level agreement with some county schools to provide a data protection service.

### **Complaints**

The report recorded that the council dealt in 2024/25 with 560 corporate complaints, a significant decrease from the previous year. In addition, 55 complaints were referred to the LGSCO.

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

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

No RIPA authorisations have been requested in 2025/26. The policy was reviewed and it was considered that it did not require any further changes. All members have staff have online RIPA familiarisation training as part of their induction.

## **9. Risk Framework**

The constitutional role of the Committee includes ensuring that the council's risk management process is carried out effectively. It is not the function of the Committee to examine specific risks in detail, but should it have specific concerns it will raise these with officers or make a recommendation to the relevant Scrutiny Committee.

The Committee has received regular updates on activity to embed the revised risk management strategy and strengthen risk management activity across the council throughout 2025/26. This oversight provides assurance of the adequacy of the council's risk management framework and internal controls.

## 10. Shareholder Committee

The Shareholder Committee has met in a decision-making capacity on three occasions during 2025/26. The main business of the Shareholder Committee relates to the council's investment in Cyber Quarter Ltd and Hoople Ltd.

## 11. Waste Contract

In October 2025, the Committee received an annual update on the council's energy from waste loan arrangement. This review enables the Committee to monitor administration of the loan, compliance with financial covenants and to consider any risks to the council as lender. The Committee received assurance that loan repayments of interest and principal amounts have continued and that loan covenants have been satisfied with no significant issues or risks to future loan repayments.

The loan represents a significant asset in the council's balance sheet and this annual review, alongside external audit testing of balances, confirms that the financial affairs of the council are properly conducted and that the risks, to the council as lender, are robustly managed.

### **Sources of further information**

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

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





# Title of report: Appointment to Standards Panel

**Meeting: Audit and Governance Committee**

**Meeting date: Tuesday 09 June 2026**

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

## **Classification**

Open

## **Decision type**

This is not an executive decision

## **Wards affected**

(All Wards);

## **Purpose**

To appoint to the membership of the Standards Panel.

## **Recommendation(s)**

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

- a) **Notes the appointment of the Chair of Audit & Governance as Chair of the Standards Panel;**
- b) **appoints the representative recommended by HALC as the Parish/Town Council appointee (Cllr Mark Parsons of Kilpeck Parish Council);**
- c) **Appoints two further two Councillor members of the Panel as the standing members; and**
- d) **Appoints two substitute Councillors as substitute members.**

## **Alternative options**

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

## Key considerations

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

## Community impact

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

## Environmental Impact

10. This decision has no direct impact on the environment

## Equality duty

11. The Public Sector Equality Duty requires the Council to consider how it can positively contribute to the advancement of equality and good relations, and demonstrate that it is paying 'due regard' in our decision making in the design of policies and in the delivery of services.
12. The mandatory equality impact screening checklist has been completed for this project/decision/activity and it has been found to have low impact for equality. The Code of Conduct for Members will ensure that members adhere to the standards needed in respect to equality under the Code and appointment of this Panel will play their part in this.

### **Legal implications**

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

### **Risk management**

14. There are no specific risks

### **Consultees**

15. None.

### **Appendices**

None

### **Background papers**

None





# Title of report: Update on Risk Management Activity

**Meeting: Audit and Governance Committee**

**Meeting date: Tuesday 9 June 2026**

**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 31 December 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. Updates to the Corporate Risk Register at Quarter 2 2025/26 were approved by Cabinet in November 2025. At Quarter 3, no additional risks have been identified for inclusion in the Corporate Risk Register.
6. The scores of each of the 9 corporate risks have been reviewed by the relevant Risk Owner, supported by discussion and oversight by CLT. Changes to risk scores of Corporate Risks are summarised below.
7. **R3:** Lack of local special educational needs and disabilities (SEND) placement provision to meet current and future levels of demand. The risk score has been updated to 12 at Quarter 3: Likelihood: 3 (Possible), Impact 4 (Major) from a previous score of 16 at Quarter 2: Likelihood: 4 (Probable), Impact 4 (Major).
8. The reduction in score reflects changes to control measures and mitigation actions: the additional investment to address demand in the 2026/27 Capital Programme and measures proposed by Government in respect of Dedicated Schools Grant (DSG) deficits and wider reforms.
9. In addition to the review of the Corporate Risk Register, CLT members are engaged in activity to review and monitor Directorate, Service and Project level risk registers and embed the revised Strategy across the council.
10. 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.
11. A review of the risk management arrangements has been undertaken, as part of the annual review of the effectiveness of the council's governance arrangements, and this is documented in the draft Annual Governance Statement 2025/26.
12. The Annual Governance Statement (AGS) is prepared in accordance with the CIPFA/SoLACE Delivering Good Governance in Local Government Framework 2016 and 2025 Addendum. The council aims to achieve good standards of governance by adhering to its seven core principles of good governance.
13. Under Core Principle F: Managing risks and performance through robust internal control and strong public financial management, the annual review considers the effectiveness of governance arrangements in place during 2025/26 and areas where it is recognised that

governance arrangements could be further strengthened in 2026/27. The draft AGS notes that activity to embed and develop risk management by risk owners at all levels within the risk management framework, including elected members, will continue in 2026/27.

### **Community impact**

14. 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**

15. 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.
16. 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**

17. 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.
18. 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**

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

### **Legal implications**

20. The Audit & Governance Committee is responsible for reviewing the adequacy of the council's governance arrangements, including the risk management framework and internal controls.
21. 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**

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

### **Consultees**

23. None.

**Appendices**

Appendix A Corporate Risk Register Quarter 3 2025/26

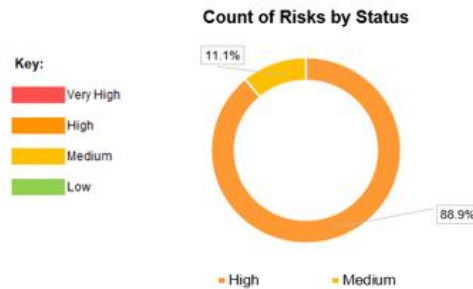
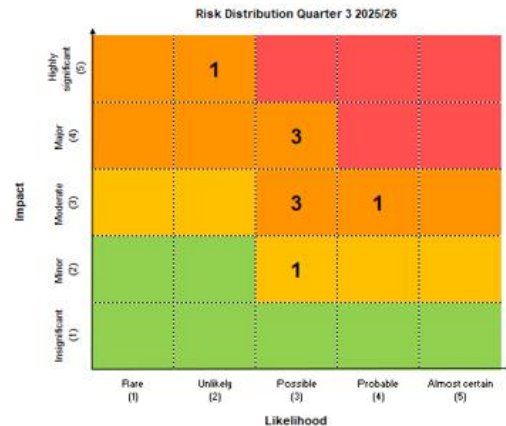
**Background papers**

None.

## Appendix A: Corporate Risk Register Update at Quarter 3 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	10	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	12	12		High
R3	Lack of local special educational needs and disabilities (SEND) placement provision to meet current and future levels of demand.	16	16	12		High
R4	Failure to deliver capital and major projects within identified resources and planned timeframes resulting in significant overspend and reduced project outcomes.	9	12	12		High
R5	Failure to deliver a sustainable financial strategy that supports delivery of the Council Plan priorities.	9	12	12		High
R6	Inability to attract and recruit candidates and retain staff leading to an inability to deliver services.	6	6	6		Medium
R7	Inability to respond adequately to a significant emergency affecting ability to provide priority services.	9	9	9		High
R8	Risks within the West Mercia community area.	9	9	9		High
R9	Risk of financial failure of major supplier.	9	9	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>		
<b>R2</b>	<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. 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>As part of the future financial strategy, the Community Wellbeing Directorate will work with an external specialist transformation partner to identify and design transformation initiatives to streamline processes, systems, reduce costs, increase revenue, reduce demand, identify alternative efficient ways of working.</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. A Care Placement Sufficiency Strategy has been developed. The Strategy will ensure value for money through sufficiency of safe and appropriate options for young people.</p>		
R3	Lack of local special educational needs and disabilities (SEND) placement provision to meet current and future levels of demand. Risk that	<b>Strategic Delivery - Council Plan 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	The Area SEND inspection was completed in December 2024 and an action plan has been developed to address the areas for improvement identified. A new SEND service manager was appointed in September 2024 to provide	<b>Likelihood:</b> 4 (Probable)  <b>Impact:</b> 4 (Major)	<b>Likelihood:</b> 3 (Likely)  <b>Impact:</b> 4 (Major)

Ref	Corporate Risk	Risk Category	Risk Appetite	Control Measures/Mitigating Actions	Inherent Risk Score	Residual Risk Score
	<p>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.</p> <p><b>Risk Owner:</b> Corporate Director Children &amp; Young People</p>		<p>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>additional managerial oversight, scrutiny and direction to this part of the service. 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 delivered through the capital programme in 2026/27.</p> <p>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.</p> <p>Following the decision by Government to withdraw funding for a new SEND school in Herefordshire, a top-up to High Needs capital funding of £3.8m over 3 years has been confirmed. Whilst this falls short of what is required to meet demand, this funding will be managed through the capital programme alongside projects noted below.</p> <p>The 2026/27 Capital Programme approved by Council in February 2026 includes investment of £10m (£5m to relocate Pupil Referral Unit, £5m to establish a new Alternative Provision Centre) which will reduce reliance on costly unregistered and out-of-county placements, control budget pressures in the High Needs Block of the DSG and reduce home to school transport costs.</p> <p>The High Needs Stability Grant announced in February 2026 will fund 90% of the DSG cumulative deficit at 31 March 2026 reducing the council’s liability at the end of the statutory override period. We will continue to review the impact of planned SEND</p>	<p><b>Inherent Risk Score = 16</b></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
				Reform in the context of demand and the council's financial position.		
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>	<p><b>Strategic Delivery - Council Plan</b> <b>Priority: GROWTH PLACE</b></p>	<p><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>	<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>A review of the council's Capital Programme was undertaken as part of development of budget proposals for 2026/27. Projects were identified to be removed from the programme and new investment included with a focus on addressing revenue budget pressures including temporary accommodation, homelessness and SEND placement sufficiency.</p> <p>Routine financial monitoring of the capital programme identifies risks to delivery, budget and funding sources to enable development of action plans to respond to risks.</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> 4 (Major)</p> <p><b>Residual Risk Score = 12</b></p>
R5	<p>Failure to deliver a sustainable financial strategy that supports delivery of the Council Plan</p>	<p><b>Financial</b></p>	<p><b>Cautious</b> The council has a cautious appetite level towards legal and compliance risks with</p>	<p>Council set a balanced budget for 2025/26 at its meeting in February 2025.</p>	<p><b>Likelihood:</b> 4 (Probable)</p> <p><b>Impact:</b></p>	<p><b>Likelihood:</b> 3 (Possible)</p> <p><b>Impact:</b></p>

Ref	Corporate Risk	Risk Category	Risk Appetite	Control Measures/Mitigating Actions	Inherent Risk Score	Residual Risk Score
	<p>priorities. (Including delivery of savings, commercial income, capital 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>		robust processes in place to ensure the risk of legal challenge is minimised.	<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 continue in 2025/26 via Directorate Control Panels to challenge and reduce, defer or stop spend above £500.</p> <p>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 2024/25.</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>The outcome of the Fair Funding Review 2.0 highlights a potential reduction in funding for the council, resulting in a significant budget gap in each of year of the MTFS.</p> <p>Council approved a balanced budget for 2026/27 in February 2026. Information to support the recommended Revenue Budget included an assessment of the adequacy of Earmarked Reserve Balances and robustness of savings proposals.</p> <p>As part of the future financial strategy, the council will work with immediate focus from April 2026 to identify measures to resolve the estimated funding gap over the MTFS period.</p>	4 (Major)	4 (Major)
					<b>Inherent Risk Score = 16</b>	<b>Residual Risk Score = 12</b>
<b>R6</b>	Inability to attract and recruit candidates and retain staff leading to an inability to deliver services.	<b>Strategic Delivery - Council Plan Priority:</b>	<b>Open</b> The council is committed to improving the use of technology across its	The council's Workforce Strategy 2024-2028 was approved for implementation in April 2024. The Strategy has been developed to	<b>Likelihood:</b> 3 (Possible)	<b>Likelihood:</b> 3 (Possible)
					<b>Impact:</b>	<b>Impact:</b>

Ref	Corporate Risk	Risk Category	Risk Appetite	Control Measures/Mitigating Actions	Inherent Risk Score	Residual Risk Score
	<p>Loss of skills knowledge and experience (retention &amp; recruitment) in relation to staffing.</p> <p><b>Risk Owner:</b> Director of HR and OD</p>	<b>TRANSFORMATION</b>	<p>services and will embrace new technologies, test ideas and develop a culture of innovation to improve services and deliver value for money. Transformation and Digital Strategies in place to support deliver of aims.</p>	<p>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 to support permanent recruitment and development of staff internally.</p> <p>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.</p> <p>The council offers welcome and retention scheme payments to respond to challenges in the recruitment and retention of qualified and experienced social workers.</p> <p>Through the council's Learning &amp; Organisation (L&amp;OD) team, activity to identify and recruit to new apprenticeship programmes is underway.</p> <p>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.</p> <p>The Lead@HC Programme will aim to develop inspirational leaders across four themes: Grow, Aspire, Empower, Innovate.</p>	3 (Moderate)	2 (Minor)
<b>R7</b>	<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>	<b>Legal &amp; Compliance Governance Data &amp; Technology Security Reputational</b>	<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>The Council's IT Services team operate to ISO27001:2022 and controls are in place to detect and prevent cyber-attacks. The</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
				Council participates in cyber alerting arrangements with partners across central and local government. Staff training is an area of priority focus with regular cyber awareness, information handling, and use of systems training forming part of our mandatory all staff development.		
<b>R8</b>	<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>	<b>Legal &amp; Compliance Governance Data &amp; Technology Security Reputational</b>	<b>Cautious</b> 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>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>Council officers took part in Exercise Pegasus, the UK's largest national pandemic simulation, in September and October 2025. Participants engaged and contributed to a comprehensive workbook to guide future pandemic responses. This whole system</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
				approach will ensure that communities will be better protected and supported in times of crisis.		
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</b> <b>Priority: PEOPLE, PLACE, GROWTH</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>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>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.</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>



# Title of report: Draft Annual Governance Statement 2025/26

**Meeting: Audit and Governance Committee**

**Meeting date: Tuesday 9 June 2026**

**Report by: Head of Strategic Finance (Deputy S151), Director of Finance**

## **Classification**

Open

## **Decision type**

This is not an executive decision

## **Wards affected**

## **Purpose**

To seek the view of the committee as to whether the draft Annual Governance Statement (AGS) for 2025/26 properly reflects the internal control environment the council is operating in and the appropriateness of actions identified to improve governance arrangements.

## **Recommendation(s)**

**That:**

- a) **The Audit and Governance Committee determines whether the draft Annual Governance Statement (AGS) for 2025/26 properly reflects the internal control environment the Council is operating in and the appropriateness of actions identified to improve governance arrangements.**

## **Alternative options**

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

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Further information on the subject of this report is available from  
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stacey.carter@herefordshire.gov.uk, Rachael.sanders@herefordshire.gov.uk

## Key considerations

3. The council is required, as part of an ongoing review of the effectiveness of its governance arrangements, to produce an AGS which forms part of the Annual Statement of Accounts. The AGS is primarily retrospective. It reports on the governance framework and internal controls in place for the financial year 2025/26 and considers any significant governance issues up to the date of publication of the audited Statement of Accounts. The AGS notes actions taken or proposed to address the governance issues identified.
4. The draft AGS is informed by Directors and Statutory Officers' declarations, reviews of compliance with laws and regulations, corporate strategies, policies, plans and arrangements and internal audit reports and opinions. It will be updated to include any governance issues identified between the balance sheet date and publication of the statutory accounts.
5. The AGS is a review of activities to ensure that the council's internal control and governance framework is operating effectively. The statement explains how the council has discharged its governance responsibilities during 2025/26 and the key governance mechanisms in place to manage risks of failure in delivering outcomes and decision making.
6. The preparation and publication of the AGS has been undertaken with reference to the seven core principles of good governance as identified in the Chartered Institute of Public Finance (CIPFA) Delivering Good Governance in Local Government Framework 2016.
7. This CIPFA guidance advises that statements should be meaningful but brief, high level, strategic and written in an open and readable style, and should include:
  - a. an acknowledgement of responsibility for ensuring that there is a sound system of governance (incorporating the system of internal control) and reference to the authority's code of governance;
  - b. reference to and assessment of the effectiveness of key elements of the governance framework (set out in the code of corporate governance) and the role of those responsible for the development and maintenance of the governance environment, such as the council, the executive, the audit committee, internal audit and others as appropriate;
  - c. an opinion on the level of assurance that the governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework;
  - d. an agreed action plan showing actions taken, or proposed, to deal with significant governance issues;
  - e. reference to how issues raised in the previous year's annual governance statement have been resolved; and
  - f. a commitment to monitoring implementation as part of the next annual review.
8. There are a number of components that contribute to the draft AGS including Statutory officer comments, Director Assurance Statements, the work of Internal Audit and annual opinion provided by the Head of Internal Audit, Member assurance through annual reports of Committee chairs and the findings of external assessments from external audit, inspectorates, regulators and the Local Government Association Corporate Peer Challenge.

**Community impact**

- 9. 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.
- 10. The annual review ensures that our arrangements are effective in supporting achievement of the council's vision and county plan priorities.

**Environmental Impact**

- 11. 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.
- 12. The annual review ensures that our arrangements are effective in supporting achievement of the council's vision and county plan priorities.

**Equality duty**

- 13. 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.
- 14. 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**

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

**Legal implications**

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

**Risk management**

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

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

### Consultees

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

### Appendices

Appendix 1 Draft Annual Governance Statement 2025/26

### Background papers

None identified.

# Governance statements



# Annual governance statement

## Introduction

The Annual Governance Statement is a review of our activities to ensure that the council is carrying out its functions effectively. The quality of governance arrangements is paramount to enable the council to make decisions using high-quality information supported by a comprehensive understanding of risk. This statement explains how the council has discharged its governance responsibilities during the period from 1 April 2025 to 31 March 2026, the key governance mechanisms in place and planned improvements for 2026/27 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 and 2025 Addendum. 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 2025/26 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 provides 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, Member assurance through annual reports of Committee chairs and the findings of external assessments from external audit, inspectorates, regulators and the Local Government Association Corporate Peer Challenge.

The results of the annual review of the effectiveness of the council's governance arrangements during 2025/26 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 2025/26

**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 2025/26:

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 reviewed and refreshed the council's Using Artificial Intelligence (AI) Policy with a focus on setting clear expectations on the use of AI tools and introducing eight 'our Herefordshire AI principles' to ensure AI is used safely, ethically and legally.
- Mandatory training completed in 2025/26 included modules which support decision making and reporting: Information Access & Information Governance, Information Security, Equality, Diversity & Inclusion (EDI). The council has achieved its highest completion rates for mandatory training this year with over 98% of staff having completed the modules before the deadline against a target completion rate of 95%.
- 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.
- Improvements have been delivered in supporting employees to declare interests. Employees are required to declare interests on day one when joining the council, on an annual basis and when completing the Employee Code of Conduct mandatory training module.
- 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.
- An update on the operation of the employee Whistleblowing Policy was reported to Audit & Governance Committee in October 2025 to provide assurance on the effectiveness of arrangements in place for employees, and others, to raise concerns that may be in the public interest.
- In July 2025, Audit & Governance Committee received an update on the number of exemptions to the council's Contract Procedure Rules to provide assurance of appropriate oversight and compliance with the rules.

## Annual governance statement

- 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 2025/26 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 2025/26 ensuring that information about the council's strategic priorities and planned activity is shared in a timely way to enable informed decision making at all levels across the organisation.
- Additional training has been delivered through the council's Leadership Group in 2025/26 for officers to share across their teams including risk management and governance and decision making.
- Equality Impact Assessment (EIA) guidance was revised in 2025 to incorporate the impact of cost increases on certain protected characteristics and a new template developed to ensure compliance on completion of EIAs and Equality Impact Screening Checklists.
- We have continued to review the council's Constitution and associated documents to strengthen arrangements for business cases for capital schemes and to clarify processes for public and Member questions, committee member substitutions and the publication of Records of Operational Decisions (RoODs).
- The council has arrangements in place to monitor and assess the ethical behaviour of external service providers across commissioning and contract lifecycles. Procurement and pre-contract due diligence includes a review of providers' Equal Opportunities and Environmental policies, the measures in place to prevent slavery and human trafficking within their business and supply chains, and suppliers are required to comply with the council's whistleblowing policy. Contract and performance management arrangements monitor the delivery of safe, lawful and ethical services and external oversight and challenge is provided through multi-agency quality and safeguarding forums.

The governance arrangements, as identified above, have been effective in the period from 1 April 2025 to 31 March 2026. Areas where it is recognised that governance arrangements could be further strengthened include:

- We will continue to review the Using Artificial Intelligence (AI) Policy, with oversight throughout the year by the Information Governance Steering Group.
- We will continue to promote a culture of accountability and strong ethical values through mandatory learning modules in 2026/27.

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

### Key aspects of the council's governance arrangements during 2025/26:

- The Chief Executive and Corporate Leadership Team 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.
- 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.
- A multi-year communications strategy has been developed and approved, aligned with Council Plan priorities and timeline. It includes a capability plan to bolster nine key areas, including channels, content, commissioning and coordination. The most recent performance data underlines improvements in reach, followers, engagements and video views. This refreshed activity has been effective in engaging audiences more directly and a number of campaigns have supported key organisational priorities including Children's Services recruitment.
- Political Group Consultations to inform decisions with financial or community significance; to provide a political viewpoint for officers

## Annual governance statement

to capture in key decision reports and demonstrate the council's commitment to encourage cross party engagement in decisions before they are taken.

- A Record of Operational Decision (RoOD) and/or a Key Decision is published for contracts awarded above the threshold determined by the Contract Procedure Rules and Constitution. This ensures openness and transparency in decision-making, in line with The Openness of Local Government Bodies Regulations 2014.
- As part of consultation on proposals for the 2026/27 revenue budget and capital programme, the council invited residents and stakeholders to consider funding choices and the impact of changes in income and expenditure on the delivery of services through an online budget consultation. Engagement also asked for feedback on priorities for the 2026/27 budget and council tax increase options.
- Acting on feedback from employee surveys that staff wanted more opportunities to contribute ideas and opinions, an additional budget survey was undertaken, encouraging staff to share ideas and shape decisions with specific feedback provided via an all staff briefing session.
- Feedback from events and surveys to inform the council's corporate priorities. Consultations and surveys, to engage the views of stakeholders, during 2025/26 included: Herefordshire Local Transport Plan 2025-2041, 2026/27 Budget proposals, local cycling, walking and wheeling infrastructure plan, regeneration of Merton Meadow, the Local Government Boundary Commission electoral review, Homelessness Prevention and Rough Sleeping Strategy and Hereford 2050 City Masterplan.
- The council has engaged with key stakeholders and partners on the development of a targeted, focused delivery plan for the overarching Big Economic Plan. This included consultation and challenge with input from Members, officers, the Economy & Place Board, Skills Board and Business Growth Board.
- A Steering Group was established by political Group Leaders in 2025/26 with collaboration to produce the council's response to the Foundational Strategic Authority and Spatial Development Strategy Government consultation.

- A Major Projects Delivery dashboard was developed during 2025/26 with a monthly update provided to Corporate Leadership Team and Cabinet. The dashboard highlights the key dates and decisions as well as Lead Officers, planned activity and risk status in respect of each of the council's major and capital projects. This process has ensured additional oversight of risks in the delivery of projects. This is in addition to the individual project boards and Member and Officer project specific working groups.

The governance arrangements, as identified above, have been effective in the period from 1 April 2025 to 31 March 2026. 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 continue in 2026/27 through Project Assurance Reviews. This internal process will identify areas where controls can be strengthened to support successful project delivery. Each review will consider programme management, adequacy of project plans, risk management arrangements, capacity and capability of project and technical teams, budget monitoring and reporting and project governance and reporting arrangements.
- The council will continue to develop relationships with partners and statutory organisations through the Nutrient Management Board and river-health related initiatives to strengthen collaboration.
- The process of responding to recommendations made by the council's Scrutiny Committees will be strengthened in 2026/27 to ensure responses are provided within the constitutionally required two-month period. A new recommendation action tracker is being developed alongside current arrangements and dedicated scrutiny webpages will include information on task and finish group activity and recommendations. This will provide greater public visibility and transparency of the scrutiny function.

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

# Annual governance statement

## Key aspects of the council's governance arrangements during 2025/26:

- The Herefordshire Council Plan 2024-2028, alongside the Medium-Term Financial Strategy 2026/27 to 2029/30, provides the overarching policy framework within which decisions will be taken and resources allocated over the next four years. The Council Plan 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.

- Progress against the 2025/26 Delivery Plan has been monitored and reported through the quarterly Cabinet report, progress reporting to the Corporate Leadership and through annual service plans and individual performance and development plans.
- The 2026/27 Delivery Plan, approved by Cabinet in March 2026, includes key deliverables and milestones not completed in 2025/26 to be monitored for delivery in 2026/27, alongside new deliverables

and milestones to progress the key objectives within the Herefordshire Council Plan set against the priorities of People, Place, Growth and Transformation.

- The annual Delivery Plan is informed by the key characteristics of Herefordshire, as outlined on Understanding Herefordshire (the council's Joint Strategic Needs Assessment). Factors such as rurality, the ageing population and social mobility for our young people are key drivers at the heart of the vision, priorities and objectives.
- A Cabinet Task & Finish group was established in 2025/26 to update the Carbon Management Plan (CMP) and action plan to improve focus and consistency of the council's emissions reporting and targeted actions. The completed Plan will be approved by Cabinet for implementation in early 2026/27.
- The Herefordshire Climate and Nature Board has met regularly in 2025/26. 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. A Climate and Nature networking event was held during the year with attendance from key stakeholders across the county. This event served as an opportunity for the Board to update the outcome of modelling activity and share key themes and future priorities.
- The Greener Footprints communications channels and e-bulletin aim to support the county's response to climate and nature emergencies. These sources highlight schemes offered by the council including the Warm Homes Local Grant, Biodiversity and Nature grant scheme, community car clubs, biodiversity schemes for schools, business energy grants as well as initiatives provided by other local organisations.
- 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.

## Annual governance statement

- The Finance Procedure Rules and Contract Procedures Rules were updated in 2025/26 to incorporate the legislative requirements of the Procurement Act 2023 and Procurement Regulations 2024; updates were approved by the Audit & Governance Committee.
- The council has proactively led sub-regional engagement in identifying a future basis for devolution through establishing a proposed Foundation Strategic Authority and Spatial Development Strategy area economic partnerships. Key analysis has been undertaken to consider economic partnerships and interdependencies and sectoral and strategic alignment across the wider region. In 2025 a Steering Group of the political Group Leaders was formed to engage public sector, community and private sector leaders as well as all locally elected members and Members of Parliament.

The governance arrangements, as identified above, have been effective in the period from 1 April 2025 to 31 March 2026. Areas where it is recognised that governance arrangements could be further strengthened include:

- The council will continue to engage with the Ministry of Housing, Communities and Local Government (MHCLG) and Leaders and Chief Executives from neighbouring local authorities to explore opportunities for Herefordshire as part of Foundation Strategic Authorities and Spatial Development Strategy geographies.
- The council will continue to work with strategic partners, residents and local organisations to reduce carbon emissions and achieve improved energy efficiency, energy resilience and cost savings. Activity through the Carbon Management Plan 2026/27 to 2030/31 will contribute to key local goals and wider national objectives by 2030.
- A review of the commissioning strategy will take place in 2026/27 including the introduction of a low entry commissioning framework to support engagement with the Voluntary, Community and Social Enterprise (VCSE) sector and development of a social value approach as part of wider commissioning and procurement.

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

### Key aspects of the council's governance arrangements during 2025/26:

- 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 risks to achievement of approved savings, and these are subject to challenge and scrutiny by relevant stakeholders.
- Updates to Cabinet in 2025/26 included the Annual Review of Earmarked Reserves, setting out the council's approach to maintaining appropriate levels of reserves to respond to future risks, and an update on the MTFS to highlight headlines from the Spending Review and potential impact of local authority funding reform on the council's future financial position.
- The Dedicated Schools Grant (DSG) position and impact of Special Educational Needs and Disabilities (SEND) Reform and the High Needs Stability Grant on the council's overall financial position has been reported through Schools Forum, Cabinet and Scrutiny Committees.
- Development of the 2026/27 revenue budget and capital programme included increased engagement and transparency across Group Leaders, and their political groups, to share information on the potential outcome of the fair funding review and its impact on the council's revenue budget and capital programme.
- Monthly Budget Board meetings of Corporate Directors and Service Leads, the Chief Executive and S151 Officer, have taken place throughout 2025/26 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. This activity has been supported by Directorate led Savings Boards and Expenditure Control Panels.

## Annual governance statement

- Performance against actions from the council's Delivery Plan was reported quarterly to Cabinet during 2025/26.
- 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.
- Finance, Service and Performance teams have worked throughout 2025/26 to identify improvements and strengthen the links between activity and financial data which inform monthly forecasts and budget setting.
- A cross-party Housing Working Group was established in 2025/26 to address the county's critical housing needs and increasing demand for temporary accommodation. The council has supported a whole-Herefordshire collaboration approach to respond to the shortage of local housing with registered providers.
- The Herefordshire Business Growth Board was established in 2025/26. The Board will play a key role in driving the economy, supporting business growth, promoting innovation and collaboration and championing inward investment in Herefordshire.

The governance arrangements, as identified above, have been effective in the period from 1 April 2025 to 31 March 2026. Areas where it is recognised that governance arrangements could be further strengthened include:

- New commissioning workstreams will be implemented in 2026/27: Care in Your Home, Working Age Adults Support and Care Home Partnership. These workstreams will ensure that interventions are targeted to individuals' needs whilst improving control of expenditure.
- A tailored Herefordshire Council Outcomes Framework will be used to enhance performance monitoring and reporting in 2026/27 alongside an internal performance management tool to support self-service and bespoke reporting against key performance indicators and Delivery Plan milestones.

Improvement and transformation of children's social care has been the council's highest priority, and a significant governance issue, since the Ofsted review of the service in July 2022.

Following the Inspection of Local Authority Children's Services (ILACS) that took place in November 2025, Herefordshire Council's Children's Services have been rated 'Good' overall by Ofsted, with each specific service area receiving a 'Good' judgement and the 'Impact of leaders on social work practice with children and families' judged as 'Outstanding'. This rating reflects the hard work and dedication of practitioners, managers, Members and partners in the delivery of improvements through the Herefordshire Children's Services and Partnership Improvement Plan.

**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 2025/26:

- Regular meetings between the three 'Golden Triangle' statutory officers (Head of Paid Service, Chief Finance Officer and Monitoring Officer) have taken place throughout 2025/26. These meetings, to review current and potential future political, financial, legal, staffing and other issues that may impact on delivery of the statutory duties, and the constructive work relationship between the three statutory officers form a key element of overall governance arrangements.
- The council's leadership development programme (@LeadHC) was launched in 2025/26 to address gaps in the learning and development offer and strengthen leadership skills and capabilities. The programme aims to develop inspirational leaders across four themes: Grow, Aspire, Empower, Innovate.
- The first cohort of delegates in the Aspire and Empower programmes have 'graduated' with positive support and feedback across the council. The Innovate programme, for senior leaders, will recruit its first cohort of delegates in 2026/27.

## Annual governance statement

- The council has provided a range of learning and development opportunities for staff at all stages of their careers, delivered through the Learning & Organisational Development Team. This includes Mandatory Training modules as well as opportunities through 'My Learning Hub'.
- A review of Member mandatory training was completed by the Member Development Working group in August 2025 and the second round of mandatory training was undertaken during September to November 2025. All training was recorded and placed on the Councillors Intranet site as a resource for members to utilise on an ongoing basis for the remainder of the current administrative term.
- A corporate transformation board has been established and in place since August 2025. The board is chaired by the Chief Executive and meets monthly to set the direction and ambitions for transformation, drive delivery and manage strategic risk and resources.
- To further embed the council's **THRIVE** values of **Trust**, **Honesty**, **Responsibility**, **Inclusivity**, **Value** and **Empathy**, a values-based recruitment framework has been launched in 2025/26.
- Staff are able to discuss and agree training and development needs through the annual 'My Conversation' process.
- During 2025/26, 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.
- Interactive information and learning sessions delivered to the Leadership Group in 2025/26 have included Digital Leadership & Skills, Governance, Finance, Children's Services and Risk Management arrangements.

The governance arrangements, as identified above, have been effective in the period from 1 April 2025 to 31 March 2026. Areas where it is recognised that governance arrangements could be further strengthened include:

- The council will continue to identify and deliver improvements to the Member two-yearly mandated training programme, informed by

feedback following the review carried out in 2025 and training modules provided.

- The Scheme of Delegation will be kept under review and updated as required.
- Activity to strengthen organisational capacity and capability in 2026/27 will include the introduction of a new Learning Management System and expanded self-help learning offer, delivery of a senior leadership programme, and development of our digital capability through our digital skills offer.

**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 2025/26:

- 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.
- 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.

# Annual governance statement

- 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.
- The council's 2025/26 Internal Audit Plan was reviewed to ensure alignment with the refreshed Risk Strategy and risks identified in the Corporate Risk Register and this was approved by the Audit & Governance Committee.
- 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 2025/26: additional training has been delivered to staff and Members, additional resources to raise awareness of fraud have been made available to staff and we have continued to develop methods of partnership working to identify and investigate fraud. The Anti-Fraud, Bribery & Corruption Report outlining counter-fraud activities and progress and outcomes aligned with strategic objectives was reviewed by Audit & Governance Committee in January 2026.
- 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. An update to the FPRs was approved by Audit & Governance Committee in January 2026.
- Internal financial reporting and monthly Directorate Budget Board meetings have supported early identification and effective management of financial risks during 2025/26; 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.

- Individual Directorates continue to exercise robust financial management through routine expenditure control panels. New arrangements in 2025/26 include the transfer of the Quality Assurance team for commissioned services, including placements, to the Children & Young People Directorate. This provides clarity of function, removing duplication and improving practice in contract management to ensure best value and good outcomes.
- The Shareholder Committee has continued to exercise its functions and responsibilities in respect of its shareholdings in Hoople Ltd and Cyber Quarter Limited and has convened to consider both service and financial performance.

The governance arrangements, as identified above, have been effective in the period from 1 April 2025 to 31 March 2026. 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 2026/27 to embed and develop risk management by risk owners at all levels within the risk management framework including elected members.
- To support delivery of approved savings in 2026/27, arrangements to monitor progress and identify risks and challenges to delivery will be strengthened. A monthly monitoring and assurance process will take place, led by a Service Director or the Corporate Director. This activity will support and inform monitoring of Directorate financial position and performance at the monthly Budget Board meetings.
- The MTFS will be updated in 2026/27 to reflect the impact for the council of the multi-year funding Settlement and in-year funding allocations as further information is released.
- Activity to develop specific actions and milestones as part of the council's Future Financial Strategy will be a key focus from April 2026 to close the estimated funding gap in future years and protect the council's future financial sustainability.

# Annual governance statement

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

## Key aspects of the council's governance arrangements during 2025/26:

- Arrangements for the governance of the council, including terms and reference of committees, political group representation on committees and outside bodies and appointments of committee chairpersons and vice chairpersons are approved at the Annual Meeting of Council.
- The 2024/25 draft Statement of Accounts was published in May 2025, one month ahead of the statutory deadline, to support early audit testing from June 2025. The early publication of the accounts, alongside high quality supporting working papers, enabled the council to achieve an unqualified audit opinion and External Auditor's Annual Report in September 2025.
- The audit report, and the timely unqualified opinion on the 2024/25 financial statements, provide valuable, independent assurance that the council has robust financial planning arrangements in place to identify all significant financial pressures and risks to financial resilience and to support the sustainable delivery of services in accordance with strategic and statutory priorities.
- An update on the actions identified to deliver continuous improvement in governance arrangements in the 2024/25 Annual Governance Statement was reported to the Audit & Governance Committee in September 2025.
- Internal audit arrangements have been strengthened in 2025/26 with refreshed resources led by a new Head of Internal Audit and a revised Internal Audit Plan, 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.
- Quarterly reports to update Members on progress of internal audit activity and key internal control issues arising have been presented to the Audit & Governance Committee in 2025/26.

- 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.
- 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.
- Exemptions to the Contract Procedure Rules approved during 2024/25 were reported to the Audit & Governance Committee in June 2025. Commercial and legal services have continued to work with council departments throughout 2025/26 to ensure exemptions are only proposed where there is no possible alternative.
- In June 2025, the council hosted a Corporate Peer Challenge (CPC) managed by the Local Government Association (LGA). This process provides an independent and objective assessment, led by a team of senior officers and Member peers, of the council's achievements, challenges and future plans. The resulting LGA findings report commended the council's leadership and recognised the council as a "good council that is striving hard to improve further".
- An action plan was prepared to respond to the recommendations made in the LGA findings report identifying planned actions, lead

# Annual governance statement

officers and delivery timelines. The findings report and corresponding action plan were reported to and approved by Cabinet in September 2025.

The governance arrangements, as identified above, have been effective in the period from 1 April 2025 to 31 March 2026. Areas where it is recognised that governance arrangements could be further strengthened include:

- The council will continue to strengthen internal audit arrangements through the development of the 2026/27 Internal Audit Plan. The Plan will include key coverage of core financial systems, compliance with laws and regulations, controls in place for new grant schemes and activity across Directorates informed by Corporate and Service level risks.
- The development of business cases will be reviewed in 2026/27 to improve the quality of reporting to inform decision-making and the assessment of investment decisions.
- The Service Level Agreement (SLA) between the council and its subsidiary company Hoople Ltd will be reviewed in 2026/27 to provide assurance that the relationship continues to support delivery of the council's strategic priorities and its future financial strategy.

# Annual governance statement

## Significant Governance Issues

Actions taken to address significant governance challenges during 2025/26 are noted below.

- Continued improvement in Children's Services:** During 2025/26, the council has continued to work hard to deliver the improvements required in Children's Services and good progress with renewed pace was noted in the Ofsted monitoring visits in the lead up to the full Inspection of Local Authority Children's Services (ILACS) in November 2025. The inspection report found the council's Children's Services to have 'Good' overall effectiveness with 'Outstanding' impact of leaders on practice. The outcome of the ILACS inspections, alongside a report completed by the DfE appointed Commissioner, will inform the Secretary of State decision regarding the existing statutory direction and next steps for the council. At the meeting of the independently chaired Children's Improvement Board in January 2026, the Board agreed to stand down, promoting a transition to enable monitoring of Children's Services, including the Children's and Young People's Plan and the Improvement Plan Phase 3, through routine channels in line with other non-inadequate councils. Governance and monitoring arrangements in 2026/27 will be fulfilled by the Corporate Leadership Team, Cabinet and the Children and Young People Scrutiny Committee.
- Financial Sustainability and Resilience:** Monthly Directorate Budget Boards have provided improved oversight of key cost pressures, delivery of the capital programme and challenges in the delivery of approved and brought forward saving targets during 2025/26, 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.

The review of governance arrangements during 2025/26 has identified the following areas which will be a key focus for the council's leadership in 2026/27:

- Delivery of major and capital projects:** The council has approved an ambitious capital programme for 2026/27 with significant activity planned to progress major and capital projects aligned to the council's Year of Delivery priorities in 2026. Robust monitoring of capital project delivery in 2026/27 will be required to identify and mitigate risks to project budgets, delivery of benefits and potential loss of grant funding. Project assurance reviews and planned improvements to the development of business cases will ensure that investment decisions deliver economy, efficiency and effectiveness in the use of resources.
- Activity to support the Future Financial Strategy:** The council has set a balanced budget for 2026/27 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 2026/27 to ensure delivery of services within the approved budget and early identification of cost pressures. Budget Boards will monitor achievement of savings targets, key financial pressures and risks and delivery of capital and major projects by Directorate. Assessment of financial position and performance in 2026/27 will include 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's future financial strategy will ensure that the council's finances are aligned to its strategic priorities with a clear focus on required activity to ensure the future sustainability of the council and the services it delivers. High support and challenge of planned activity to deliver savings and efficiencies to resolve the estimated future funding gap will be a key area of focus in 2026/27.

## Annual governance statement

- Dedicated Schools Grant and SEND Reform Plan:** At 31 March 2026, the council's Dedicated Schools Grant (DSG) cumulative deficit is £36.3 million following a £16.3 million overspend within the High Needs Block. 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 2028; beyond the period of the statutory override, any balance on the DSG unusable reserve will transfer back to the council's Earmarked Reserves. The Final Local Government Settlement published on 9 February 2026 confirmed the proposed treatment of DSG deficits as part of wider SEND reform. The first phase of support will be to address historic deficits with a High Needs Stability Grant to cover 90% of High Needs-related DSG deficit accrued up to the end of 31 March 2026. Service and Finance teams are currently developing the council's Local SEND Reform Plan for submission by 19 June 2026. Subject to Department for Education (DfE) approval, the Plan will evidence eligibility for the High Needs Stability Grant to cover approx. £32.7 million (90%), with the remaining balance of £3.6 million (10%) to be a liability of the council once the statutory override period ends in March 2028.
- The council is committed to identifying actions to respond to local special educational needs and disabilities (SEND) and alternative provision to meet current and future levels of demand. The council's SEND Reform Plan will be underpinned by a credible financial strategy, a robust financial baseline, robust financial modelling and planning for use of Experts at Hand Offer and High Needs Provision Capital Allocation grant funding, clear understanding of the drivers of high-cost spend and a plan to respond to such pressures and a mechanism to enable quarterly financial monitoring. The High Needs Stability Grant and SEND Reform Plan are key components of the council's future financial strategy and delivery of the Plan will be a key area of focus for the council in 2026/27.

The key governance challenges facing the council in 2026/27 will be monitored by the Corporate Leadership Team and Audit & Governance Committee.

# Glossary of terms

## 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 2024/25, Grant Thornton gave an unqualified audit opinion on the financial statements.

The external auditor's work on the council's arrangements to secure value for money in 2024/25 did not identify any significant weaknesses or improvement recommendations in respect of arrangements for financial planning, alignment of financial plans to other operational planning and in identifying and managing risks to financial resilience. A key recommendation was raised in respect of the council's Dedicated Schools Grant (DSG) deficit position, and an improvement recommendation was made in respect of the achievement of savings in 2024/25.

The Annual Auditor's Report for the year ended 31 March 2025 acknowledges the transformation and improvements made in the delivery of Children's Services, downgrading the prior year significant weakness and key recommendation to an improvement recommendation. This finding supports the external inspection findings reported by Ofsted across multiple monitoring visits during 2024/25 and the 'Good' rating received in January 2026.

A key recommendation was raised in relation to strengthening challenge and control of capital expenditure to ensure effective governance and oversight of procurement decisions. The council has implemented improvements in this area with additional oversight across all major projects to consider individual and thematic challenges and risks in project delivery.

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, and is aligned to the Risk Strategy and risks identified in the Corporate Risk Register.

Further assurance is provided by reviews undertaken by external agencies including Ofsted, the Care Quality Commission, the Office of the Information Commissioner, the Local Government Association Corporate Peer Challenge and other Local Authority Inspectorates.

For the year ended 31 March 2026, 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 2025 to 31 March 2026. 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: DD/MM/2026**

**Jonathan Lester**  
**Leader of the Council**  
**Date: DD/MM/2026**





# Title of report: 2025/26 Draft Statement of Accounts

**Meeting: Audit and Governance Committee**

**Meeting date: Tuesday 9 June 2026**

**Report by: Director of Finance**

## **Classification**

Open

## **Decision type**

This is not an executive decision

## **Wards affected**

(All Wards);

## **Purpose**

To note the draft, unaudited Statement of Accounts for 2025/26.

## **Recommendation(s)**

**That:**

- a) **Audit and Governance Committee notes, and comments on as appropriate, the draft, unaudited Statement of Accounts for 2025/26.**

## **Alternative options**

1. There is no alternative option. The Local Audit and Accountability Act 2014 requires the council to produce a Statement of Accounts in accordance with the Accounts and Audit Regulations 2015. The process requires the final accounts to be approved by the Audit and Governance Committee.

## **Key considerations**

2. The Council is required to prepare an annual Statement of Accounts and to arrange for them to be audited and reported in accordance with the Accounts and Audit Regulations 2015 and the 2025/26 Code of Practice on Local Authority Accounting in the United Kingdom, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Statement of Accounts presents the overall financial position of the council and comprises: a narrative report and annual governance statement, comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement, collection fund statement, group accounts and supporting notes.

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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 Council has prepared the draft Statement of Accounts for 2025/26 (Appendix 1) and published them on 29 May 2026, one month ahead of the statutory deadline determined by the Accounts and Audit Regulations 2015 and provided accounts to the external auditors on this date.
4. It is anticipated that the external audit fieldwork will be completed by Grant Thornton UK LLP over June to September, with audited Statement of Accounts and audit findings to be presented at the September meeting of this committee, in advance of the statutory deadline of 31 January 2027.
5. The financial outturn position reported for 2025/26 is a balanced revenue outturn position, after the use of reserves and recovery actions implemented by management in year, against a budget of £231.5 million. The net deficit on the provision of services presented in the comprehensive income and expenditure statement is £0.9 million; this represents the accounting deficit after financial accounting adjustments including pension actuarial costs and capital costs allowable under International Financial Reporting Standards (IFRS). These accounting adjustments are explained in note 8 to the accounts: Expenditure and funding analysis.
6. The general fund balance remains at £10.1 million and earmarked reserves have decreased from £80.7 million to £70.9 million. These figures included balances of £9.2 million held for individual maintained schools.
7. The cumulative Dedicated Schools Grant (DSG) deficit brought forward from the last financial year of £20.0 million has increased by £16.3 million, representing the deficit in 2025/26, to £36.3 million. In line with the School and Early Years Finance (England) Regulations 2025, the deficit reserve is classified as an unusable reserve instead of an earmarked reserve.
8. The council instructed external valuers Wilks Head & Eve LLP to carry out the land and buildings asset valuations in 2025/26 in line with the rolling programme of valuations. Valuations were completed in accordance with the professional standards of the Royal Institution of Chartered Surveyors (RICS) as per the planned timetable and revaluations have been processed to update carrying values at 31 March 2026 which are reflected in the 2025/26 draft Statement of Accounts. For 2025/26 this also included appropriate rates for indexation of assets not revalued as at 31 March 2026.
9. The group accounts consolidate the performance of the council with its subsidiary undertaking: Hoople Ltd. The impact of the consolidation is an increase in the group reserves of £3.7 million, which includes reserves applicable to the minority interest of £0.7 million.
10. A summary financial statements document has also been produced (Appendix 2) to provide high level summary figures and brief explanations of the purpose of each statement in two pages.

### **Community impact**

11. Publication of the Statement of Accounts in accordance with statutory requirements helps the council to achieve its code of corporate governance commitment to behave with integrity, demonstrate strong commitment to ethical values, and respect the rule of law. The council is accountable for how it uses the resources under its stewardship, including accountability for outputs and outcomes achieved. In addition, the council has an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies.

## Environmental Impact

12. 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. This report is to note the draft statement of accounts so will have minimal environmental impacts; however, consideration has been made to minimise waste and resource use in line with the Council's Environmental Policy. For example, the external audit will be mostly completed remotely, reducing travel impact and paper usage.

## Equality duty

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

## Resource implications

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

## Legal implications

17. Regulation 9 of the Accounts and Audit Regulations 2015 requires the following:
  - a. The S151 Officer to sign and date the Statement of Accounts, and confirm that they are satisfied that it presents a true and fair view of the financial position of the council at the end of the financial year to which it relates together with the income and expenditure for that financial year;
  - b. A period of time to allow the public to inspect the accounts. This will commence on 1 June 2026 and last for six weeks; and
  - c. Once there has been a period of public inspection, the committee must approve the Statement of Accounts by a resolution and ensure that the Statement of Accounts are signed and dated by the person presiding at this committee. There are no specific legal implications arising from this report itself.

## Risk management

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

## Consultees

19. The Statement of Accounts was made available for public inspection for a six week period commencing 1 June 2026.

**Appendices**

- Appendix 1 Draft Statement of Accounts 2025/26
- Appendix 2 Summary Financial Statements 2025/26

**Background papers**

None identified.

# Herefordshire Council Statement of Accounts 2025/26 Draft (subject to audit)



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# Narrative report



# Narrative report

## Foreword from the Chief Executive

In my fifth and final year as Chief Executive, Councillors and staff have continued to work together to deliver improvements and advance our corporate priorities: protecting and enhancing our environment, enabling residents to realise their potential in safe and supportive communities, delivering sustainable economic growth across the county and providing services efficiently to demonstrate value for money. Across the organisation, staff have demonstrated professionalism, commitment and care in the delivery of services and I am extremely proud of the values and culture of trust, teamwork and collaboration that underpin this work.

In February 2025, Council approved its budget for 2025/26 and performance against the budget is set out in this Statement of Accounts and the revenue outturn report presented to Cabinet. A sustainable financial strategy has been developed for 2026/27 and onwards, building on the prudent approach and robust financial management now embedded across the council. This strategy aims to preserve and protect the council's future financial resilience and sustainability at a time of increasing cost pressures and reductions in central government funding, to ensure the council can achieve an ambitious programme of investment, service improvements and transformation to deliver the best for Herefordshire.

As a result of the robust management of the revenue budget and responsible stewardship of the council's financial resources, the council is in a stable and resilient position to respond to and withstand future financial pressures and deliver improvements for residents. Some notable successes in 2025/26 included:

- In January, Herefordshire Children's Services were rated as 'Good' overall with 'Outstanding' leadership of services in the final Ofsted inspection report. This outcome recognises the impact of significant and sustained improvement and reflects the council's unwavering commitment to delivering the best possible services for children and young people in our county.
- The council launched Child Friendly Herefordshire in March 2026; a major and long-term partnership of schools, local businesses and

community organisations, committed to making the county a place where every child feels included, valued, happy, healthy and safe.

- We welcomed a review by the Local Government Association's Corporate Peer Challenge team in 2025/26. The review identified Herefordshire as a "good council that is striving hard to improve further" and commended political and managerial leadership and our collaborative approach. Partnership working and governance arrangements were identified as key strengths by the Peer team, strengths that will support the council to explore future devolution opportunities and deliver the ambitions of the Council Plan.
- Partnership working has been a key area of focus in 2025/26. Alongside key regional partnerships including the Marches Forward Partnership, the council has engaged with counterparts in neighbouring authorities to collaborate on key challenges including transport, housing and devolution. In addition, the Herefordshire Chief Executives Group (HCEG) has met regularly to share insights and work to address the root cause of shared challenges; identifying key priorities as vulnerable people with complex needs, access to housing, resilience of services and healthy communities. The member organisations will work together to enable individuals to live their best life in Herefordshire.
- The council has proactively led sub-regional engagement in identifying a future basis for devolution through a proposed Foundation Strategic Authority (FSA) and Spatial Development Strategy area economic partnership. Key analysis to consider interdependencies and sectoral and strategic alignment across the wider region has been undertaken to inform the council's FSA Expression of Interest.
- The council held its first Employee Awards event in May 2025; an opportunity to celebrate staff achievements and recognise the outstanding work of individuals and teams who contribute to the organisation and work to improve services for residents.

Looking ahead to 2026/27 and the medium-term planning period, the council is well positioned to respond to the challenges ahead. With a stable financial position and sustained provision of high-quality services, the council's strong foundations and positive culture mean it is able to maximise opportunities to deliver ambitious improvements for residents.

**Paul Walker, Chief Executive**

# Narrative report

## About Herefordshire Council

Herefordshire is a county with a rich history and proud heritage, covering a geographic area of 840 square miles. It is home to nearly 200,000 residents across rural villages and vibrant market towns with a thriving economy combining long-standing agriculture and food production industries alongside innovative businesses in cyber and technology, construction, manufacturing and engineering.

The council has experienced continuing cost pressures in 2025/26 as a result of increasing complexity of need and intensity of care for the county's ageing population, increased demand for temporary accommodation and increasing demand and costs in Special Educational Needs and home to school transport budgets.

Robust, timely monitoring of the revenue budget and responsible stewardship of financial resources throughout 2025/26 has enabled the council to respond to and mitigate these financial pressures. The Corporate Leadership Team has continued to exercise robust financial management of the forecast position throughout the year; monitoring the impact of planned mitigations and recovery actions on the in-year forecast and the progress of delivery of approved savings targets.

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

## Our Vision and Corporate Priorities

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

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

### PEOPLE



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

### PLACE



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

### GROWTH



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

### TRANSFORMATION



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

### UNDERPINNING THEME - PARTNERSHIP WORKING

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

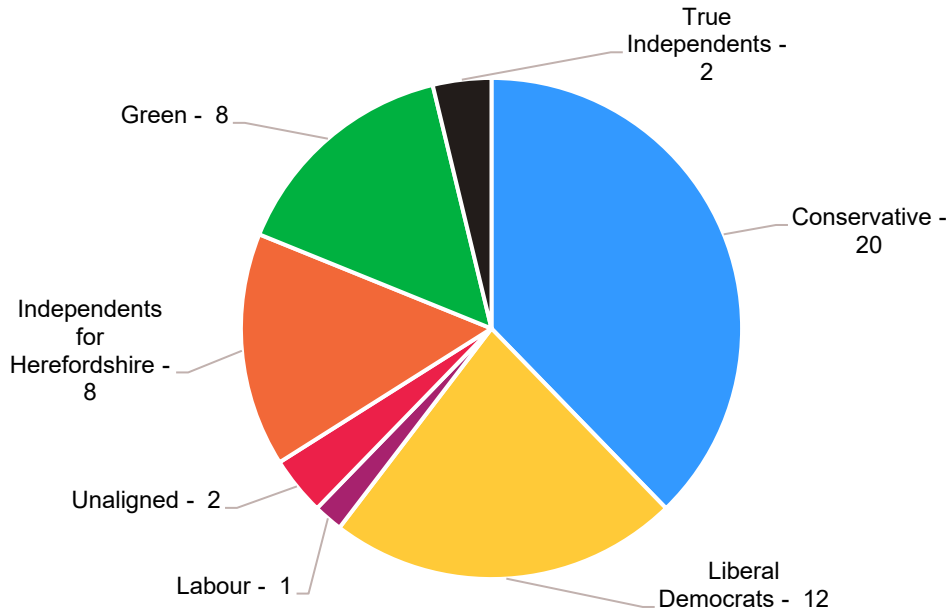
# Narrative report

## Our Governance and Political Structure

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

The chart below shows the political structure of the council as at 31 March 2026:

**Political Structure 2025/26**



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

The constitution defines the various roles of officers and members:

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

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

## Council Leadership Team

The Chief Executive is responsible for the operational management, leadership and strategic direction of the council, supported by the senior Leadership team comprising Corporate Directors from the three directorates: Community Wellbeing, Children and Young People, Economy and Environment, together with the corporate directors.

The council has responsibilities for a wide range of services including: economic development, education, environmental health and animal welfare, highways, housing, leisure and culture, local tax collection, passenger transport, planning, public health, social care (adults and children), strategic planning, trading standards, transport planning, waste collection and disposal. The council is also the 'corporate parent' to children and young people in its care.

# Narrative report

## Our Performance

### Community Wellbeing

The council's priority is to protect and improve the lives of vulnerable people and to enable residents to live healthy lives within supportive communities. We aim to support individuals to live as independently and healthily as possible through investment in prevention, early intervention and the use of technology and to encourage communities to help each other through a network of community hubs.

In September 2025, Herefordshire was named as one of 43 areas in England selected to take part in the National Neighbourhood Health Implementation Programme (NNHIP), a major initiative aimed at transforming how health and care services are delivered. This programme represents a significant opportunity for Herefordshire and will enable us to redesign services around the needs of our communities with a focus on those who need the most support.

Our adult social care services continued to work closely health colleagues to manage effective discharge from hospital throughout the year, managing homecare and care home capacity to address the increasing demand from the hospital and the community. We have continued to support residents during 2025/26 with financial support provided for vulnerable households, school holiday food vouchers, a programme of free activities during school holiday periods for children in receipt of free school meals plus additional support for eligible households, care leavers and pensioners towards food and energy costs.

Work to address the county's critical housing needs and increasing demand for affordable housing and temporary accommodation has continued throughout 2025/26. Alongside work with registered providers to deliver new dwellings, activity to deliver more homes for large families, accessible housing, accommodation for young people, and additional temporary accommodation to meet growing demand and reduce long term costs, has taken place across council teams.

### Economy and Environment

Investment in the county's highway network has continued in 2025/26 with £9.8 million invested in resurfacing works and additional investment in highways improvement works to prolong the life of the roads, strengthen the resilience of the network and deliver quicker, safer and smoother journeys. We have also supported parish and town councils for local public realm improvements so that residents and visitors can access and enjoy the countryside.

We approved a new contract to deliver public realm services across the county covering essential services that residents rely on, including the maintenance of roads and green spaces, highway drainage, street lighting, street cleansing, maintenance of bus shelters, rights of way and winter gritting. Under the new contract, the council will take back day-to day control of public realm services, providing greater flexibility and ensuring services are delivered with a focus on quality, efficiency and value for money.

In March 2026, the council appointed a contractor to lead detailed design and early works for phase one of the bypass which aims to tackle long-standing congestion, improve connectivity, and create the conditions for jobs and economic growth across the county. The 'Back the Bypass' campaign was launched bringing together residents, business representatives and other key stakeholders to share views on the challenges experienced and highlight the opportunities and expected benefits the new infrastructure will bring.

Activity to enable economic growth across the county continued in 2025/26 with the commencement of construction of Ross Enterprise Park, a strategic employment site which will become one of Herefordshire's largest business hubs, and the opening of a new Business Hub in Leominster.

As part of our on-going work to support better-paid employment opportunities, we hosted the Herefordshire Employment & Skills Conference joining with business, training providers and educators to address skills gaps, workforce planning and apprenticeships. This investment, and engagement with partners, demonstrates the council's

## Narrative report

commitment to creating the conditions to deliver sustainable growth across the county; attracting inward investment, building business confidence and creating jobs.

### Children and Young People

Ofsted Monitoring visits have taken place throughout 2025/26 and the DfE appointed Children's Service Commissioner has continued to monitor progress in the delivery of improvements. The full re-Inspection of Local Authority Children Services (ILACS) took place in November 2025 which determined the council's Children's Services to have 'Good' overall effectiveness with 'Outstanding' impact of leaders on practice.

This judgement recognises that services for children in Herefordshire have significantly improved since the last inspection in 2022 and commends the improvements delivered to ensure that children and their families benefit from effective services that make a difference to their lives.

Continued, strengthened financial management in the Directorate has had a positive impact on the budget outturn position and delivery of in-year savings targets in the past two financial years (2024/25 and 2025/26).

Phase 3 of the Children's Services Improvement Plan has been completed and a new Children's Services Business case developed with priorities for the services coordinated with regional and national developments within Children's services Social Care, Education and SEND, in line with the Wellbeing and Schools Act 2026. The Plan sets out practice priorities that will ensure there is continued and coordinated partnership working in the delivery of good quality children's services.

# Narrative report

## Our Financial Performance

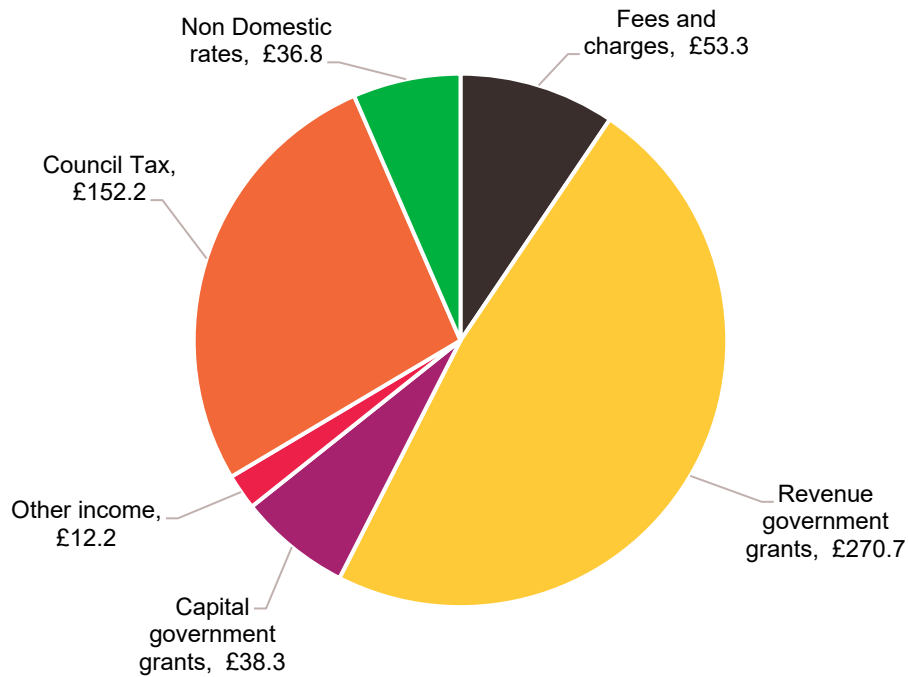
### Revenue Summary

The council receives funding from three main sources:

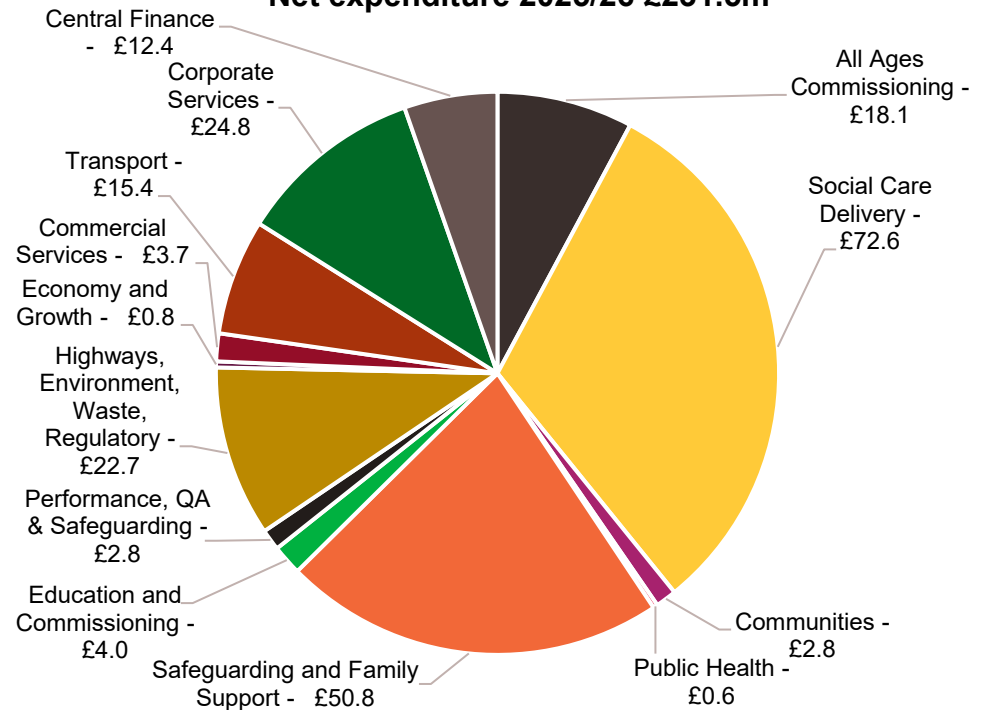
- Government grants
- Council tax
- Business rates

The council also generates income from fees and charges from the services it provides. The charts below show the funding received in 2025/26 and how these funds were spent on services in the year:

**Gross funding and income 2025/26 £563.5m**



**Net expenditure 2025/26 £231.5m**



# Narrative report

## 2025/26 Revenue Outturn

In February 2025, the council approved a net revenue budget of £231.5 million. The revenue budget shows the annual cost of delivery against the council's duties and responsibilities to the community, many of which are statutory functions.

The council delivered a balanced revenue outturn position in 2025/26 after the use of reserves and recovery plan actions implemented by management during the year. The following table shows the council's actual spend for the year against its planned spend for the year by Directorate with the difference between the two shown as the variance. The negative figures are those where spend was less than planned and the positive figures are where spend was greater than planned.

Service area	Budget £m	Outturn £m	Variance £m
Community Wellbeing	90.4	94.1	3.7
Children and Young People	58.8	57.6	(1.2)
Economy and Environment	28.1	27.3	(0.8)
Corporate Services	23.4	24.8	1.4
SEN&Home to School Transport	12.7	15.3	2.6
<b>Directorate Total</b>	<b>213.4</b>	<b>219.1</b>	<b>5.7</b>
Central, Treasury Management	18.1	12.4	(5.7)
<b>Total</b>	<b>231.5</b>	<b>231.5</b>	<b>-</b>

The Community Wellbeing Directorate budget delivered an overspend of £3.7 million (4.1%) against its £90.4 million net budget after application of £1.8 million from the Budget Resilience Reserve. The Directorate has managed continuing cost pressures throughout 2025/26 as a result of increasing complexity of need and intensity of care support for the county's ageing population, increased demand for temporary accommodation, the impact of hospital high occupancy rates and an increase in the number of individuals unable to fund their own care linked to the impact of increases in the cost of living and inflation.

As part of the council's Future Financial Strategy, the council will work with external specialist partners in 2026/27 to identify, design and implement transformation activity that delivers sustainable, recurrent savings over the MTFs period. This work will focus on preventative services and early intervention, promoting independence and reducing long-term care needs to generate savings.

The outturn position for the Children & Young People Directorate is an underspend of £1.2 million after repayment of the reserve contribution of £1.4 million, approved in the 2025/26 Revenue budget, a year earlier than required. The underspend has been delivered through robust management of expenditure to deliver services and delivery of the 2025/26 approved savings of £3.9 million in full.

The Economy and Environment Directorate achieved an underspend of £0.8 million on its £28.1 million net budget. The outturn position comprises reduced crematorium fees in 2025/26 offset by additional income from car parking, economic development activity and development control planning.

The Corporate Services Directorate delivered an overspend of £1.4 million which represents savings targets not delivered in 2025/26 and increases in the council's insurance premiums as a result of flooding events in the county.

Expenditure against the Home to School and Special Educational Needs and Disability (SEND) transport services budget delivered an overspend of £2.6 million in 2025/26. The provision of transport services represents a significant pressure in Herefordshire and nationally and, ahead of any substantive reform, the council continues to identify strategies to manage increasing demand and cost pressures. This activity represents a key area of focus in the council's future financial strategy.

Central and Treasury Management budgets achieved a total underspend of £5.7 million which represents positive variances as a result of treasury

## **Narrative report**

management activities, in line with the approved Treasury Management Strategy, investment and contractual income, additional income from the council's Business Rate pooling arrangement and capital financing underspends.

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

# Narrative report

## Capital Investment Programme

In February 2025, the council approved a revised capital budget of £155.2 million for 2025/26. The final capital programme for the year following reprofiling of expenditure to future years, addition of new grants and projects like the acquisition fund for housing provision totalled £113.8 million and included the following significant capital projects:

- **Hereford City Centre Transport Package:** Construction of the Transport Hub began in 2025/26 and is due to complete late 2026; this project is supported by increased funding of £6.3 million from the Levelling Up Fund.
- **Resurfacing Herefordshire Highways & Local Transport Plan (LTP) Grant:** £9.8 million of highways resurfacing work has been delivered across the county with additional spend of £21.3 million in highways improvements through the annual Highways Maintenance Block Grant.
- **Home Energy Efficiencies:** £0.7 million in Warm Homes Grants have been distributed in 2025/26 to enable residents to benefit from more energy efficient heating systems and energy efficient home improvement. This project will continue for the next two years with a strong pipeline of works commencing in 2026/27.
- **Schools Maintenance Grant:** over £2.8 million was spent on improvements to schools including new roofs, internal works and replacement boilers.
- **Brookfield School:** Construction work to deliver planned improvements has continued, due to complete in May 2026.
- **UK Shared Prosperity and Rural Prosperity Grants:** A total of £0.9 million in capital grants was allocated across local businesses to support growth across the county.
- **Peterchurch School:** A total of £4.7 million was spent as construction of the new primary school commenced, due to complete in July 2026.
- **Ross Enterprise Park Employment Land:** A total of £1.0 million was spent as construction of the new employment land plots and access infrastructure started, due to complete by the end of 2026/27.

# Narrative report

## 2025/26 Capital Outturn

The total expenditure on capital projects in 2025/26 was £86.0 million which represents 76% of the revised budgeted programme. This expenditure was financed by capital grants of £54.5 million, prudential borrowing of £23.7 million, revenue reserves of £0.4 million and capital receipts of £7.4 million.

The £27.8 million underspend comprises £2.8 million of projects that have delivered below project budgets and a further £25.0 million of budgets to be carried forward to 2026/27.

Summary Financial Position	Approved budget £m	Revised budget £m	Expenditure £m	Variance £m
Community Wellbeing (including Housing)	16.0	11.5	7.9	(3.6)
Corporate Service (IT & Transformation)	1.9	1.3	0.9	(0.4)
Children & Young People (including Schools)	26.2	18.9	15.3	(3.6)
Economy & Environment (Council asset investment)	10.6	5.3	3.4	(1.9)
Economy & Environment (Highways & Public space)	39.8	41.5	40.3	(1.2)
Economy & Environment (Environmental)	15.8	9.4	3.8	(5.6)
Economy & Environment (Economic growth)	13.3	6.9	1.9	(5.0)
Economy & Environment (Transport)	25.6	19.0	12.5	(6.5)
<b>Total</b>	<b>149.2</b>	<b>113.8</b>	<b>86.0</b>	<b>(27.8)</b>

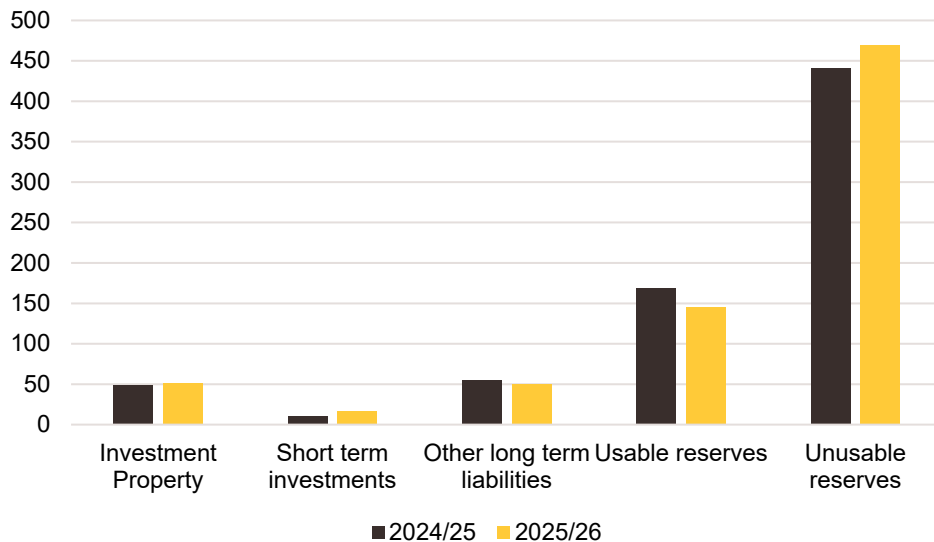
# Narrative report

## Assets and Liabilities

The Balance Sheet summarises the council's financial position at 31 March 2026 and reports the assets, liabilities and reserves which show what the council owns and how much it owes. The council's net assets have increased by £5.0 million from £609.9 million at 31 March 2025 to £614.9 million at 31 March 2026. The key balance sheet variations are noted in the following table and chart:

Summary Financial Position	31 March 2025 £m	31 March 2026 £m	Movement £m
Assets (what we own)	890.7	950.4	59.7
Liabilities (what we owe)	(280.8)	(335.5)	(54.7)
<b>Net financial position (assets less liabilities)</b>	<b>609.9</b>	<b>614.9</b>	<b>5.0</b>
<b>The net financial position is held in reserves as follows:</b>			
General reserves (usable)	(168.4)	(146.0)	22.4
Other reserves (unusable)	(441.5)	(468.9)	(27.4)
<b>Total reserves</b>	<b>(609.9)</b>	<b>(614.9)</b>	<b>(5.0)</b>

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



## Borrowing and Investments

The Treasury Management Strategy, approved annually by Council, outlines the proposed borrowing and investment strategy, the council's expected minimum revenue provision and the associated prudential indicators which demonstrate that the council's proposed capital investment budget is affordable, prudent and sustainable. External borrowing is obtained, where necessary, to support the council's capital programme and borrowing limits are set in accordance with the Prudential Code for Capital Finance in Local Authorities. New long-term borrowing of £55.0 million, over a 10-year term, was secured in March 2026 to support delivery of the council's capital programme and liquidity.

Total borrowing at 31 March 2026, including short term loans, was £196.6 million (£138.8 million at 31 March 2025). Principal debt repayments of £7.4 million were made and interest of £6.0 million was paid on all council borrowing during 2025/26. Net borrowing (borrowing less short-term investments) was £180.0 million as at 31 March 2026 compared with £128.4 million as at 31 March 2025.

# Narrative report

## Other Long Term Liabilities

The movement in long term liabilities results from a decrease in the Private Finance Initiative (PFI) liability and a reduction in the pension fund liability.

## Pension Fund Liability

Herefordshire Council's non-teaching staff are members of the Worcestershire County Council Pension Fund. Herefordshire's proportion of the net liability of the Worcestershire County Council Pension Fund as at 31 March 2026 is £3.4 million (£7.1 million at 31 March 2025) on an International Accounting Standard (IAS) 19 basis.

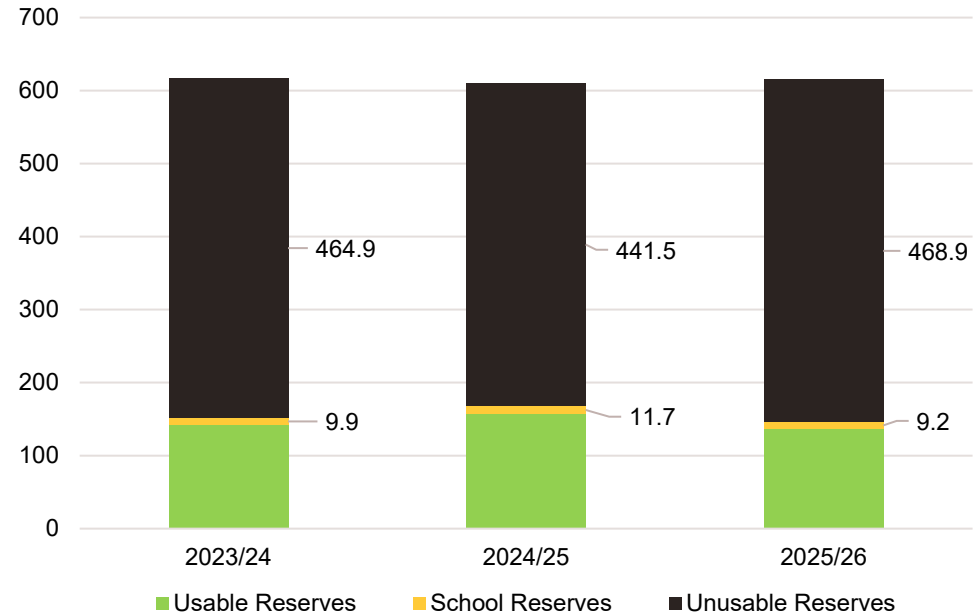
The pension fund position is reviewed every three years and was last revalued as at 31 March 2025, where the in-service contribution rate decreased to 17.6% (previously 18.8%) with no deficit contribution (previously 1.2%). These changes have been reflected in the medium-term financial strategy.

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

## Reserves

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

Reserves (£m)



## Usable Reserves

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

# Narrative report

## Unusable Reserves

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

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

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

The movement in unusable reserves is largely due to the increase in the Capital adjustment account, as a result of increased capital grants and contributions, offset by the increase in the Dedicated Schools Grant (DSG) deficit which is accounted for as a negative reserve as permitted by statutory override.

## Financial Resilience and Sustainability

The council's future financial resilience and sustainability is underpinned by robust financial planning to identify key pressures and funding gaps to inform savings and transformation plans which are aligned to strategic and statutory priorities and consistent with workforce, capital, investment and other operational plans.

The approved budget and MTFS for 2026/27 builds on the prudent approach and robust financial management now embedded across the council: to preserve and protect the council's future financial resilience and sustainability through robust and reliable management of the revenue budget and capital programme and delivery of realistic, achievable and recurrent savings on time and in full.

A sustainable financial strategy has been developed for 2026/27 and onwards, to ensure the council can achieve an ambitious programme of investment, service improvements and transformation to deliver the best for Herefordshire.

The council has developed a 4-year Medium Term Financial Strategy (MTFS) for the period from 2026/27 to 2029/30 to manage risks to its financial resilience including future demand for services and assumptions in funding.

The most significant medium term financial risks identified are:

- **Increasing demand for Adults and Children's Social Care:** Demand led pressures are reflected within our spending plans; additional funding to support increased demand has been applied to Community Wellbeing and Children & Young People Directorate base budgets for 2026/27. In year monitoring of performance and relevant activity data enables Directorates to forecast trends and identify changes in demand. The balance remaining in the Budget Resilience Reserve at 31 March 2026 will be carried forward to mitigate the risks of excessive cost pressures and volatility in demand in 2026/27.
- **Safeguarding the financial position of the council:** High risk budget areas have been identified and financial support is targeted in these areas. Robust and regular financial monitoring which is reported to Directorate and Corporate Leadership Teams and Cabinet enables the timely identification of actions to mitigate the risk of overspends. Directorate Savings Boards will provide additional oversight to the delivery of approved savings in 2026/27 and work to identify savings for future years, as part of the Future Financial Strategy, will take place from April 2026.
- **Improvement in Children's Services:** The council will continue to work with the Department for Education and the appointed Commissioner for Children's Services to deliver transformation and maintain improvements through the Phase 3 Improvement Plan and Ofsted Outcome Acton Plan in 2026/27.

## Narrative report

- **Volatility in government funding streams:** The government settlement for 2026/27 is a multi-year settlement; the MTFS reflects prudent estimates and assumptions in financial planning over the medium-term period. The MTFS will be updated to reflect the impact for the council of the multi-year Settlement and in-year funding allocations as further information is released.
- **Uncertainty in rates of interest and inflation:** The council's approved Treasury Management Strategy is informed by latest forecasts, provided by our external Treasury Management Advisors. Increases in borrowing rates will be offset by increases in investment returns.
- **High Needs Budgets:** These budgets are funded by the Dedicated Schools Grant (DSG), however any overspend remains a council liability. The forecast cumulative deficit position over the medium-term period represents a significant financial pressure for the council, in line with the national trend. The cumulative 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 until 31 March 2028. This enables all local authorities to ring-fence the DSG deficit from the overall financial position in the statutory accounts. The High Needs Stability Grant, to be provided by Government as part of wider SEND reform, will cover up to 90% of High Needs-related deficit accrued up to the end of March 2026, with the remaining 10% balance to be a liability of the council at the end of the statutory override period. Proposed activity through the future capital programme, DSG deficit management plan, continued Home to School transport review alongside wider SEND reform, including the High Needs Stability Grant, is expected to have a positive impact on local sufficiency and the council's future financial position.

### Financial Interests in other organisations

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

In 2025/26, the group accounts include the council's interest in its subsidiary: Hoople Ltd. The financial position of the council, including its interest in Hoople Ltd is presented in the Group accounts at pages 92 to 99.

Rachael Sanders, Director of Finance and Section 151 Officer

29/05/2026

# Statement of responsibilities

## The Council's Responsibilities

The council is required to:

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

## The Section 151 Officer - Responsibilities

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

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

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

The Section 151 Officer has also:

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

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

In accordance with Regulation 9(1) of the Accounts and Audit Regulations 2015, I certify that the audited Statement of Accounts gives a true and fair view of the financial position of Herefordshire Council and its group as at 31 March 2026 and its income and expenditure for the year ended 31 March 2026.

Rachael Sanders, Director of Finance and Section 151 Officer

DD/MM/2026

## Audit and Governance Committee Approval

In accordance with Regulation 9(2) of the Accounts and Audit Regulations 2015, I certify that Audit and Governance Committee approved the draft Statement of Accounts for 2025/26.

David Hitchiner, Chair of the Audit and Governance Committee

DD/MM/2026



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## Financial statements



## Comprehensive income and expenditure statement

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

2024/25 Gross expenditure £m	2024/25 Gross income £m	2024/25 Net expenditure £m	Comprehensive income and expenditure	Note	2025/26 Gross expenditure £m	2025/26 Gross income £m	2025/26 Net expenditure £m
209.6	(147.2)	<b>62.4</b>	Children and Young People		222.5	(152.9)	<b>69.6</b>
147.6	(77.2)	<b>70.4</b>	Community Wellbeing		157.0	(80.1)	<b>76.9</b>
99.3	(36.1)	<b>63.2</b>	Economy and Environment		102.1	(37.4)	<b>64.7</b>
70.4	(42.3)	<b>28.1</b>	Corporate Services		65.0	(33.9)	<b>31.1</b>
<b>526.9</b>	<b>(302.8)</b>	<b>224.1</b>	<b>Net cost of services</b>	8	<b>546.6</b>	<b>(304.3)</b>	<b>242.3</b>
35.3	-	<b>35.3</b>	Other operating expenditure	10	7.7	-	<b>7.7</b>
11.4	(8.2)	<b>3.2</b>	Financing and investment income and expenditure	11	10.1	(12.2)	<b>(2.1)</b>
-	(246.5)	<b>(246.5)</b>	Taxation and non-specific grant income	12	-	(247.0)	<b>(247.0)</b>
<b>573.6</b>	<b>(557.5)</b>	<b>16.1</b>	<b>(Surplus)/deficit on the provision of services</b>	9.1	<b>564.4</b>	<b>(563.5)</b>	<b>0.9</b>
		<b>(8.2)</b>	(Surplus)/deficit on revaluation of non-current assets	19.3			<b>(7.1)</b>
		<b>(1.1)</b>	Re-measurement of the net defined benefit liability	T1.3			<b>1.2</b>
		<b>(9.3)</b>	<b>Other comprehensive (income) and expenditure</b>				<b>(5.9)</b>
		<b>6.8</b>	<b>Total comprehensive (income) and expenditure</b>				<b>(5.0)</b>

## Balance sheet

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

31 March 2025 £m	Balance sheet	Note	31 March 2026 £m
697.5	Property, plant and equipment	19.1	743.8
48.5	Investment property	20	51.5
0.7	Intangible assets		1.3
4.4	Heritage assets		4.4
35.6	Long term debtors	T2.2	35.7
<b>786.7</b>	<b>Long term assets</b>		<b>836.7</b>
10.4	Short term investments	T2.2	16.6
0.3	Inventories		0.6
54.7	Short term debtors	22	51.2
38.6	Cash and cash equivalents	23	45.3
<b>104.0</b>	<b>Current assets</b>		<b>113.7</b>

31 March 2025 £m	Balance sheet	Note	31 March 2026 £m
(8.3)	Short term borrowing	T2.3	(24.3)
(56.8)	Short term creditors	24.1	(58.8)
(6.7)	Short term grants receipts in advance	24.2	(5.9)
(3.6)	Short term provisions		(4.5)
(3.3)	Cash and cash equivalents	23	(3.1)
<b>(78.7)</b>	<b>Current liabilities</b>		<b>(96.6)</b>
(1.4)	Long term provisions		(1.4)
(130.5)	Long term borrowing	T2.3	(172.3)
(14.9)	Capital grants receipts in advance	25	(15.7)
(55.3)	Other long term liabilities	T2.3	(49.5)
<b>(202.1)</b>	<b>Total long term liabilities</b>		<b>(238.9)</b>
<b>609.9</b>	<b>Net assets</b>		<b>614.9</b>
(168.4)	Usable reserves	29	(146.0)
(441.5)	Unusable reserves	30	(468.9)
<b>(609.9)</b>	<b>Total reserves</b>		<b>(614.9)</b>

Rachael Sanders, Director of Finance and Section 151 Officer

29/05/2026

## Movement in reserves statement

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

Movement in reserves statement	General fund £m	Earmarked reserves £m	Total general fund £m	Capital receipts reserve £m	Capital grants unapplied £m	Total usable reserves £m	Total unusable reserves £m	Total reserves £m
<b>Balance at 31 March 2024</b>	<b>(9.6)</b>	<b>(73.2)</b>	<b>(82.8)</b>	<b>(38.2)</b>	<b>(30.8)</b>	<b>(151.8)</b>	<b>(464.9)</b>	<b>(616.7)</b>
Total comprehensive income and expenditure	16.1	-	16.1	-	-	16.1	(9.3)	6.8
Adjustments between accounting basis and funding basis under regulations (note 28)	(24.1)	-	(24.1)	3.4	(12.0)	(32.7)	32.7	-
Transfers (to)/from earmarked reserves (note 31)	7.5	(7.5)	-	-	-	-	-	-
<b>(Increase)/decrease in year</b>	<b>(0.5)</b>	<b>(7.5)</b>	<b>(8.0)</b>	<b>3.4</b>	<b>(12.0)</b>	<b>(16.6)</b>	<b>23.4</b>	<b>6.8</b>
<b>Balance at 31 March 2025</b>	<b>(10.1)</b>	<b>(80.7)</b>	<b>(90.8)</b>	<b>(34.8)</b>	<b>(42.8)</b>	<b>(168.4)</b>	<b>(441.5)</b>	<b>(609.9)</b>
Total comprehensive income and expenditure	0.9	-	0.9	-	-	0.9	(5.9)	(5.0)
Adjustments between accounting basis and funding basis under regulations (note 28)	8.9	-	8.9	5.6	7.0	21.5	(21.5)	-
Transfers (to)/from earmarked reserves (note 31)	(9.8)	9.8	-	-	-	-	-	-
<b>(Increase)/decrease in year</b>	<b>-</b>	<b>9.8</b>	<b>9.8</b>	<b>5.6</b>	<b>7.0</b>	<b>22.4</b>	<b>(27.4)</b>	<b>(5.0)</b>
<b>Balance at 31 March 2026</b>	<b>(10.1)</b>	<b>(70.9)</b>	<b>(81.0)</b>	<b>(29.2)</b>	<b>(35.8)</b>	<b>(146.0)</b>	<b>(468.9)</b>	<b>(614.9)</b>
Note		31				29	30	

## Cash flow statement

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

2024/25 £m	Cash flow statement	Note	2025/26 £m
16.1	Net (surplus)/deficit on the provision of services		0.9
(61.4)	Adjust net (surplus)/deficit on the provision of services for non-cash movements	32.1	(31.4)
45.7	Adjust for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	32.2	40.6
<b>0.4</b>	<b>Net cash flows from operating activities</b>		<b>10.1</b>
1.8	Net cash flows from investing activities	33	36.1
(14.4)	Net cash flows from financing activities	34.1	(53.1)
<b>(12.2)</b>	<b>Net (increase)/decrease in cash and cash equivalents</b>		<b>(6.9)</b>
23.1	Cash and cash equivalents at 1 April		35.3
35.3	Cash and cash equivalents at 31 March	23	42.2
<b>12.2</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>6.9</b>

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# General notes to the financial statements

## 1. General accounting policies

The council is required to produce an annual statement of accounts by the Accounts and Audit Regulations 2015 (as amended), which require the accounts to be prepared in accordance with proper accounting practices. These practices under section 21 of the 2003 Act primarily comprise the code of practice on local authority accounting in the United Kingdom 2025/26, supported by International Financial Reporting Standards. The single entity statements and the statement of group accounts have consistently applied the accounting policies detailed within each note. Where applicable, the statement of group accounts include additional accounting policies specific to the council's subsidiary undertaking, Hoople Ltd.

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

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

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

- Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (Amendments to Heritage assets) issued in March 2024
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7) issued in May 2024
- Annual improvements to IFRS accounting standards – volume 11 issued in July 2024
- Contracts referencing nature-dependent electricity (Amendments to IFRS 9 and IFRS 7) issued in December 2024.

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

## General notes to the financial statements

### 3. Critical judgements in applying accounting policies

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

#### Interest in companies and other entities

An assessment of all the council's interests has been carried out to determine whether a group relationship between the council and other entities exists on the basis of control and significant influence. Hoople Ltd has been assessed to be a subsidiary because the council owns 80% of the share capital and has been consolidated in the group accounts. Cyber Quarter Ltd has been assessed to be a subsidiary because the council owns 100% of the share capital and has not been included in the group accounts due to materiality. West Mercia Energy has been assessed to be a joint venture because the owning authorities have rights to the net assets of the arrangement and has not been included in the group accounts due to materiality.

#### Schools' assets

The council makes a judgement as to whether to account for schools' assets as if they are owned (on balance sheet) or not owned (off balance sheet). This is an assessment based on the level of control and decision-making. The council has assessed that all community, voluntary-aided and voluntary-controlled schools are included on the balance sheet, this is because the council benefits from the service provision within the building and the flow of economic benefits. There are assets included in land and buildings within property, plant and equipment with a net book value of £217.4 million as at 31 March 2026 (£216.2 million as at 31 March 2025). Free schools and academy schools are not included on the balance sheet.

#### Energy from Waste plant

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

#### Shaw Healthcare contract

The council has made a judgement that the contract with Shaw Healthcare to develop residential homes and day centres falls under the definition of a PFI contract and is therefore accounted for as a PFI scheme. This is because it meets the criteria for a service concession under IFRIC 12. There is a PFI asset included in PPE on the balance sheet, and a corresponding liability on the balance sheet.

## General notes to the financial statements

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

The statement of accounts contains estimated figures that are based on assumptions made by the council about the future or events that are otherwise uncertain. Estimates are made based on historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the balance sheet at 31 March 2026 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment valuations	<p>The council's external valuers provide valuations at 31 March based on a rolling programme of valuations. The valuations are undertaken by qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) professional standards using recognised measurement techniques. The valuers also provide indices which are applied to those assets not valued in year.</p> <p>The value of the property, plant and equipment is dependent upon professional judgement based on information available at the time of valuation.</p>	<p>A variation of 5% in the value of Property, plant and equipment would be approximately £37.2 million from the closing net book value of £743.8 million.</p> <p>A reduction in the estimated valuations would result in a reduction to the revaluation reserve and/or a loss charged to the comprehensive income and expenditure statement.</p> <p>An increase in estimated valuations would result in the reversal of any negative revaluations previously charged to the comprehensive income and expenditure statement and/or increases to the revaluation reserve and/or gains charged to the comprehensive income and expenditure statement.</p>

## General notes to the financial statements

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions net asset/liability valuation	<p>The net liability to pay pensions is calculated every three years with annual updates in the intervening years. A firm of consulting actuaries (Hymans Robertson) is engaged to provide the council with expert advice about the assumptions to be applied. Changes to these underlying assumptions can result in significant variances in the calculated liability. The assumptions and complex judgements applied include the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>When a net pension asset is calculated, there is a restriction on the recognition of that asset to the estimated future benefit from that asset in reduced pension contributions. The calculation of this net pension asset ceiling is also subject to actuarial assumptions.</p>	<p>The effects on the scheme liabilities (£539.5 million at 31 March 2026) of changes in individual assumptions can be measured. For instance:</p> <p>A 0.1% decrease in the discount rate used would increase the liability by £8.0 million.</p> <p>A 0.1% increase in the inflation rate used would increase the liability by £7.7 million.</p> <p>A 0.1% increase in the rate of pay growth used would increase the liability by £0.3 million.</p> <p>An increase of one year in assumed life expectancy used would increase the liability by £21.6 million.</p>

## General notes to the financial statements

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

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

## General notes to the financial statements

### 6. Events after the reporting period

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

There are two types of event;

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

#### Adjusting events

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

#### Non-adjusting events

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

# General notes to the financial statements

## 7. Related party transactions

### Central government

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

### Elected Members

Elected Members of the council have direct control over the council's financial and operating policies. A total of £0.9 million allowances and expenses were paid to members in 2025/26 (2024/25 £0.9 million). Elected members of the council may be involved with other local organisations that provide services for or receive services from the council. For 2025/26, there are no material transactions for services to organisations in which Members have declared interests.

### Officers

Officers of the council may be involved with other local organisations that provide services for or receive services from the council. For 2025/26, there are no material transactions for services to organisations in which officers have declared interests.

### Hoople Ltd

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

In 2025/26, the council spent £19.6 million (2024/25 £19.4 million) on services from the company and received £0.6 million (2024/25 £1.0 million) in income from the company. This is reflected in the single entity comprehensive income and expenditure statement. There is a debtor of £1.0 million (2024/25 £0.6 million) and a creditor of £1.9 million (2024/25 £1.2 million) outstanding at 31 March 2026 and these balances are included in the single entity balance sheet.

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

### Section 75 Framework Partnership Agreements

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

## General notes to the financial statements

### West Mercia Energy Joint Committee

The council is represented by its elected members on the West Mercia Energy Joint Committee (WME). WME offers energy procurement and management on behalf of its four owning authorities and a number of outside bodies. WME is constituted as a Joint Committee and the council is one of four constituent authorities, alongside Shropshire Council, Worcestershire County Council and Telford and Wrekin Council. The parties have rights to the net assets of the arrangement and, as such, this is judged to be a joint venture. This joint venture is not consolidated into the Group Accounts because it is not considered to be material. The council paid £2.2 million to WME in 2025/26 (2024/25 £2.5 million) and received £1.0 million (2024/25 £0.1 million); these transactions are reflected in the comprehensive income and expenditure statement. There is a debtor of £0.6 million (2024/25 £0.5 million) outstanding at the year-end and this balance is included in the single entity balance sheet.

### Cyber Quarter Limited

In March 2019, the council entered into a partnership with the University of Wolverhampton to establish the Midlands Centre for Cyber Security in Skylon Park, Herefordshire Enterprise Zone through the company: Cyber Quarter Limited. Since 8 July 2024, the council owns 100% of the share capital and this interest is accounted for as a long term investment in the single entity balance sheet. The company is a wholly owned subsidiary, which is not consolidated into the Group Accounts because it is not considered to be material.

In 2019 a commercial loan of £3.5 million was granted by the council to Cyber Quarter Limited. This is shown as a long term debtor in the council accounts. The interest rate is fixed at 5.99% and repayment over 30 years with no repayments due in the first five years, equal repayments falling due thereafter.

## Notes supporting the comprehensive income and expenditure statement

### 8. Expenditure and funding analysis

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

		2025/26	2025/26	2025/26 between accounting basis and funding basis under regulations £m	2025/26 Net expenditure in the CIES £m
Children and Young People	57.6	1.1	58.7	10.9	69.6
Community Wellbeing	94.1	(15.6)	78.5	(1.6)	76.9
Economy and Environment	42.6	28.7	71.3	(6.6)	64.7
Corporate Services	37.2	7.5	44.7	(13.6)	31.1
<b>Net cost of services</b>	<b>231.5</b>	<b>21.7</b>	<b>253.2</b>	<b>(10.9)</b>	<b>242.3</b>
Other income and expenditure	(231.5)	(11.9)	(243.4)	2.0	(241.4)
<b>(Surplus)/deficit on the provision of services</b>	<b>-</b>	<b>9.8</b>	<b>9.8</b>	<b>(8.9)</b>	<b>0.9</b>
Opening general fund balance at 1 April			(90.8)		
(Surplus)/deficit			9.8		
<b>Closing general fund balance at 31 March</b>			<b>(81.0)</b>		
Note		8.2	29	28, 8.1	

## Notes supporting the comprehensive income and expenditure statement

Expenditure and funding analysis	2024/25	2024/25	2024/25	2024/25 and funding basis under regulations £m	2024/25 Net expenditure in the CIES £m
Children and Young People	56.9	(4.5)	52.4	10.0	62.4
Community Wellbeing	77.8	(8.4)	69.4	1.0	70.4
Economy and Environment	38.0	(1.1)	36.9	26.3	63.2
Corporate Services	39.6	27.9	67.5	(39.4)	28.1
<b>Net cost of services</b>	<b>212.3</b>	<b>13.9</b>	<b>226.2</b>	<b>(2.1)</b>	<b>224.1</b>
Other income and expenditure	(212.8)	(21.4)	(234.2)	26.2	(208.0)
<b>(Surplus)/deficit on the provision of services</b>	<b>(0.5)</b>	<b>(7.5)</b>	<b>(8.0)</b>	<b>24.1</b>	<b>16.1</b>
Opening general fund balance at 1 April			(82.8)		
(Surplus)/deficit			(8.0)		
<b>Closing general fund balance at 31 March</b>			<b>(90.8)</b>		
Note		8.2	29	28, 8.1	

## Notes supporting the comprehensive income and expenditure statement

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

	Adjustments for pensions purposes £m		Total adjustments £m	accounting basis and funding basis under regulations		Adjustments for pensions purposes £m	Adjustments for other purposes £m	Total adjustments £m
(2.6)	(1.3)	13.9	<b>10.0</b>	Children and Young People	(2.5)	(2.9)	16.3	<b>10.9</b>
1.5	(0.5)	-	<b>1.0</b>	Community Wellbeing	(0.5)	(1.1)	-	<b>(1.6)</b>
26.7	(0.4)	-	<b>26.3</b>	Economy and Environment	(5.7)	(0.9)	-	<b>(6.6)</b>
(40.3)	0.9	-	<b>(39.4)</b>	Corporate Services	(12.5)	(1.1)	-	<b>(13.6)</b>
<b>(14.7)</b>	<b>(1.3)</b>	<b>13.9</b>	<b>(2.1)</b>	<b>Net cost of services</b>	<b>(21.2)</b>	<b>(6.0)</b>	<b>16.3</b>	<b>(10.9)</b>
29.4	0.7	(3.9)	<b>26.2</b>	Other income and expenditure	1.0	0.7	0.3	<b>2.0</b>
<b>14.7</b>	<b>(0.6)</b>	<b>10.0</b>	<b>24.1</b>	<b>(Surplus)/deficit on the provision of services</b>	<b>(20.2)</b>	<b>(5.3)</b>	<b>16.6</b>	<b>(8.9)</b>

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

## Notes supporting the comprehensive income and expenditure statement

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

2024/25 Capital adjustments not included in internal reporting £m	2024/25 Other adjustments not included in internal reporting £m	2024/25 Recharges included in internal reporting but removed for financial statements £m	2024/25 Reserve movement not included in internal reporting £m	2024/25 Total adjustments £m	Adjustments to arrive at net expenditure chargeable to the general fund	2025/26 Capital adjustments not included in internal reporting £m	2025/26 Other adjustments not included in internal reporting £m	2025/26 Recharges included in internal reporting but removed for financial statements £m	2025/26 Reserve movement not included in internal reporting £m	2025/26 Total adjustments £m
8.3	(12.4)	-	(0.4)	<b>(4.5)</b>	Children and Young People	6.2	(4.6)	(0.1)	(0.4)	<b>1.1</b>
2.8	(14.3)	(0.6)	3.7	<b>(8.4)</b>	Community Wellbeing	1.3	(19.2)	(0.6)	2.9	<b>(15.6)</b>
0.8	(2.0)	(4.7)	4.8	<b>(1.1)</b>	Economy and Environment	34.8	(5.5)	(5.2)	4.6	<b>28.7</b>
41.5	(18.3)	8.1	(3.4)	<b>27.9</b>	Corporate Services	15.2	(18.4)	8.6	2.1	<b>7.5</b>
<b>53.4</b>	<b>(47.0)</b>	<b>2.8</b>	<b>4.7</b>	<b>13.9</b>	<b>Net cost of services</b>	<b>57.5</b>	<b>(47.7)</b>	<b>2.7</b>	<b>9.2</b>	<b>21.7</b>
(39.2)	15.9	(4.9)	6.8	<b>(21.4)</b>	Other income and expenditure	(38.9)	29.9	(6.5)	3.6	<b>(11.9)</b>
<b>14.2</b>	<b>(31.1)</b>	<b>(2.1)</b>	<b>11.5</b>	<b>(7.5)</b>	<b>(Surplus)/deficit on the provision of services</b>	<b>18.6</b>	<b>(17.8)</b>	<b>(3.8)</b>	<b>12.8</b>	<b>9.8</b>

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

# Notes supporting the comprehensive income and expenditure statement

## 9.1. Nature of income and expenditure

2024/25 £m	Nature of income and expenditure	2025/26 £m
	<b>Income</b>	
(48.5)	Fees, charges and other service income	(53.3)
(2.9)	Trading and investment income	(7.1)
(5.3)	Interest and investment income	(5.1)
(177.4)	Income from council tax and non-domestic rates	(189.0)
(323.4)	Government grants and contributions	(309.0)
<b>(557.5)</b>	<b>Total Income</b>	<b>(563.5)</b>
	<b>Expenditure</b>	
146.4	Employee benefits expenses	145.5
317.5	Other service expenses	341.7
10.0	Support services recharges (net)	14.0
29.4	Loss on disposal of non-current assets	1.2
53.0	REFCUS, depreciation, amortisation and impairment	45.4
3.0	Trading and investment expenditure	0.6
8.4	Interest expense	9.5
5.9	Precepts and levies	6.5
<b>573.6</b>	<b>Total expenditure</b>	<b>564.4</b>
<b>16.1</b>	<b>(Surplus)/deficit on the provision of services</b>	<b>0.9</b>

### Revenue recognition

Income and expenditure is accounted for in the financial year in which the activity it relates to takes place, which may not be the same year in which cash payments are made or received. Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet, subject to a de-minimis threshold of £5,000 for revenue and £10,000 for capital.

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

## Notes supporting the comprehensive income and expenditure statement

### 9.2. Segmental reporting

		Community Wellbeing £m	Economy and Environment £m		
Fees, charges and other service income	(7.3)	(17.3)	(21.9)	(6.8)	<b>(53.3)</b>
Employee benefits expenses	101.9	20.8	14.8	8.0	<b>145.5</b>
Premises costs	7.4	(1.3)	4.5	(0.1)	<b>10.5</b>
Transport costs	1.0	0.5	16.7	-	<b>18.2</b>
Supplies and services	33.4	12.8	5.1	8.5	<b>59.8</b>
Third party payments	36.4	120.2	34.8	7.0	<b>198.4</b>
Transfer payments	21.1	1.2	1.7	30.8	<b>54.8</b>
REFCUS, depreciation, amortisation and impairment	7.1	3.1	32.5	2.7	<b>45.4</b>
Support services	14.1	(0.4)	(8.1)	8.4	<b>14.0</b>

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

## Notes supporting the comprehensive income and expenditure statement

### 10. Other operating expenditure

2024/25 £m	Other operating expenditure	2025/26 £m
5.7	Parish council precepts	6.3
0.2	Levies	0.2
29.4	(Gains)/losses on the disposal of non-current assets	1.2
<b>35.3</b>	<b>Total other operating expenditure</b>	<b>7.7</b>

### 11. Financing and investment income and expenditure

2024/25 £m	Financing and investment income and expenditure	2025/26 £m
7.7	Interest payable and similar charges	8.9
0.7	Net interest of the defined net pension liability	0.6
(5.3)	Interest receivable	(5.1)
0.1	Income and expenditure of trading accounts and investment properties	(6.5)
<b>3.2</b>	<b>Total financing and investment income and expenditure</b>	<b>(2.1)</b>

## Notes supporting the comprehensive income and expenditure statement

### 12. Taxation and non-specific grant income

2024/25 £m	Taxation and non-specific grant income	2025/26 £m
(141.4)	Council tax income	(152.2)
(36.0)	Non-domestic rates income	(36.8)
(25.5)	Non-ring fenced government grants	(19.7)
(43.6)	Capital grants and contributions	(38.3)
<b>(246.5)</b>	<b>Total taxation and non-specific grant income</b>	<b>(247.0)</b>

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

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

## Notes supporting the comprehensive income and expenditure statement

### 13. Grant income

2024/25 £m	Grant income	2025/26 £m
(1.0)	Revenue support grant	(1.4)
(24.5)	Other non-ring fenced grants	(18.3)
(43.6)	Capital grants	(38.3)
<b>(69.1)</b>	<b>Total grants credited to taxation and non-specific grant income</b>	<b>(58.0)</b>
(120.5)	Department for Education	(125.2)
(47.5)	Ministry of Housing, Communities and Local Government	(47.3)
(30.8)	Department for Work and Pensions	(24.7)
(1.4)	Department for Transport	(3.2)
(3.6)	Department for Energy, Security and Net Zero	(0.7)
(1.2)	Department for Environment, Food and Rural affairs	(4.1)
(11.8)	Department for Health	(12.2)
(37.5)	Other grants and contributions	(33.6)
<b>(254.3)</b>	<b>Total grants credited to services</b>	<b>(251.0)</b>
<b>(323.4)</b>	<b>Total grant income</b>	<b>(309.0)</b>

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

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

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

## Notes supporting the comprehensive income and expenditure statement

### 14. Dedicated schools grant

The council's expenditure on schools is funded by the dedicated schools grant (DSG) provided by the Department for Education. DSG is a ring-fenced grant and can only be applied to meet expenditure properly included in the schools budget, as defined in the School Finance and Early Years (England) Regulations 2025. The schools budget includes elements for a restricted range of services provided on a council-wide basis and for the individual schools budget, which is divided into a budget share for each school. Over and under spends on the two elements are required to be accounted for separately.

*restated 2024/25 Total £m	Dedicated schools grant	2025/26 Central expenditure £m	2025/26 Individual schools budget £m	2025/26 Total £m
(174.8)	Final DSG allocation before academy and high needs recoupment	-	-	(191.8)
67.2	Less academy and high needs figure recouped	-	-	77.3
(107.6)	<b>Total DSG after academy and high needs recoupment for the year</b>	-	-	(114.5)
(107.6)	<b>Agreed initial budgeted distribution for the year</b>	(48.5)	(66.0)	(114.5)
0.1	In-year adjustments	0.5	-	0.5
(107.5)	<b>Final budgeted distribution for the year</b>	(48.0)	(66.0)	(114.0)
54.9	Less actual central expenditure	64.3	-	64.3
66.5	Less actual individual schools budget deployed to schools	-	66.0	66.0
13.9	<b>In year carry forward to following year</b>	16.3	-	16.3
13.9	<b>Carried forward to following year</b>	-	-	16.3
6.1	DSG unusable deficit reserve at the end of the prior year	-	-	20.0
13.9	In year addition to the DSG unusable deficit reserve	-	-	16.3
20.0	<b>Total DSG unusable deficit reserve at the end of the year</b>	-	-	36.3

\*restated in-year adjustments and individual schools budget following ESFA review

# Notes supporting the comprehensive income and expenditure statement

## 15. Pooled budgets

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

2024/25 Pooled income £m	2024/25 Pooled expenditure £m	2024/25 Net pooled expenditure £m	2024/25 HC managed £m	2024/25 ICB managed £m	Pooled budgets	2025/26 Pooled income £m	2025/26 Pooled expenditure £m	2025/26 Net pooled expenditure £m	2025/26 HC managed £m	2025/26 ICB managed £m
(30.0)	29.9	(0.1)	17.6	12.3	Consolidated better care fund	(31.2)	30.9	(0.3)	19.0	11.9
(5.9)	5.9	-	5.0	0.9	Consolidated Children's Services	(3.8)	3.8	-	3.2	0.6
(1.9)	1.7	(0.2)	0.7	1.0	Integrated community equipment store	(2.0)	2.4	0.4	1.1	1.3
<b>(37.8)</b>	<b>37.5</b>	<b>(0.3)</b>	<b>23.3</b>	<b>14.2</b>	<b>Total</b>	<b>(37.0)</b>	<b>37.1</b>	<b>0.1</b>	<b>23.3</b>	<b>13.8</b>

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

The consolidated better care fund comprises the minimum revenue pool, the capital pool, the additional revenue pool and the improved better care fund, and aims to further the integration between health and social care. The consolidated children's services fund aims to improve provision of services to young people with complex educational, social and medical needs. The integrated community equipment store fund aims to provide specialist equipment to people within the community.

# Notes supporting the comprehensive income and expenditure statement

## 16. Officers' remuneration

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

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

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

2024/25 Number of school staff	2024/25 Number of non-school staff	2024/25 Total number	Salary banding	2025/26 Number of school staff	2025/26 Number of non-school staff	2025/26 Total number
62	47	109	£50,000 to £55,000	93	57	150
42	40	82	£55,001 to £60,000	51	45	96
24	40	64	£60,001 to £65,000	38	46	84
14	25	39	£65,001 to £70,000	16	21	37
11	6	17	£70,001 to £75,000	15	20	35
11	1	12	£75,001 to £80,000	7	1	8
1	3	4	£80,001 to £85,000	9	-	9
5	2	7	£85,001 to £90,000	2	1	3
-	1	1	£90,001 to £95,000	4	3	7
2	5	7	£95,001 to £100,000	-	2	2
1	1	2	£100,001 to £105,000	1	3	4
-	1	1	£105,001 to £110,000	2	1	3
-	1	1	£110,001 to £115,000	1	1	2
1	1	2	£115,001 to £120,000	-	1	1
-	1	1	£120,001 to £125,000	1	2	3
-	1	1	£140,001 to £145,000	-	-	-
-	1	1	£145,001 to £150,000	-	-	-
-	-	-	£150,001 to £155,000	-	2	2
-	1	1	£165,001 to £170,000	-	-	-
-	-	-	£170,001 to £175,000	-	1	1
<b>174</b>	<b>178</b>	<b>352</b>	<b>Total number of employees over £50,000</b>	<b>240</b>	<b>207</b>	<b>447</b>

## Notes supporting the comprehensive income and expenditure statement

### 16.2. Senior employees' remuneration

2025/26	Note	Salary, fees and allowances £000	Pension contributions £000	Total £000
Chief Executive (Paul Walker)		174	-	174
Director of Governance and Law/Monitoring Officer		121	-	121
Corporate Director, Children and Young People (Tina Russell)		155	29	184
Corporate Director, Community Wellbeing (Hilary Hall)		155	29	184
Corporate Director, Economy and Environment	1	67	13	80
Corporate Director, Economy and Environment	2	63	12	75
Director of Public Health		110	16	126
Director of HR and OD		108	20	128
Director of Finance/Section 151 Officer		120	22	142
<b>Total</b>		<b>1,073</b>	<b>141</b>	<b>1,214</b>

#### Notes:

1. The Corporate Director, Economy and Environment left in September 2025, the post was filled by an interim until the new Director was appointed
2. The Corporate Director, Economy and Environment was appointed in post on 27 October 2025

## Notes supporting the comprehensive income and expenditure statement

2024/25	Note	Salary, fees and allowances £000	Pension contributions £000	Total £000
Chief Executive (Paul Walker)		169	-	169
Director of Resources and Assurance/Section 151 Officer	3	34	5	39
Director of Governance and Law/Monitoring Officer		117	-	117
Corporate Director, Children and Young People	4	112	21	133
Corporate Director, Community Wellbeing		150	28	178
Corporate Director, Economy and Environment		142	27	169
Director of Public Health	5	26	5	31
Director of HR and OD		97	18	115
Interim Director of Strategy and Performance	6	17	3	20
Director of Finance/Section 151 Officer	7	71	14	85
<b>Total</b>		<b>935</b>	<b>121</b>	<b>1,056</b>

### Notes:

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

## Notes supporting the comprehensive income and expenditure statement

### 17. Termination benefits

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

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

The number and total cost per band of exit packages analysed between compulsory and other redundancies are set out in the table below. This includes exit packages agreed in the year although not yet actioned at the year end.

2024/25 Number of compulsory redundancies	2024/25 Number of other agreed departures	2024/25 Total number of exit packages	2024/25 Total cost of exit packages £000	Exit package cost banding	2025/26 Number of compulsory redundancies	2025/26 Number of other agreed departures	2025/26 Total number of exit packages	2025/26 Total cost of exit packages £000
6	25	31	252	£0 to £20,000	3	31	34	244
3	6	9	263	£20,001 to £40,000	1	-	1	26
-	1	1	73	£60,001 to £80,000	-	-	-	-
<b>9</b>	<b>32</b>	<b>41</b>	<b>588</b>	<b>Total</b>	<b>4</b>	<b>31</b>	<b>35</b>	<b>270</b>

## Notes supporting the comprehensive income and expenditure statement

### 18. External audit costs

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

restated 2024/25 £000	External audit costs	2025/26 £000
391	Scale fee incurred for external audit services	398
23	Expected additional fees for external audit services (to be approved by PSAA)	-
<b>414</b>	<b>Total audit fees</b>	<b>398</b>
-	Non audit fees confirmed relating to 20/21	2
-	Non audit fees confirmed relating to 21/22	-
10	Non audit fees confirmed relating to 22/23	-
58	Non audit fees confirmed relating to 23/24	27
<b>68</b>	<b>Total non audit fees</b>	<b>29</b>
<b>482</b>	<b>Total external audit fees</b>	<b>427</b>

External audit fees for 2024/25 have been restated to agree to final fees payable.

## Notes supporting the balance sheet

### 19. Property, plant and equipment

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

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

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

Capital expenditure that does not result in the creation of a long-term asset (Revenue Expenditure Funded from Capital under Statute, known as REFCUS) is charged as expenditure to the relevant service in the comprehensive income and expenditure statement. Where the cost of this expenditure is met from existing capital resources or by borrowing, a transfer in the movement in reserves statement from the general fund balance to the capital adjustment account is made.

Depreciation is provided for on PPE assets over their useful lives, with major components depreciated separately. Assets without a determinable finite useful life (e.g. freehold land and certain Community Assets) or that are not yet available for use (e.g. assets under construction) are not depreciated. The calculation is on a straight-line basis over the remaining useful life of the assets as estimated by the valuer (for buildings this is between 10 and 56 years and for Right of Use assets this is between 1 and 998 years). For those assets classed as vehicles, plant, furniture and equipment, useful economic lives are estimated to be 5 years, unless the individual asset life is known (e.g. the waste asset is 30 years). New assets are not subject to a depreciation charge in the year of acquisition.

## Notes supporting the balance sheet

### Revaluations

Assets are revalued every five years on a rolling basis in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation - Global Standards 2021 and UK National Supplement. Annual indexation is applied to assets during the four intervening years. Where indices cannot be obtained, assets are revalued once every five years with a desktop revaluation in year three.

The council's valuations as at 31 March 2026 have been completed by:

Mark Aldis (Hons) MRICS RICS Registered Valuer IRRV

Wilks Head & Eve LLP

3rd Floor 55 New Oxford Street

London WC1A 1BS

Where increases in value are identified, the carrying amount of the asset is increased with a corresponding entry for the gain in the revaluation reserve, unless it is reversing a previous revaluation decrease where it is charged to the surplus or deficit on provision of services.

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

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

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

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the comprehensive income and expenditure statement

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

## Notes supporting the balance sheet

### 19.1 Property, plant and equipment movements

At 31 March 2026	Land and buildings £m	Vehicles, plant, furniture and equipment £m	Community assets £m	Surplus assets £m	Assets under construction £m	Total property, plant and equipment £m	PFI assets included in PPE £m
<b>Cost or valuation</b>							
Opening balance at 1 April	389.4	48.0	1.6	4.2	3.8	447.0	47.5
Adjustment due to application of IFRS 16	1.1	1.0	-	-	-	2.1	2.1
<b>Adjusted opening balance at 1 April</b>	<b>390.5</b>	<b>49.0</b>	<b>1.6</b>	<b>4.2</b>	<b>3.8</b>	<b>449.1</b>	<b>49.6</b>
Additions	12.6	1.9	-	1.5	11.1	27.1	0.4
Disposals	(2.0)	-	-	(0.3)	-	(2.3)	-
Derecognition - other	-	(0.1)	-	-	-	(0.1)	-
Revaluation increases/(decreases) recognised in the revaluation reserve	6.7	0.3	-	0.1	-	7.1	0.6
Revaluation increases/(decreases) recognised in the surplus/deficit on provision of services	1.4	-	-	(0.1)	-	1.3	-
Reverse accumulated depreciation	(8.8)	(1.0)	-	-	-	(9.8)	(1.5)
Asset transfers	(2.6)	-	-	-	2.6	-	-
<b>Closing balance at 31 March</b>	<b>397.8</b>	<b>50.1</b>	<b>1.6</b>	<b>5.4</b>	<b>17.5</b>	<b>472.4</b>	<b>49.1</b>
<b>Depreciation</b>							
Opening balance at 1 April	(3.7)	(6.9)	-	-	-	(10.6)	(1.3)
Charge for the year	(6.5)	(3.7)	-	-	-	(10.2)	(1.6)
Reverse accumulated depreciation	8.8	1.0	-	-	-	9.8	1.5
<b>Closing balance at 31 March</b>	<b>(1.4)</b>	<b>(9.6)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11.0)</b>	<b>(1.4)</b>
<b>Closing net book value at 31 March</b>	<b>396.4</b>	<b>40.5</b>	<b>1.6</b>	<b>5.4</b>	<b>17.5</b>	<b>461.4</b>	<b>47.7</b>
<b>Opening net book value at 1 April</b>	<b>385.7</b>	<b>41.1</b>	<b>1.6</b>	<b>4.2</b>	<b>3.8</b>	<b>436.4</b>	<b>46.2</b>

## Notes supporting the balance sheet

### Infrastructure assets

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

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

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

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

At 31 March 2026	£m
Infrastructure assets opening net book value at 1 April	261.1
Additions	47.2
Depreciation charge for the year	(25.9)
<b>Infrastructure assets closing net book value at 31 March</b>	<b>282.4</b>
Net book value of PPE excluding infrastructure assets	461.4
<b>Total net book value of PPE on the balance sheet at 31 March</b>	<b>743.8</b>

## Notes supporting the balance sheet

At 31 March 2025	Land and buildings £m	Vehicles, plant, furniture and equipment £m	Community assets £m	Surplus assets £m	Assets under construction £m	Total property, plant and equipment £m	PFI assets included in PPE £m
<b>Cost or valuation</b>							
Opening balance at 1 April	395.6	40.2	1.6	4.3	2.2	<b>443.9</b>	41.4
Adjustment due to application of IFRS 16	13.6	(0.2)	-	-	-	<b>13.4</b>	9.5
<b>Adjusted opening balance at 1 April</b>	<b>409.2</b>	<b>40.0</b>	<b>1.6</b>	<b>4.3</b>	<b>2.2</b>	<b>457.3</b>	<b>50.9</b>
Additions	10.1	8.3	-	0.9	1.6	<b>20.9</b>	0.8
Disposals	(30.1)	-	-	-	-	<b>(30.1)</b>	-
Revaluation increases/(decreases) recognised in the revaluation reserve	7.8	0.4	-	(0.1)	-	<b>8.1</b>	(0.7)
Revaluation increases/(decreases) recognised in the surplus/deficit on provision of services	(3.4)	0.2	-	(0.9)	-	<b>(4.1)</b>	(2.4)
Reverse accumulated depreciation	(4.2)	(0.9)	-	-	-	<b>(5.1)</b>	(1.1)
<b>Closing balance at 31 March</b>	<b>389.4</b>	<b>48.0</b>	<b>1.6</b>	<b>4.2</b>	<b>3.8</b>	<b>447.0</b>	<b>47.5</b>
<b>Depreciation</b>							
Opening balance at 1 April	(1.1)	(5.4)	-	-	-	<b>(6.5)</b>	(0.7)
Charge for the year	(6.9)	(2.5)	-	-	-	<b>(9.4)</b>	(1.7)
Reverse accumulated depreciation	3.7	1.0	-	-	-	<b>4.7</b>	1.1
Disposals	0.6	-	-	-	-	<b>0.6</b>	-
<b>Closing balance at 31 March</b>	<b>(3.7)</b>	<b>(6.9)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10.6)</b>	<b>(1.3)</b>
<b>Closing net book value at 31 March</b>	<b>385.7</b>	<b>41.1</b>	<b>1.6</b>	<b>4.2</b>	<b>3.8</b>	<b>436.4</b>	<b>46.2</b>
<b>Opening net book value at 1 April</b>	<b>394.5</b>	<b>34.8</b>	<b>1.6</b>	<b>4.3</b>	<b>2.2</b>	<b>437.4</b>	<b>40.7</b>

## Notes supporting the balance sheet

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

## Notes supporting the balance sheet

### 19.2 Revaluations

The carrying amount of assets on the rolling programme held at 31 March 2026 total £479.3 million. The effective date of the revaluations are as follows:

Valued as at	Carrying value of revalued assets £m	Carrying value of assets where indices have been applied	Total carrying value of assets included in the rolling programme
31 March 2026	133.5	-	133.5
31 March 2025	3.2	197.1	200.3
31 March 2024	5.8	103.9	109.7
31 March 2023	0.4	35.2	35.6
31 March 2022	-	0.2	0.2
<b>Total</b>	<b>142.9</b>	<b>336.4</b>	<b>479.3</b>

The following indices have been applied at 31 March 2026:

Classification	Asset categories	Average change	Valuation change £m
Industrial	Bus stations, Depots, Industrial estates,	5.17%	0.3
Office	Offices, Surplus libraries, Surplus schools	(1.00%)	(0.2)
Residential	Housing	1.35%	-
Residential land (Brownfield)		(2.95%)	(1.2)
Specialised properties	Commercial buildings, Crematorium, Day centres, Leisure centres, Libraries, Schools, Theatre, Traveller sites	2.24%	4.7
Machinery & Equipment	Waste facility	1.02%	0.3
Agricultural	Farms, Smallholdings	0.00%	-
Amenity land	Amenity land, Wetlands, Waste sites	0.00%	-
			<b>3.9</b>

## Notes supporting the balance sheet

### 19.3 Revaluation reserve

31 March 2025 £m	Revaluation reserve	31 March 2026 £m
(177.9)	Balance at 1 April	(175.0)
(12.3)	Revaluations upwards	(9.1)
4.1	Revaluations downwards	2.0
0.3	Depreciation of revaluations	0.4
10.8	Disposal of revaluations	1.7
(175.0)	Balance at 31 March	(180.0)

### 19.4 Capital commitments

At 31 March 2026 the council had significant capital commitments totalling £17.5 million (31 March 2025: £5.4 million).

- Construction works at Hampton Dene primary school £1.1 million
- Construction works at Holme Lacy Road £2.5 million
- Construction works at Ross Enterprise Park £2.5 million
- Construction works at a new primary school at Peterchurch £5.2 million; and
- Construction works at The Transport Hub £6.2 million

### 19.5 School assets

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

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

## Notes supporting the balance sheet

### 19.6 Capital adjustment account

31 March 2025 £m	Capital adjustment account	31 March 2026 £m
<b>(300.9)</b>	<b>Balance at 1 April</b>	<b>(288.8)</b>
	<b>Capital financing:</b>	
(6.9)	Capital receipts	(8.6)
(31.6)	Capital grants and contributions	(45.2)
(0.6)	Revenue contributions to capital expenditure	(0.9)
(12.8)	Minimum revenue provision	(15.2)
<b>(51.9)</b>	<b>Total capital financing</b>	<b>(69.9)</b>
6.4	Downward revaluations charged to comprehensive income and expenditure statement	(5.3)
33.7	Depreciation charged to comprehensive income and expenditure statement	36.4
1.6	Revenue expenditure funded from capital under statute	1.1
20.7	Disposal of non-current assets	1.8
1.6	Other adjustments	1.0
<b>(288.8)</b>	<b>Balance at 31 March</b>	<b>(323.7)</b>

## Notes supporting the balance sheet

### 20. Investment property

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

31 March 2025 £m	Investment property	31 March 2026 £m
	<b>Cost or valuation</b>	
52.6	Opening balance at 1 April	48.5
0.2	Additions	0.2
(1.4)	Disposals	(1.1)
(2.9)	Net gains/losses from fair value adjustments	3.9
<b>48.5</b>	<b>Closing balance at 31 March</b>	<b>51.5</b>

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

Fair value measurement using other significant observable inputs Level 2	£m
Investment properties at 31 March 26	51.5
Investment properties at 31 March 25	48.5

## Notes supporting the balance sheet

### 21. Capital expenditure and capital financing

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

2024/25 £m	Capital expenditure and capital financing	2025/26 £m
<b>303.1</b>	<b>Opening capital financing requirement</b>	<b>320.6</b>
	<b>Capital investment</b>	
57.3	Property, plant and equipment	74.1
0.2	Intangible assets	0.7
0.2	Investment properties	0.2
15.8	Revenue expenditure funded from capital under statute	10.4
13.8	Assets acquired under PFI and lease contracts	2.4
(4.8)	Long term debtors (including loans and PFI prepayments)	-
	<b>Sources of finance</b>	
(4.9)	Capital receipts	(7.4)
(1.4)	Loan fund principal	(0.6)
(45.8)	Government grants and other contributions	(54.5)
	<b>Sums set aside from revenue</b>	
(0.1)	Direct revenue contributions	(0.4)
(12.8)	Minimum revenue provision	(15.2)
<b>320.6</b>	<b>Closing capital financing requirement</b>	<b>330.3</b>
	<b>Explanation of movements in year</b>	
23.3	Increase in underlying need to borrow	23.7
(5.4)	Long term debtors	(0.6)
13.8	Assets acquired under PFI and lease contracts	2.4
(1.4)	Repayment of long term debtors	(0.6)
(12.8)	Minimum revenue provision	(15.2)
<b>17.5</b>	<b>Adjusted to services</b>	<b>9.7</b>

## Notes supporting the balance sheet

### Minimum Revenue Provision (MRP)

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

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

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

## 22. Short term debtors

31 March 2025 £m	Short term debtors	31 March 2026 £m
18.6	Trade receivables	20.9
2.0	Prepayments	2.6
0.9	Non-domestic rates	0.7
6.4	Council Tax	6.5
8.0	VAT	8.5
7.5	Central government	2.4
11.3	Other receivables	9.6
<b>54.7</b>	<b>Total</b>	<b>51.2</b>

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

## Notes supporting the balance sheet

### 23. Cash and cash equivalents

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

31 March 2025 £m	Cash and cash equivalents	31 March 2026 £m
6.9	Cash held by the council	4.7
31.7	Short term deposits	40.6
<b>38.6</b>	<b>Total</b>	<b>45.3</b>
(3.3)	Bank current accounts	(3.1)
<b>35.3</b>	<b>Total</b>	<b>42.2</b>

### 24.1 Short term creditors

31 March 2025 £m	Short term creditors	31 March 2026 £m
(7.1)	Trade payables	(9.0)
(2.8)	Receipts in advance	(2.8)
(0.8)	Employee leave accrual	(0.6)
(2.5)	Council Tax	(2.7)
(6.3)	Non-domestic rates	(5.0)
(7.8)	Goods received not invoiced accrual	(6.8)
(4.6)	Payroll	(5.2)
(24.9)	Other payables	(26.7)
<b>(56.8)</b>	<b>Total</b>	<b>(58.8)</b>

Other payables includes capital creditors, sundry revenue creditors and deposits.

## Notes supporting the balance sheet

### 24.2 Short term grants receipts in advance

31 March 2025 £m	Short term grants receipts in advance	31 March 2026 £m
(5.4)	Central government bodies	(4.4)
(0.7)	Other local authorities	(0.5)
(0.6)	All other bodies	(1.0)
<b>(6.7)</b>	<b>Total</b>	<b>(5.9)</b>

### 25. Capital grants receipts in advance

31 March 2025 £m	Capital grants receipts in advance	31 March 2026 £m
(1.4)	Central government bodies	(1.3)
(13.5)	Other grants and contributions	(14.4)
<b>(14.9)</b>	<b>Total</b>	<b>(15.7)</b>

## Notes supporting the balance sheet

### 26. Private finance initiatives (PFI)

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

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

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

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

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

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

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

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

## Notes supporting the balance sheet

### Stepnell Limited – School PFI contract

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

### Shaw Homes

The council has a contract with Shaw Healthcare for the development and provision of residential homes and day care centres previously operated directly by the council. The contract expires in 2033/34 for all homes. The level of payments are dependent on the volume and nature of service elements and Shaw Healthcare's performance in providing services. The payments in respect of this contract during the financial year were £5.7 million (£5.4 million in 2024/25).

## 26.1. PFI liabilities

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

31 March 2025 Total £m	PFI liabilities	31 March 2026 Shaw Healthcare £m	31 March 2026 Whitecross school £m	31 March 2026 Waste disposal £m	31 March 2026 Total £m
(37.8)	Balance outstanding at 1 April	(14.1)	(7.4)	(23.4)	(44.9)
(10.3)	Remeasurement of opening liability under IFRS 16	(1.2)	(0.1)	(1.1)	(2.4)
(48.1)	<b>Adjusted opening balance at 1 April</b>	<b>(15.3)</b>	<b>(7.5)</b>	<b>(24.5)</b>	<b>(47.3)</b>
3.2	Payments during the year	1.3	1.0	1.5	3.8
(44.9)	<b>Balance outstanding at 31 March</b>	<b>(14.0)</b>	<b>(6.5)</b>	<b>(23.0)</b>	<b>(43.5)</b>

## Notes supporting the balance sheet

### 26.2. PFI payments

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

PFI payments	Service charges £m	Lifecycle costs £m	Finance liability £m	Interest £m	Total £m
Within 1 year	13.5	0.5	3.8	2.5	20.3
Within 2 to 5 years	35.2	1.9	30.5	5.7	73.3
Within 6 to 10 years	13.1	0.6	6.7	0.8	21.2
<b>Balance outstanding at 31 March</b>	<b>61.8</b>	<b>3.0</b>	<b>41.0</b>	<b>9.0</b>	<b>114.8</b>

## Notes supporting the balance sheet

### 27. Leases

#### 27.1 The council as a lessee

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

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

#### 27.2 The council as a lessor

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

##### Operating leases

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

There are no individually material leases.

31 March 2025 £m	Operating lease receipts	31 March 2026 £m
(3.8)	Not later than 1 year	(3.7)
(10.8)	Between 1 and 5 years	(9.8)
(28.8)	Over 5 years	(28.2)
<b>(43.4)</b>	<b>Total due in future years undiscounted</b>	<b>(41.7)</b>

## Notes supporting the movement in reserves statement

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

2025/26	General fund £m	Earmarked reserves £m	Capital receipts reserve £m	Capital grants unapplied £m	Movement in unusable reserves £m
Depreciation of non-current assets	(36.4)	-	-	-	36.4
Capital financed by capital receipts	(0.6)	-	8.6	-	(8.0)
Statutory provision for the repayment of debt (MRP)	15.2	-	-	-	(15.2)
DSG reserve	(16.3)	-	-	-	16.3
Capital grants and contributions credited to the comprehensive income and expenditure statement not applied to capital financing	8.6	-	-	(8.6)	-
Capital grants and contributions applied to capital financing	29.6	-	-	15.6	(45.2)
Other individual non material adjustments	8.8	-	(3.0)	-	(5.8)
<b>Total adjustments between accounting basis and funding basis under regulations</b>	<b>8.9</b>	<b>-</b>	<b>5.6</b>	<b>7.0</b>	<b>(21.5)</b>

2024/25	General fund £m	Earmarked reserves £m	Capital receipts reserve £m	Capital grants unapplied £m	Movement in unusable reserves £m
Depreciation of non-current assets	(33.7)	-	-	-	33.7
Capital financed by capital receipts	(0.6)	-	6.9	-	(6.3)
Net book value of assets sold	(31.5)	-	-	-	31.5
Statutory provision for the repayment of debt (MRP)	12.8	-	-	-	(12.8)
DSG reserve	(13.9)	-	-	-	13.9
Capital grants and contributions credited to the comprehensive income and expenditure statement not applied to capital financing	26.9	-	-	(26.9)	-
Capital grants and contributions applied to capital financing	16.7	-	-	14.9	(31.6)
Other individual non material adjustments	(0.8)	-	(3.5)	-	4.3
<b>Total adjustments between accounting basis and funding basis under regulations</b>	<b>(24.1)</b>	<b>-</b>	<b>3.4</b>	<b>(12.0)</b>	<b>32.7</b>

## Notes supporting the movement in reserves statement

### 29. Movement in usable reserves

31 March 2026	Purpose of reserve	Note	1 April 2025 £m	Transfers out £m	Transfers in £m	31 March 2026 £m
General fund	Revenue resources available to meet future commitments		(10.1)	-	-	(10.1)
Earmarked reserves	Set aside from the general fund for future expenditure to support specific corporate priorities	31	(80.7)	32.0	(22.2)	(70.9)
Capital receipts reserve	Capital receipts available to meet future capital expenditure		(34.8)	8.6	(3.0)	(29.2)
Capital grants unapplied	Capital grants available to meet future capital expenditure		(42.8)	15.6	(8.6)	(35.8)
<b>Total</b>			<b>(168.4)</b>	<b>56.2</b>	<b>(33.8)</b>	<b>(146.0)</b>

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

## Notes supporting the movement in reserves statement

### 30. Movement in unusable reserves

31 March 2026	Purpose of reserve	Note	1 April 2025 £m	Transfers out £m	Transfers in £m	31 March 2026 £m
Short term absences account	Balances relating to accumulated holiday due but not taken in year		0.8	(0.8)	0.6	0.6
Capital adjustment account	Timing differences on capital financing and consumption	19.6	(288.8)	35.0	(69.9)	(323.7)
Collection fund adjustment account	Differences in accounting treatment for council tax and business rates between IFRS and statutory arrangements		(6.9)	(9.2)	9.8	(6.3)
Financial instruments adjustment account	Valuation gains and losses on financial instruments carried at fair value		0.4	-	-	0.4
Pensions reserve	Movement in measurement of the net defined pension liability	T1.10	8.0	(14.5)	10.3	3.8
Revaluation reserve	Unrealised gains/losses arising from revaluations of assets	19.3	(175.0)	4.1	(9.1)	(180.0)
DSG adjustment account	Accumulated deficit on the dedicated schools grant	14	20.0	-	16.3	36.3
<b>Total</b>			<b>(441.5)</b>	<b>14.6</b>	<b>(42.0)</b>	<b>(468.9)</b>

31 March 2025	Purpose of reserve	Note	1 April 2024 £m	Transfers out £m	Transfers in £m	31 March 2025 £m
Short term absences account	Balances relating to accumulated holiday due but not taken in year		3.7	(3.7)	0.8	0.8
Capital adjustment account	Timing differences on capital financing and consumption	19.6	(300.9)	64.0	(51.9)	(288.8)
Collection fund adjustment account	Differences in accounting treatment for council tax and business rates between IFRS and statutory arrangements		(6.0)	(8.9)	8.0	(6.9)
Financial instruments adjustment account	Valuation gains and losses on financial instruments carried at fair value		0.4	-	-	0.4
Pensions reserve	Movement in measurement of the net defined pension liability	T1.10	9.7	(117.5)	115.8	8.0
Revaluation reserve	Unrealised gains/losses arising from revaluations of assets	19.3	(177.9)	15.2	(12.3)	(175.0)
DSG adjustment account	Accumulated deficit on the dedicated schools grant	14	6.1	-	13.9	20.0
<b>Total</b>			<b>(464.9)</b>	<b>(50.9)</b>	<b>74.3</b>	<b>(441.5)</b>

## Notes supporting the movement in reserves statement

### 31. Movement in earmarked reserves

31 March 2026	Purpose of reserve	1 April 2025 £m	Transfers out £m	Transfers in £m	31 March 2026 £m
Business rates reserve	To smooth the impact of changes in business rates retention, collection and funding	(13.3)	3.0	(2.3)	(12.6)
Schools' balances	Balances held for individual maintained schools	(11.7)	12.4	(9.9)	(9.2)
Waste reserve	To support increased future costs on waste disposal and collection services	(7.1)	3.3	(2.0)	(5.8)
Budget resilience reserve	To support increased future costs in social care budgets	(7.0)	1.8	-	(5.2)
Enterprise zone business rates reserve	Business rates collected from Hereford Enterprise Zone	(3.0)	1.5	(2.0)	(3.5)
Fastershire reserve	Income collected through contracting arrangements	(2.7)	-	(0.6)	(3.3)
PFI school reserve	Income collected through contracting arrangements	(1.8)	-	(0.2)	(2.0)
Financial resilience reserve	Amounts set aside to support financial risk	(2.3)	-	(0.2)	(2.5)
Unused grants carried forward	Unspent grant monies earmarked for future expenditure	(18.0)	5.0	(1.7)	(14.7)
Other individually non material reserves		(13.8)	5.0	(3.3)	(12.1)
<b>Total</b>		<b>(80.7)</b>	<b>32.0</b>	<b>(22.2)</b>	<b>(70.9)</b>

## Notes supporting the movement in reserves statement

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

## Notes supporting the cash flow statement

### 32. Cash flows from operating activities

#### 32.1 Adjustments for non-cash movements

2024/25 £m	Adjustments for non-cash movements	2025/26 £m
11.7	Movement in debtors	(1.9)
(1.8)	Movement in creditors	1.0
-	Movement in inventories	0.3
(40.1)	Depreciation, amortisation and impairment of non-current assets	(31.1)
(31.5)	Carrying amount of non-current assets sold	(3.6)
0.1	Net charges for retirement benefits	4.8
0.2	Movement in provisions	(0.9)
<b>(61.4)</b>	<b>Total adjustment for non-cash movements</b>	<b>(31.4)</b>

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

2024/25 £m	Adjustments for investing and financing activities	2025/26 £m
2.1	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2.4
43.6	Any other items for which the cash effects are investing or financing cash flows	38.2
<b>45.7</b>	<b>Total adjustment for investing and financing activities</b>	<b>40.6</b>

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

## Notes supporting the cash flow statement

### 33. Cash flows from investing activities

2024/25 £m	Cash flows from investing activities	2025/26 £m
56.7	Purchase of property, plant and equipment, investment property and intangible assets	72.6
1.1	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3.8)
45.0	Purchase of short term investments	72.6
(60.0)	Proceeds from short term investments	(66.0)
(43.2)	Other receipts from investing activities	(40.4)
2.2	Other payments for investing activities	1.1
<b>1.8</b>	<b>Total cash flows from investing activities</b>	<b>36.1</b>

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

### 34.1 Cash flows from financing activities

2024/25 £m	Cash flows from financing activities	2025/26 £m
3.6	Cash payments for the reduction of the outstanding liability relating to finance leases and on-balance sheet PFI contracts	4.2
(25.0)	Cash receipts of short term and long term borrowing	(65.0)
7.0	Repayments of short and long term borrowing	7.3
-	Other payments for financing activities	0.4
<b>(14.4)</b>	<b>Total cash flows from financing activities</b>	<b>(53.1)</b>

## Notes supporting the cash flow statement

### 34.2 Reconciliation of liabilities arising from financing activities

Financing activities	1 April 2025 £m	Financing cash flows £m	Remeasurement on implementation of IFRS 16 £m	Other non- financing cash flows £m	31 March 2026 £m
Long term borrowing	(130.5)	(47.3)	-	5.5	(172.3)
Short term borrowing	(8.3)	(10.0)	-	(6.0)	(24.3)
Leases	(2.9)	0.4	-	-	(2.5)
PFI liabilities	(44.9)	3.8	(2.4)	-	(43.5)
<b>Total liabilities from financing activities</b>	<b>(186.6)</b>	<b>(53.1)</b>	<b>(2.4)</b>	<b>(0.5)</b>	<b>(242.6)</b>
Note	T2.3	34.1	26.1		T2.3

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

## Technical annex

### T1. Pension schemes

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

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

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

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

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

## Technical annex

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

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

In 2025/26 the council paid employer contributions of £9.5 million (2024/25 £7.8 million) in respect of teachers' pension costs. The liability to former Hereford and Worcester teachers' unfunded added years' benefits of £0.4 million is included in the pension fund liability in the balance sheet in 2025/26 (£0.4 million in 2024/25).

### T1.2. Defined benefit pension schemes

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

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

## Technical annex

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

2024/25 £m	Transactions relating to pension schemes	2025/26 £m
	<b>Comprehensive income and expenditure statement</b>	
	<b>Cost of services</b>	
11.4	Current service cost	8.5
0.2	(Gain)/loss from settlements and curtailments	0.1
1.5	Past service cost	-
	<b>Financing and investment income and expenditure</b>	
0.5	Net interest expense	0.3
0.3	Administration expenses	0.3
<b>13.9</b>	<b>Total post-employment benefit charged to the surplus/deficit on the provision of services</b>	<b>9.2</b>
	<b>Other comprehensive income and expenditure</b>	
(5.9)	Remeasurement arising on changes in experience	24.6
(87.3)	Remeasurement arising on changes in financial assumptions	(15.2)
(1.0)	Remeasurement arising on changes in demographic assumptions	14.4
17.6	Return on plan assets	(53.3)
75.5	Impact of pension net asset ceiling	30.6
<b>(1.1)</b>	<b>Total post-employment benefit charged to other comprehensive income and expenditure</b>	<b>1.1</b>
	<b>Movement in reserves statement</b>	
(13.9)	Reversal of net charges made to the surplus/deficit on the provision of services	(9.2)
13.8	Amount charged to the general fund balance for employer's contribution payable in the year	14.0

## Technical annex

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

31 March 2025 £m	Pension assets and liabilities	Note	31 March 2026 £m
495.6	Present value of the defined benefit obligation	T1.5	539.5
(590.5)	Fair value of plan assets	T1.6	(674.6)
102.0	Effect of net asset ceiling	T1.6	138.5
<b>7.1</b>	<b>Net liability arising from defined benefit obligation – LGPS</b>		<b>3.4</b>
0.4	Unfunded teachers pension liability		0.4
<b>7.5</b>	<b>Total net pension liability</b>		<b>3.8</b>

As at 31 March 2026, the fair value of plan assets were measured at greater than the present value of the defined benefit obligation, resulting in a net pension asset. The accounting standard interpretation IFRIC 14 restricts the amount of the net pension asset that can be recognised on the balance sheet to the estimated economic benefit of the net asset arising from a reduction in future contributions, amending for any additional liabilities arising from past service contributions. This asset ceiling calculation has resulted in a credit to the balance sheet value of £138.5 million (2024/25 £102.0 million).

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

31 March 2025 £m	Scheme liabilities	31 March 2026 £m
573.1	Opening balance at 1 April	495.6
11.4	Current service cost	8.5
(4.3)	Settlements and curtailments	(0.2)
1.5	Past service cost	-
27.3	Interest cost	28.5
0.3	Administration expenses	0.3
4.4	Contribution by scheme participants	4.6
(94.2)	Remeasurement arising from changes in assumptions	26.3
(23.9)	Benefits/transfers paid	(24.1)
<b>495.6</b>	<b>Closing balance at 31 March</b>	<b>539.5</b>

The duration of the employer's funded obligations is 15 years.

## Technical annex

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

31 March 2025 £m	Scheme assets	31 March 2026 £m
590.2	Opening balance at 1 April	590.5
28.1	Interest income	34.1
(17.6)	Return on plan assets	55.8
(4.5)	Settlements and curtailments	(0.3)
13.8	Contribution from employer	14.0
4.4	Contributions from employees	4.6
(23.9)	Benefits/transfers paid	(24.1)
<b>590.5</b>	<b>Closing balance at 31 March</b>	<b>674.6</b>

31 March 2025 £m	Asset ceiling	31 March 2026 £m
(25.3)	Opening balance at 1 April	(102.0)
(1.2)	Interest on the impact of the net asset ceiling	(5.9)
(75.5)	Impact of pension net asset ceiling	(30.6)
<b>(102.0)</b>	<b>Closing balance at 31 March</b>	<b>(138.5)</b>

The actual return on scheme assets in the year was £99.8 million, 14.8% of the period end assets (2024/25 £10.6 million, 1.8%).

## Technical annex

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

31 March 2025 £m	Scheme assets	Quoted Y/N	31 March 2026 £m
	<b>Cash</b>		
9.2	Cash instruments	N	10.6
	<b>Equity instruments</b>		
60.8	Other	Y	69.4
1.6	Private equity	N	
	<b>Debt securities</b>		
12.8	UK government	Y	14.6
	<b>Private equity</b>		
	All	N	1.8
	<b>Property</b>		
33.1	UK property debt	N	37.8
14.4	Overseas property debt	N	16.5
	<b>Investment funds and unit trusts</b>		
321.5	Equities	Y	367.3
18.8	Bonds	Y	21.5
106.3	Infrastructure	N	121.4
12.0	Other	N	13.7
<b>590.5</b>	<b>Closing fair value of scheme assets</b>		<b>674.6</b>

## Technical annex

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

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries based on the latest full valuation of the scheme as at 31st March 2025. The principal assumptions used by the actuary have been:

31 March 2025	Assumptions	31 March 2026
	<b>Mortality assumptions</b>	
	<b>Longevity at 65 for current pensioners (in years)</b>	
21.2	Men	21.9
23.6	Women	24.6
	<b>Longevity at 65 for future pensioners (in years)</b>	
22.5	Men	22.7
25.4	Women	26.0
	<b>Financial assumptions</b>	
2.8%	Rate of CPI inflation	3.0%
4.3%	Rate of increase in salaries	4.5%
2.8%	Rate of increase in pensions	3.0%
5.8%	Rate for discounting scheme liabilities	6.2%

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

Total employer contributions expected to be made to the Local Government Pension Scheme by the council in the year ended 31 March 2027 is £12.7 million.

## Technical annex

### T1.10. Pensions reserve

The pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post-employment benefits in the comprehensive income and expenditure statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the council makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible.

31 March 2025 £m	Pensions reserve	31 March 2026 £m
9.7	Balance at 1 April	8.0
(1.1)	Return on plan assets	1.2
13.8	Reversal of items relating to retirement benefits debited or credited to the surplus/deficit on the provision of services in the comprehensive income and expenditure statement	9.2
(13.8)	Employer's pension contributions and direct payments to pensioners payable in the year	(14.0)
(0.6)	Employer's pension contributions – early payment adjustment	(0.6)
<b>8.0</b>	<b>Balance at 31 March</b>	<b>3.8</b>
7.6	Local government pension scheme	3.4
0.4	Teachers pension scheme	0.4
<b>8.0</b>	<b>Balance at 31 March</b>	<b>3.8</b>

## Technical annex

### T2. Financial instruments

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

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

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

2024/25 Financial liabilities £m	2024/25 Financial assets £m	2024/25 Total £m	Income, expense, gains and losses	2025/26 Financial liabilities £m	2025/26 Financial assets £m	2025/26 Total £m
			<b>Interest payable and similar charges</b>			
4.7	-	4.7	On loans	6.0	-	6.0
3.0	-	3.0	On PFI and lease liabilities	2.9	-	2.9
<b>7.7</b>	<b>-</b>	<b>7.7</b>	<b>Total expenditure in surplus/deficit on the provision of services</b>	<b>8.9</b>	<b>-</b>	<b>8.9</b>
			<b>Interest receivable</b>			
-	(1.9)	(1.9)	On loans	-	(1.8)	(1.8)
-	(2.9)	(2.9)	On investments	-	(2.4)	(2.4)
<b>-</b>	<b>(4.8)</b>	<b>(4.8)</b>	<b>Total income in surplus/deficit on the provision of services</b>	<b>-</b>	<b>(4.2)</b>	<b>(4.2)</b>
<b>7.7</b>	<b>(4.8)</b>	<b>2.9</b>	<b>Net (gain)/loss for the year</b>	<b>8.9</b>	<b>(4.2)</b>	<b>4.7</b>

## Technical annex

### T2.2. Financial assets

The council's business model is to hold investments to collect contractual cash flows i.e. payments of interest and principal. All of the council's financial assets are therefore classified as amortised cost. Financial assets measured at amortised cost are recognised on the balance sheet when the council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the financing and investment income and expenditure line in the comprehensive income and expenditure statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the council, this means that the amount presented in the balance sheet is the outstanding principal receivable (plus accrued interest) and interest credited is the amount receivable for the year in the loan agreement.

The council recognises expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis. Only lifetime losses are recognised for trade receivables (debtors) held by the council. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations.

31 March 2025 Per balance sheet £m	31 March 2025 Financial instruments £m	Financial assets	31 March 2026 Per balance sheet £m	31 March 2026 Financial instruments £m
32.8	32.8	Long term debtors – loans	32.7	32.7
2.8	-	Long term debtors – PFI lifecycle costs	3.0	-
<b>35.6</b>	<b>32.8</b>	<b>Total long term debtors</b>	<b>35.7</b>	<b>32.7</b>
10.4	10.4	Short term investments	16.6	16.6
<b>10.4</b>	<b>10.4</b>	<b>Total short term investments</b>	<b>16.6</b>	<b>16.6</b>
38.6	38.6	Cash and cash equivalents	45.3	45.3
<b>38.6</b>	<b>38.6</b>	<b>Total cash and cash equivalents</b>	<b>45.3</b>	<b>45.3</b>
42.8	42.8	Short term debtors – Sales invoices and contractual rights	31.4	31.4
20.9	-	Short term debtors – Statutory and non-contractual debts (council tax, vat)	26.8	-
2.0	-	Short term debtors – prepayments	2.6	-
(11.0)	(11.0)	Short term debtors – bad debt provisions	(9.6)	(3.1)
<b>54.7</b>	<b>31.8</b>	<b>Total short term debtors</b>	<b>51.2</b>	<b>28.3</b>
<b>139.3</b>	<b>113.6</b>	<b>Total assets</b>	<b>148.8</b>	<b>122.9</b>

## Technical annex

### T2.3. Financial liabilities

A financial liability is an obligation to deliver cash (or another financial asset) to another entity. Financial liabilities are recognised on the balance sheet when the council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges for interest payable are based on the carrying amount of the liability multiplied by the effective interest rate for the instrument and are charged to the financing and investment income and expenditure line in the comprehensive income and expenditure statement. The effective interest rate is the rate that discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings that the council has, the amount presented in the balance sheet is the outstanding principal repayable (plus accrued interest) and interest charged is the amount payable for the year in the loan agreement.

31 March 2025 Per balance sheet £m	31 March 2025 Financial instruments £m	Financial liabilities	31 March 2026 Per balance sheet £m	31 March 2026 Financial instruments £m
(3.3)	(3.3)	Cash and cash equivalents	(3.1)	(3.1)
<b>(3.3)</b>	<b>(3.3)</b>	<b>Total cash and cash equivalents</b>	<b>(3.1)</b>	<b>(3.1)</b>
(0.1)	(0.1)	Short term borrowing – bank loans	(0.1)	(0.1)
(8.2)	(8.2)	Short term borrowing – public works loan board	(14.0)	(14.0)
-	-	Short term borrowing – other local authorities	(10.2)	(10.2)
<b>(8.3)</b>	<b>(8.3)</b>	<b>Total short term borrowing</b>	<b>(24.3)</b>	<b>(24.3)</b>
(36.7)	(36.7)	Short term creditors – invoiced amounts and other contractual liabilities	(40.8)	(40.8)
(9.7)	-	Short term creditors – statutory and non-contractual liabilities (PAYE)	(7.2)	-
(9.3)	-	Short term creditors – accruals and receipts in advance	(9.0)	-
(1.1)	-	Short term creditors – funds and deposits held	(1.8)	(1.4)
<b>(56.8)</b>	<b>(36.7)</b>	<b>Total short term creditors</b>	<b>(58.8)</b>	<b>(42.2)</b>
(12.4)	(12.4)	Long term borrowing – bank loans	(12.4)	(12.4)
(118.1)	(118.1)	Long term borrowing – public works loan board	(159.9)	(159.9)
<b>(130.5)</b>	<b>(130.5)</b>	<b>Total long term borrowing</b>	<b>(172.3)</b>	<b>(172.3)</b>
(47.8)	(47.8)	Other long term liabilities – PFI and leases	(45.7)	(45.7)
(7.5)	-	Other long term liabilities – pensions liability	(3.8)	-
<b>(55.3)</b>	<b>(47.8)</b>	<b>Total other long term liabilities</b>	<b>(49.5)</b>	<b>(45.7)</b>
<b>(254.2)</b>	<b>(226.6)</b>	<b>Total liabilities</b>	<b>(308.0)</b>	<b>(287.6)</b>

## Technical annex

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

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

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

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

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

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

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

## Technical annex

31 March 2025 Carrying amount £m	31 March 2025 Fair value (premature repayment rate) £m	31 March 2025 Fair value (new loan rate) £m	31 March 2026 Fair value (discounted cash flow) £m	Fair value	Fair value hierar chy input level	31 March 2026 Carrying amount £m	31 March 2026 Fair value (premature repayment rate) £m	31 March 2026 Fair value (new loan rate) £m	31 March 2026 Fair value (discounted cash flow) £m
				<b>Financial assets</b>					
32.8	-	-	32.8	Long term debtors	2	32.7	-	-	30.3
<b>32.8</b>	<b>-</b>	<b>-</b>	<b>32.8</b>	<b>Total financial assets</b>		<b>32.7</b>	<b>-</b>	<b>-</b>	<b>30.3</b>
				<b>Financial liabilities</b>					
(126.3)	(119.0)	(109.7)	-	Public works loan board	2	(173.9)	(165.0)	(154.4)	-
(12.5)	(13.2)	(9.4)	-	Bank loans (LOBOs)	2	(12.5)	(13.5)	(9.1)	-
(47.8)	-	-	(44.2)	PFI liabilities and finance leases	2	(45.7)	-	-	(42.4)
<b>(186.6)</b>	<b>(132.2)</b>	<b>(119.1)</b>	<b>(44.2)</b>	<b>Total financial liabilities</b>		<b>(232.1)</b>	<b>(178.5)</b>	<b>(163.5)</b>	<b>(42.4)</b>

## Technical annex

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

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

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

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

#### Credit risk

Credit risk arises from deposits with banks and other financial institutions, as well as credit exposures to the council's customers. The impact on the financial instruments held has been considered and included within the credit risk disclosures. Investments are only made in institutions recommended by the council's treasury adviser through combined credit ratings, credit watches and credit outlooks. Typically the minimum credit ratings criteria the council use will be short term rating (Fitch or equivalents) of F1 and a long term rating of A- and with countries with a minimum sovereign credit rating of AA- (Fitch or equivalents). During 2025/26 the council continued to restrict investments to only the largest and strongest of the banks, building society, other local authorities and instant access money market funds.

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

31 March 2025 £m	Credit risk	31 March 2026 £m
10.6	Less than 3 months	7.3
1.7	3 to 6 months	3.2
3.1	6 months to 1 year	5.2
6.0	More than 1 year	7.6
<b>21.4</b>	<b>Total</b>	<b>23.3</b>

The general impairment allowance for debtors has remained at £0.6 million.

## Technical annex

### Liquidity risk

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

31 March 2025 £m	Liquidity risk	31 March 2026 £m
(8.7)	Less than 1 year	(24.3)
(7.7)	Between 1 and 2 years	(11.9)
(11.1)	Between 2 and 5 years	(28.2)
(29.9)	Between 5 and 10 years	(52.0)
(81.4)	More than 10 years	(80.2)
<b>(138.8)</b>	<b>Total</b>	<b>(196.6)</b>

## Technical annex

### Market risk

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

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

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

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and is considered at quarterly strategy meetings with the council's treasury advisors. The council sets an annual treasury management strategy which includes analysing future economic interest rate forecasts. This analysis will advise whether new borrowing taken out is fixed or variable and, where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The table below demonstrates the financial effect of a 1% increase in interest rates at 31 March 2026.

Sensitivity analysis	1% increase in interest rates £m
Increase in interest payable on borrowing	-
Increase in interest receivable on investment balances	(0.6)
Decrease in fair value of borrowing	11.1

# Group financial statements and notes



## Group comprehensive income and expenditure statement

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

2024/25 Gross expenditure £m	2024/25 Gross income £m	2024/25 Net group expenditure £m	Group comprehensive income and expenditure	2025/26 Gross expenditure £m	2025/26 Gross income £m	2025/26 Net group expenditure £m
207.4	(147.2)	60.2	Children and Young People	221.3	(152.8)	68.5
143.0	(77.2)	65.8	Community Wellbeing	151.7	(80.1)	71.6
98.7	(35.4)	63.3	Economy and Environment	101.1	(37.1)	64.0
84.2	(49.3)	34.9	Corporate Services	81.4	(43.5)	37.9
<b>533.3</b>	<b>(309.1)</b>	<b>224.2</b>	<b>Net cost of services</b>	<b>555.5</b>	<b>(313.5)</b>	<b>242.0</b>
35.3	-	35.3	Other operating income and expenditure	7.7	-	7.7
11.4	(8.4)	3.0	Financing and investment income and expenditure	10.1	(12.2)	(2.1)
-	(246.5)	(246.5)	Taxation and non-specific grant income	-	(247.0)	(247.0)
<b>580.0</b>	<b>(564.0)</b>	<b>16.0</b>	<b>(Surplus)/deficit on the provision of services</b>	<b>573.3</b>	<b>(572.7)</b>	<b>0.6</b>
		(8.2)	(Surplus)/deficit on revaluation of non- current assets			(7.1)
		(1.1)	Re-measurement of the net defined benefit liability			1.2
		(9.3)	<b>Other comprehensive (income) and expenditure</b>			<b>(5.9)</b>
		6.7	<b>Total comprehensive (income) and expenditure</b>			<b>(5.3)</b>

There is a minority interest of 20% in the subsidiary. There is £0.1 million (2024/25 £nil) included in the surplus on the provision of services and in the total comprehensive income and expenditure figures that is attributable to the minority interest.

## Group balance sheet

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

31 March 2025 £m	Balance sheet	31 March 2026 £m
701.6	Property, plant and equipment	747.8
48.5	Investment property	51.5
0.7	Intangible assets	1.3
4.4	Heritage assets	4.4
35.6	Long term debtors	35.7
<b>790.8</b>	<b>Long term assets</b>	<b>840.7</b>
10.4	Short term investments	16.6
0.3	Inventories	0.6
55.5	Short term debtors	51.1
42.0	Cash and cash equivalents	50.3
<b>108.2</b>	<b>Current assets</b>	<b>118.6</b>

31 March 2025 £m	Balance sheet	31 March 2026 £m
(8.3)	Short term borrowing	(24.3)
(60.8)	Short term creditors	(62.5)
(6.7)	Short term grants receipts in advance	(5.9)
(4.5)	Short term provisions	(6.0)
(3.3)	Cash and cash equivalents	(3.1)
<b>(83.6)</b>	<b>Current liabilities</b>	<b>(101.8)</b>
(1.4)	Long term provisions	(1.4)
(130.5)	Long term borrowing	(172.3)
(14.9)	Capital grants receipts in advance	(15.7)
(55.3)	Other long term liabilities	(49.5)
<b>(202.1)</b>	<b>Total long term liabilities</b>	<b>(238.9)</b>
<b>613.3</b>	<b>Net assets</b>	<b>618.6</b>
(171.8)	Usable reserves	(149.7)
(441.5)	Unusable reserves	(468.9)
<b>(613.3)</b>	<b>Total reserves</b>	<b>(618.6)</b>

There is a minority interest of 20% in the subsidiary. There is £0.7 million (2024/25 £0.7 million) included in Usable reserves that is attributable to the minority interest.

Rachael Sanders, Director of Finance and Section 151 Officer

29/05/2026

## Group movement in reserves statement

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

Group movement in reserves	General fund £m	Earmarked reserves £m	Total General fund £m	Capital receipts reserve £m	Capital grants unapplied £m	Total usable reserves £m	Total unusable reserves £m	Total Council reserves £m	Council's share of reserves of subsidiary £m	Total group reserves £m
<b>Balance at 31 March 2024</b>	<b>(9.6)</b>	<b>(73.2)</b>	<b>(82.8)</b>	<b>(38.2)</b>	<b>(30.8)</b>	<b>(151.8)</b>	<b>(464.9)</b>	<b>(616.7)</b>	<b>(3.3)</b>	<b>(620.0)</b>
Total comprehensive income and expenditure	(2.2)	-	(2.2)	-	-	(2.2)	(9.3)	(11.5)	18.2	6.7
Adjustments between group accounts and authority accounts	18.3	-	18.3	-	-	18.3	-	18.3	(18.3)	-
<b>Net (increase)/decrease before transfers</b>	<b>16.1</b>	<b>-</b>	<b>16.1</b>	<b>-</b>	<b>-</b>	<b>16.1</b>	<b>(9.3)</b>	<b>6.8</b>	<b>(0.1)</b>	<b>6.7</b>
Adjustments between accounting basis and funding basis under regulations	(24.1)	-	(24.1)	3.4	(12.0)	(32.7)	32.7	-	-	-
Transfers (to)/from earmarked reserves	7.5	(7.5)	-	-	-	-	-	-	-	-
<b>(Increase)/decrease in year</b>	<b>(0.5)</b>	<b>(7.5)</b>	<b>(8.0)</b>	<b>3.4</b>	<b>(12.0)</b>	<b>(16.6)</b>	<b>23.4</b>	<b>6.8</b>	<b>(0.1)</b>	<b>6.7</b>
<b>Balance at 31 March 2025</b>	<b>(10.1)</b>	<b>(80.7)</b>	<b>(90.8)</b>	<b>(34.8)</b>	<b>(42.8)</b>	<b>(168.4)</b>	<b>(441.5)</b>	<b>(609.9)</b>	<b>(3.4)</b>	<b>(613.3)</b>
Total comprehensive income and expenditure	(17.8)	-	(17.8)	-	-	(17.8)	(5.9)	(23.7)	18.4	(5.3)
Adjustments between group accounts and authority accounts	18.7	-	18.7	-	-	18.7	-	18.7	(18.7)	-
<b>Net (increase)/decrease before transfers</b>	<b>0.9</b>	<b>-</b>	<b>0.9</b>	<b>-</b>	<b>-</b>	<b>0.9</b>	<b>(5.9)</b>	<b>(5.0)</b>	<b>(0.3)</b>	<b>(5.3)</b>
Adjustments between accounting basis and funding basis under regulations	8.9	-	8.9	5.6	7.0	21.5	(21.5)	-	-	-
Transfers (to)/from earmarked reserves	(9.8)	9.8	-	-	-	-	-	-	-	-
<b>(Increase)/decrease in year</b>	<b>-</b>	<b>9.8</b>	<b>9.8</b>	<b>5.6</b>	<b>7.0</b>	<b>22.4</b>	<b>(27.4)</b>	<b>(5.0)</b>	<b>(0.3)</b>	<b>(5.3)</b>
<b>Balance at 31 March 2026</b>	<b>(10.1)</b>	<b>(70.9)</b>	<b>(81.0)</b>	<b>(29.2)</b>	<b>(35.8)</b>	<b>(146.0)</b>	<b>(468.9)</b>	<b>(614.9)</b>	<b>(3.7)</b>	<b>(618.6)</b>

## Group cash flow statement

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

2024/25 £m	Group cash flow	2025/26 £m
16.0	Net (surplus)/deficit on the provision of services	0.6
(62.0)	Adjust net (surplus)/deficit on the provision of services for non-cash movements	(32.7)
45.7	Adjust for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	40.6
<b>(0.3)</b>	<b>Net cash flows from operating activities</b>	<b>8.5</b>
0.5	Net cash flows from investing activities	36.1
(14.4)	Net cash flows from financing activities	(53.1)
<b>(14.2)</b>	<b>Net (increase)/decrease in cash and cash equivalents</b>	<b>(8.5)</b>
24.5	Cash and cash equivalents at 1 April	38.7
38.7	Cash and cash equivalents at 31 March	47.2
<b>14.2</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>8.5</b>

# Notes supporting the group accounts

## G1. Introduction

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

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

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

## G2. Basis of consolidation

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

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

## Notes supporting the group accounts

### G3. Financial performance of the subsidiary

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

Comprehensive income and expenditure statement	2024/25 £m	2025/26 £m
Turnover	(26.6)	(29.4)
(Profit) on ordinary activities before taxation	(0.1)	(0.3)
Tax on profit on ordinary activities	-	-
(Profit) for the financial year after taxation	(0.1)	(0.3)
Other comprehensive income and expenditure	-	-
Total comprehensive income and expenditure	(0.1)	(0.3)

Balance sheet	31 March 2025 £m	31 March 2026 £m
Non-current assets	4.1	4.0
Current assets	6.0	7.8
Liabilities due within one year	(6.7)	(8.1)
Liabilities due after more than one year	-	-
Net assets	3.4	3.7
Reserves	(3.4)	(3.7)

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

## Notes supporting the group accounts

### G4. Group accounting policies

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

#### Taxation

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

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

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



## Collection fund statement

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection of council tax and business rates. From April 2013 the system of funding local authorities changed allowing council to retain 49% of the county's business rates.

2024/25 Total £m	Collection fund	Note	2025/26 Council tax £m	2025/26 Business rates £m	2025/26 Total £m
	<b>Amounts required to be credited to the collection fund</b>				
169.1	Council tax	C2	182.3	-	182.3
49.1	Business rates income	C1	-	53.5	53.5
2.1	Transitional protection payments receivable		-	0.5	0.5
<b>220.3</b>	<b>Total</b>		<b>182.3</b>	<b>54.0</b>	<b>236.3</b>
	<b>Amounts required to be debited from the collection fund</b>				
	<b>Precepts, demands and shares</b>				
21.9	Central government		-	23.7	23.7
7.4	Hereford and Worcester fire authority		7.4	0.5	7.9
156.4	Herefordshire Council		143.4	23.2	166.6
5.7	Parish and town councils		6.3	-	6.3
20.0	West Mercia police		21.2	-	21.2
	<b>Contribution towards previous year's surplus</b>				
1.4	Central government		-	1.6	1.6
-	Hereford and Worcester fire authority		0.1	-	0.1
1.4	Herefordshire Council		2.0	1.6	3.6
-	West Mercia police		0.3	-	0.3
	<b>Charges to collection fund</b>				
0.3	Cost of collection allowance		-	0.3	0.3
0.6	Write offs of uncollectable debt		0.8	2.0	2.8
1.0	Increase/(decrease) of bad debt provision		0.1	(1.4)	(1.3)
(0.6)	Changes in provision for appeals		-	1.5	1.5
2.3	Other transfers to the general fund		-	2.1	2.1
<b>217.8</b>	<b>Total</b>		<b>181.6</b>	<b>55.1</b>	<b>236.7</b>
<b>2.5</b>	<b>Surplus/(deficit) for the year</b>		<b>0.7</b>	<b>(1.1)</b>	<b>(0.4)</b>
<b>7.7</b>	<b>Balance bought forward</b>		<b>4.1</b>	<b>6.1</b>	<b>10.2</b>
<b>10.2</b>	<b>Balance carried forward</b>	<b>C3</b>	<b>4.8</b>	<b>5.0</b>	<b>9.8</b>

## Notes supporting the collection fund statement

### C1. Business rates income

The total non-domestic rateable value at the year-end was £149.5 million and the national non-domestic rate multiplier for 2025/26 was 49.9p for the small business rate multiplier and 55.5p for the standard business rate multiplier.

<b>Business rates income</b>	<b>2025/26 £m</b>
Annual debit	77.1
Less	
Empty allowances	(1.8)
Transitional relief	(0.5)
Discretionary relief	(0.8)
Mandatory relief	(5.4)
Small business rate relief	(9.9)
Funded reliefs	(5.1)
Interest on refunds	(0.1)
<b>Total</b>	<b>53.5</b>

## Notes supporting the collection fund statement

### C2. Council tax income

Council tax income is derived from charges raised according to the value of residential properties, which have been classified into eight valuation bands. Estimated values as at 1 April 1991 are used for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the collection fund by the council, West Mercia Police and Hereford and Worcester Fire and Rescue Authority, and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts etc.). The amount of council tax for a Band D property is multiplied by a specified proportion to give an amount due for other property valuation bands. The average council tax for a Band D property in 2025/26 was £2,428.92 including fire, police and parish precepts, with a range of between £2,363.08 and £2,567.77. The council tax base used for setting the council tax in 2025/26 was 72,816.74. The Band D equivalents in each valuation band are shown in the table below:

Band	Valuation range	Charge factor	Band D equivalent
A	Up to £40,000	6/9	5,481.25
B	£40,001 to £52,000	7/9	11,919.21
C	£52,001 to £68,000	8/9	12,920.24
D	£68,001 to £88,000	9/9	12,073.83
E	£88,001 to £120,000	11/9	13,933.17
F	£120,001 to £160,000	13/9	10,275.39
G	£160,001 to £320,000	15/9	5,893.44
H	Over £320,001	18/9	320.21
<b>Total</b>			<b>72,816.74</b>

Council tax income	2025/26 £m
Council tax debit	216.2
Banding change	7.2
Less	
Discounts	(18.5)
Exemptions	(6.5)
Council tax reduction	(15.8)
Disablement relief	(0.3)
<b>Total</b>	<b>182.3</b>

## Notes supporting the collection fund statement

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

The Collection Fund surplus at 31 March 2026 is split as follows:

Collection fund surplus/(deficit)	Council tax £m	Business rates £m	Total £m
Central government	-	2.5	2.5
Hereford and Worcester fire authority	0.2	-	0.2
Herefordshire Council	4.0	2.5	6.5
West Mercia police	0.6	-	0.6
<b>Total</b>	<b>4.8</b>	<b>5.0</b>	<b>9.8</b>

# 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. The quality of governance arrangements is paramount to enable the council to make decisions using high-quality information supported by a comprehensive understanding of risk. This statement explains how the council has discharged its governance responsibilities during the period from 1 April 2025 to 31 March 2026, the key governance mechanisms in place and planned improvements for 2026/27 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 and 2025 Addendum. 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 2025/26 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.

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## External Audit

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

## Internal Audit

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

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## Review of Effectiveness

The review of effectiveness is informed by the work of Senior Officers and managers with responsibility for the design and maintenance of an effective governance environment. It is also informed by the work of Internal Audit and the annual opinion provided by the Head of Internal Audit, Member assurance through annual reports of Committee chairs and the findings of external assessments from external audit, inspectorates, regulators and the Local Government Association Corporate Peer Challenge.

The results of the annual review of the effectiveness of the council's governance arrangements during 2025/26 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 2025/26

**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 2025/26:

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 reviewed and refreshed the council's Using Artificial Intelligence (AI) Policy with a focus on setting clear expectations on the use of AI tools and introducing eight 'our Herefordshire AI principles' to ensure AI is used safely, ethically and legally.
- Mandatory training completed in 2025/26 included modules which support decision making and reporting: Information Access & Information Governance, Information Security, Equality, Diversity & Inclusion (EDI). The council has achieved its highest completion rates for mandatory training this year with over 98% of staff having completed the modules before the deadline against a target completion rate of 95%.
- 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.
- Improvements have been delivered in supporting employees to declare interests. Employees are required to declare interests on day one when joining the council, on an annual basis and when completing the Employee Code of Conduct mandatory training module.
- 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.
- An update on the operation of the employee Whistleblowing Policy was reported to Audit & Governance Committee in October 2025 to provide assurance on the effectiveness of arrangements in place for employees, and others, to raise concerns that may be in the public interest.
- In July 2025, Audit & Governance Committee received an update on the number of exemptions to the council's Contract Procedure Rules to provide assurance of appropriate oversight and compliance with the rules.

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- 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 2025/26 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 2025/26 ensuring that information about the council's strategic priorities and planned activity is shared in a timely way to enable informed decision making at all levels across the organisation.
- Additional training has been delivered through the council's Leadership Group in 2025/26 for officers to share across their teams including risk management and governance and decision making.
- Equality Impact Assessment (EIA) guidance was revised in 2025 to incorporate the impact of cost increases on certain protected characteristics and a new template developed to ensure compliance on completion of EIAs and Equality Impact Screening Checklists.
- We have continued to review the council's Constitution and associated documents to strengthen arrangements for business cases for capital schemes and to clarify processes for public and Member questions, committee member substitutions and the publication of Records of Operational Decisions (RoODs).
- The council has arrangements in place to monitor and assess the ethical behaviour of external service providers across commissioning and contract lifecycles. Procurement and pre-contract due diligence includes a review of providers' Equal Opportunities and Environmental policies, the measures in place to prevent slavery and human trafficking within their business and supply chains, and suppliers are required to comply with the council's whistleblowing policy. Contract and performance management arrangements monitor the delivery of safe, lawful and

ethical services and external oversight and challenge is provided through multi-agency quality and safeguarding forums.

The governance arrangements, as identified above, have been effective in the period from 1 April 2025 to 31 March 2026. Areas where it is recognised that governance arrangements could be further strengthened include:

- We will continue to review the Using Artificial Intelligence (AI) Policy, with oversight throughout the year by the Information Governance Steering Group.
- We will continue to promote a culture of accountability and strong ethical values through mandatory learning modules in 2026/27.

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

## **Key aspects of the council's governance arrangements during 2025/26:**

- The Chief Executive and Corporate Leadership Team 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.
- 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.
- A multi-year communications strategy has been developed and approved, aligned with Council Plan priorities and timeline. It includes a capability plan to bolster nine key areas, including channels, content, commissioning and coordination. The most recent performance data underlines improvements in reach, followers, engagements and video views. This refreshed activity has been effective in engaging audiences more directly and a

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number of campaigns have supported key organisational priorities including Children's Services recruitment.

- 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 demonstrate the council's commitment to encourage cross party engagement in decisions before they are taken.
- A Record of Operational Decision (RoOD) and/or a Key Decision is published for contracts awarded above the threshold determined by the Contract Procedure Rules and Constitution. This ensures openness and transparency in decision-making, in line with The Openness of Local Government Bodies Regulations 2014.
- As part of consultation on proposals for the 2026/27 revenue budget and capital programme, the council invited residents and stakeholders to consider funding choices and the impact of changes in income and expenditure on the delivery of services through an online budget consultation. Engagement also asked for feedback on priorities for the 2026/27 budget and council tax increase options.
- Acting on feedback from employee surveys that staff wanted more opportunities to contribute ideas and opinions, an additional budget survey was undertaken, encouraging staff to share ideas and shape decisions with specific feedback provided via an all staff briefing session.
- Feedback from events and surveys to inform the council's corporate priorities. Consultations and surveys, to engage the views of stakeholders, during 2025/26 included: Herefordshire Local Transport Plan 2025-2041, 2026/27 Budget proposals, local cycling, walking and wheeling infrastructure plan, regeneration of Merton Meadow, the Local Government Boundary Commission electoral review, Homelessness Prevention and Rough Sleeping Strategy and Hereford 2050 City Masterplan.
- The council has engaged with key stakeholders and partners on the development of a targeted, focused delivery plan for the overarching Big Economic Plan. This included consultation and

challenge with input from Members, officers, the Economy & Place Board, Skills Board and Business Growth Board.

- A Steering Group was established by political Group Leaders in 2025/26 with collaboration to produce the council's response to the Foundational Strategic Authority and Spatial Development Strategy Government consultation.
- A Major Projects Delivery dashboard was developed during 2025/26 with a monthly update provided to Corporate Leadership Team and Cabinet. The dashboard highlights the key dates and decisions as well as Lead Officers, planned activity and risk status in respect of each of the council's major and capital projects. This process has ensured additional oversight of risks in the delivery of projects. This is in addition to the individual project boards and Member and Officer project specific working groups.

The governance arrangements, as identified above, have been effective in the period from 1 April 2025 to 31 March 2026. 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 continue in 2026/27 through Project Assurance Reviews. This internal process will identify areas where controls can be strengthened to support successful project delivery. Each review will consider programme management, adequacy of project plans, risk management arrangements, capacity and capability of project and technical teams, budget monitoring and reporting and project governance and reporting arrangements.
- The council will continue to develop relationships with partners and statutory organisations through the Nutrient Management Board and river-health related initiatives to strengthen collaboration.
- The process of responding to recommendations made by the council's Scrutiny Committees will be strengthened in 2026/27 to ensure responses are provided within the constitutionally required two-month period. A new recommendation action tracker is being

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developed alongside current arrangements and dedicated scrutiny webpages will include information on task and finish group activity and recommendations. This will provide greater public visibility and transparency of the scrutiny function.

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

## Key aspects of the council's governance arrangements during 2025/26:

- The Herefordshire Council Plan 2024-2028, alongside the Medium-Term Financial Strategy 2026/27 to 2029/30, provides the overarching policy framework within which decisions will be taken and resources allocated over the next four years. The Council Plan 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.

- Progress against the 2025/26 Delivery Plan has been monitored and reported through the quarterly Cabinet report, progress reporting to the Corporate Leadership and through annual service plans and individual performance and development plans.
- The 2026/27 Delivery Plan, approved by Cabinet in March 2026, includes key deliverables and milestones not completed in 2025/26 to be monitored for delivery in 2026/27, alongside new deliverables and milestones to progress the key objectives within the Herefordshire Council Plan set against the priorities of People, Place, Growth and Transformation.
- The annual Delivery Plan is informed by the key characteristics of Herefordshire, as outlined on Understanding Herefordshire (the council's Joint Strategic Needs Assessment). Factors such as rurality, the ageing population and social mobility for our young people are key drivers at the heart of the vision, priorities and objectives.
- A Cabinet Task & Finish group was established in 2025/26 to update the Carbon Management Plan (CMP) and action plan to improve focus and consistency of the council's emissions reporting and targeted actions. The completed Plan will be approved by Cabinet for implementation in early 2026/27.
- The Herefordshire Climate and Nature Board has met regularly in 2025/26. 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. A Climate and Nature networking event was held during the year with attendance from key stakeholders across the county. This event served as an opportunity for the Board to update the outcome of modelling activity and share key themes and future priorities.
- The Greener Footprints communications channels and e-bulletin aim to support the county's response to climate and nature emergencies. These sources highlight schemes offered by the council including the Warm Homes Local Grant, Biodiversity and Nature grant scheme, community car clubs, biodiversity schemes

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for schools, business energy grants as well as initiatives provided by other local organisations.

- 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 Finance Procedure Rules and Contract Procedures Rules were updated in 2025/26 to incorporate the legislative requirements of the Procurement Act 2023 and Procurement Regulations 2024; updates were approved by the Audit & Governance Committee.
- The council has proactively led sub-regional engagement in identifying a future basis for devolution through establishing a proposed Foundation Strategic Authority and Spatial Development Strategy area economic partnerships. Key analysis has been undertaken to consider economic partnerships and interdependencies and sectoral and strategic alignment across the wider region. In 2025 a Steering Group of the political Group Leaders was formed to engage public sector, community and private sector leaders as well as all locally elected members and Members of Parliament.

The governance arrangements, as identified above, have been effective in the period from 1 April 2025 to 31 March 2026. Areas where it is recognised that governance arrangements could be further strengthened include:

- The council will continue to engage with the Ministry of Housing, Communities and Local Government (MHCLG) and Leaders and Chief Executives from neighbouring local authorities to explore opportunities for Herefordshire as part of Foundation Strategic Authorities and Spatial Development Strategy geographies.
- The council will continue to work with strategic partners, residents and local organisations to reduce carbon emissions and achieve

improved energy efficiency, energy resilience and cost savings. Activity through the Carbon Management Plan 2026/27 to 2030/31 will contribute to key local goals and wider national objectives by 2030.

- A review of the commissioning strategy will take place in 2026/27 including the introduction of a low entry commissioning framework to support engagement with the Voluntary, Community and Social Enterprise (VCSE) sector and development of a social value approach as part of wider commissioning and procurement.

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

### Key aspects of the council's governance arrangements during 2025/26:

- 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 risks to achievement of approved savings, and these are subject to challenge and scrutiny by relevant stakeholders.
- Updates to Cabinet in 2025/26 included the Annual Review of Earmarked Reserves, setting out the council's approach to maintaining appropriate levels of reserves to respond to future risks, and an update on the MTFS to highlight headlines from the Spending Review and potential impact of local authority funding reform on the council's future financial position.
- The Dedicated Schools Grant (DSG) position and impact of Special Educational Needs and Disabilities (SEND) Reform and the High Needs Stability Grant on the council's overall financial position has been reported through Schools Forum, Cabinet and Scrutiny Committees.
- Development of the 2026/27 revenue budget and capital programme included increased engagement and transparency

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across Group Leaders, and their political groups, to share information on the potential outcome of the fair funding review and its impact on the council's revenue budget and capital programme.

- Monthly Budget Board meetings of Corporate Directors and Service Leads, the Chief Executive and S151 Officer, have taken place throughout 2025/26 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. This activity has been supported by Directorate led Savings Boards and Expenditure Control Panels.
- Performance against actions from the council's Delivery Plan was reported quarterly to Cabinet during 2025/26.
- 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.
- Finance, Service and Performance teams have worked throughout 2025/26 to identify improvements and strengthen the links between activity and financial data which inform monthly forecasts and budget setting.
- A cross-party Housing Working Group was established in 2025/26 to address the county's critical housing needs and increasing demand for temporary accommodation. The council has supported a whole-Herefordshire collaboration approach to respond to the shortage of local housing with registered providers.
- The Herefordshire Business Growth Board was established in 2025/26. The Board will play a key role in driving the economy, supporting business growth, promoting innovation and collaboration and championing inward investment in Herefordshire.

The governance arrangements, as identified above, have been effective in the period from 1 April 2025 to 31 March 2026. Areas where it is recognised that governance arrangements could be further strengthened include:

- New commissioning workstreams will be implemented in 2026/27: Care in Your Home, Working Age Adults Support and Care Home Partnership. These workstreams will ensure that interventions are targeted to individuals' needs whilst improving control of expenditure.
- A tailored Herefordshire Council Outcomes Framework will be used to enhance performance monitoring and reporting in 2026/27 alongside an internal performance management tool to support self-service and bespoke reporting against key performance indicators and Delivery Plan milestones.

Improvement and transformation of children's social care has been the council's highest priority, and a significant governance issue, since the Ofsted review of the service in July 2022.

Following the Inspection of Local Authority Children's Services (ILACS) that took place in November 2025, Herefordshire Council's Children's Services have been rated 'Good' overall by Ofsted, with each specific service area receiving a 'Good' judgement and the 'Impact of leaders on social work practice with children and families' judged as 'Outstanding'. This rating reflects the hard work and dedication of practitioners, managers, Members and partners in the delivery of improvements through the Herefordshire Children's Services and Partnership Improvement Plan.

**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 2025/26:**

- Regular meetings between the three 'Golden Triangle' statutory officers (Head of Paid Service, Chief Finance Officer and Monitoring Officer) have taken place throughout 2025/26. These meetings, to review current and potential future political, financial, legal, staffing and other issues that may impact on delivery of the statutory duties,

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and the constructive work relationship between the three statutory officers form a key element of overall governance arrangements.

- The council's leadership development programme (@LeadHC) was launched in 2025/26 to address gaps in the learning and development offer and strengthen leadership skills and capabilities. The programme aims to develop inspirational leaders across four themes: Grow, Aspire, Empower, Innovate.
- The first cohort of delegates in the Aspire and Empower programmes have 'graduated' with positive support and feedback across the council. The Innovate programme, for senior leaders, will recruit its first cohort of delegates in 2026/27.
- The council has provided a range of learning and development opportunities for staff at all stages of their careers, delivered through the Learning & Organisational Development Team. This includes Mandatory Training modules as well as opportunities through 'My Learning Hub'.
- A review of Member mandatory training was completed by the Member Development Working group in August 2025 and the second round of mandatory training was undertaken during September to November 2025. All training was recorded and placed on the Councillors Intranet site as a resource for members to utilise on an ongoing basis for the remainder of the current administrative term.
- A corporate transformation board has been established and in place since August 2025. The board is chaired by the Chief Executive and meets monthly to set the direction and ambitions for transformation, drive delivery and manage strategic risk and resources.
- To further embed the council's **THRIVE** values of **Trust**, **Honesty**, **Responsibility**, **Inclusivity**, **Value** and **Empathy**, a values-based recruitment framework has been launched in 2025/26.
- Staff are able to discuss and agree training and development needs through the annual 'My Conversation' process.
- During 2025/26, 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.

- Interactive information and learning sessions delivered to the Leadership Group in 2025/26 have included Digital Leadership & Skills, Governance, Finance, Children's Services and Risk Management arrangements.

The governance arrangements, as identified above, have been effective in the period from 1 April 2025 to 31 March 2026. Areas where it is recognised that governance arrangements could be further strengthened include:

- The council will continue to identify and deliver improvements to the Member two-yearly mandated training programme, informed by feedback following the review carried out in 2025 and training modules provided.
- The Scheme of Delegation will be kept under review and updated as required.
- Activity to strengthen organisational capacity and capability in 2026/27 will include the introduction of a new Learning Management System and expanded self-help learning offer, delivery of a senior leadership programme, and development of our digital capability through our digital skills offer.

**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 2025/26:

- 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.

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- 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.
  - 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.
  - 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.
  - The council's 2025/26 Internal Audit Plan was reviewed to ensure alignment with the refreshed Risk Strategy and risks identified in the Corporate Risk Register and this was approved by the Audit & Governance Committee.
  - 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 2025/26: additional training has been delivered to staff and Members, additional resources to raise awareness of fraud have been made available to staff and we have continued to develop methods of partnership working to identify and investigate fraud. The Anti-Fraud, Bribery & Corruption Report outlining counter-fraud activities and progress and outcomes aligned with strategic objectives was reviewed by Audit & Governance Committee in January 2026.
  - 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. An update to the FPRs was approved by Audit & Governance Committee in January 2026.
  - Internal financial reporting and monthly Directorate Budget Board meetings have supported early identification and effective management of financial risks during 2025/26; 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.
  - Individual Directorates continue to exercise robust financial management through routine expenditure control panels. New arrangements in 2025/26 include the transfer of the Quality Assurance team for commissioned services, including placements, to the Children & Young People Directorate. This provides clarity of function, removing duplication and improving practice in contract management to ensure best value and good outcomes.
  - The Shareholder Committee has continued to exercise its functions and responsibilities in respect of its shareholdings in Hoople Ltd and Cyber Quarter Limited and has convened to consider both service and financial performance.
- The governance arrangements, as identified above, have been effective in the period from 1 April 2025 to 31 March 2026. 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 2026/27

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to embed and develop risk management by risk owners at all levels within the risk management framework including elected members.

- To support delivery of approved savings in 2026/27, arrangements to monitor progress and identify risks and challenges to delivery will be strengthened. A monthly monitoring and assurance process will take place, led by a Service Director or the Corporate Director. This activity will support and inform monitoring of Directorate financial position and performance at the monthly Budget Board meetings.
- The MTFs will be updated in 2026/27 to reflect the impact for the council of the multi-year funding Settlement and in-year funding allocations as further information is released.
- Activity to develop specific actions and milestones as part of the council's Future Financial Strategy will be a key focus from April 2026 to close the estimated funding gap in future years and protect the council's future financial sustainability.

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

### Key aspects of the council's governance arrangements during 2025/26:

- Arrangements for the governance of the council, including terms and reference of committees, political group representation on committees and outside bodies and appointments of committee chairpersons and vice chairpersons are approved at the Annual Meeting of Council.
- The 2024/25 draft Statement of Accounts was published in May 2025, one month ahead of the statutory deadline, to support early audit testing from June 2025. The early publication of the accounts, alongside high quality supporting working papers, enabled the council to achieve an unqualified audit opinion and External Auditor's Annual Report in September 2025.
- The audit report, and the timely unqualified opinion on the 2024/25 financial statements, provide valuable, independent assurance that the council has robust financial planning arrangements in place to

identify all significant financial pressures and risks to financial resilience and to support the sustainable delivery of services in accordance with strategic and statutory priorities.

- An update on the actions identified to deliver continuous improvement in governance arrangements in the 2024/25 Annual Governance Statement was reported to the Audit & Governance Committee in September 2025.
- Internal audit arrangements have been strengthened in 2025/26 with refreshed resources led by a new Head of Internal Audit and a revised Internal Audit Plan, 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.
- Quarterly reports to update Members on progress of internal audit activity and key internal control issues arising have been presented to the Audit & Governance Committee in 2025/26.
- 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.
- 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.

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- 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.
- Exemptions to the Contract Procedure Rules approved during 2024/25 were reported to the Audit & Governance Committee in June 2025. Commercial and legal services have continued to work with council departments throughout 2025/26 to ensure exemptions are only proposed where there is no possible alternative.
- In June 2025, the council hosted a Corporate Peer Challenge (CPC) managed by the Local Government Association (LGA). This process provides an independent and objective assessment, led by a team of senior officers and Member peers, of the council's achievements, challenges and future plans. The resulting LGA findings report commended the council's leadership and recognised the council as a "good council that is striving hard to improve further".
- An action plan was prepared to respond to the recommendations made in the LGA findings report identifying planned actions, lead officers and delivery timelines. The findings report and corresponding action plan were reported to and approved by Cabinet in September 2025.
- The Service Level Agreement (SLA) between the council and its subsidiary company Hoople Ltd will be reviewed in 2026/27 to provide assurance that the relationship continues to support delivery of the council's strategic priorities and its future financial strategy.

The governance arrangements, as identified above, have been effective in the period from 1 April 2025 to 31 March 2026. Areas where it is recognised that governance arrangements could be further strengthened include:

- The council will continue to strengthen internal audit arrangements through the development of the 2026/27 Internal Audit Plan. The Plan will include key coverage of core financial systems, compliance with laws and regulations, controls in place for new grant schemes and activity across Directorates informed by Corporate and Service level risks.
- The development of business cases will be reviewed in 2026/27 to improve the quality of reporting to inform decision-making and the assessment of investment decisions.

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## Significant Governance Issues

Actions taken to address significant governance challenges during 2025/26 are noted below.

- Continued improvement in Children's Services:** During 2025/26, the council has continued to work hard to deliver the improvements required in Children's Services and good progress with renewed pace was noted in the Ofsted monitoring visits in the lead up to the full Inspection of Local Authority Children's Services (ILACS) in November 2025. The inspection report found the council's Children's Services to have 'Good' overall effectiveness with 'Outstanding' impact of leaders on practice. The outcome of the ILACS inspections, alongside a report completed by the DfE appointed Commissioner, will inform the Secretary of State decision regarding the existing statutory direction and next steps for the council. At the meeting of the independently chaired Children's Improvement Board in January 2026, the Board agreed to stand down, promoting a transition to enable monitoring of Children's Services, including the Children's and Young People's Plan and the Improvement Plan Phase 3, through routine channels in line with other non-inadequate councils. Governance and monitoring arrangements in 2026/27 will be fulfilled by the Corporate Leadership Team, Cabinet and the Children and Young People Scrutiny Committee.
- Financial Sustainability and Resilience:** Monthly Directorate Budget Boards have provided improved oversight of key cost pressures, delivery of the capital programme and challenges in the delivery of approved and brought forward saving targets during 2025/26, 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.

The review of governance arrangements during 2025/26 has identified the following areas which will be a key focus for the council's leadership in 2026/27:

- Delivery of major and capital projects:** The council has approved an ambitious capital programme for 2026/27 with significant activity planned to progress major and capital projects aligned to the council's Year of Delivery priorities in 2026. Robust monitoring of capital project delivery in 2026/27 will be required to identify and mitigate risks to project budgets, delivery of benefits and potential loss of grant funding. Project assurance reviews and planned improvements to the development of business cases will ensure that investment decisions deliver economy, efficiency and effectiveness in the use of resources.
- Activity to support the Future Financial Strategy:** The council has set a balanced budget for 2026/27 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 2026/27 to ensure delivery of services within the approved budget and early identification of cost pressures. Budget Boards will monitor achievement of savings targets, key financial pressures and risks and delivery of capital and major projects by Directorate. Assessment of financial position and performance in 2026/27 will include 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's future financial strategy will ensure that the council's finances are aligned to its strategic priorities with a clear focus on required activity to ensure the future sustainability of the council and the services it delivers. High support and challenge of planned activity to deliver savings and efficiencies to resolve the estimated future funding gap will be a key area of focus in 2026/27.

## Annual governance statement

- Dedicated Schools Grant and SEND Reform Plan:** At 31 March 2026, the council's Dedicated Schools Grant (DSG) cumulative deficit is £36.3 million following a £16.3 million overspend within the High Needs Block. 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 2028; beyond the period of the statutory override, any balance on the DSG unusable reserve will transfer back to the council's Earmarked Reserves. The Final Local Government Settlement published on 9 February 2026 confirmed the proposed treatment of DSG deficits as part of wider SEND reform. The first phase of support will be to address historic deficits with a High Needs Stability Grant to cover 90% of High Needs-related DSG deficit accrued up to the end of 31 March 2026. Service and Finance teams are currently developing the council's Local SEND Reform Plan for submission by 19 June 2026. Subject to Department for Education (DfE) approval, the Plan will evidence eligibility for the High Needs Stability Grant to cover approx. £32.7 million (90%), with the remaining balance of £3.6 million (10%) to be a liability of the council once the statutory override period ends in March 2028.
- The council is committed to identifying actions to respond to local special educational needs and disabilities (SEND) and alternative provision to meet current and future levels of demand. The council's SEND Reform Plan will be underpinned by a credible financial strategy, a robust financial baseline, robust financial modelling and planning for use of Experts at Hand Offer and High Needs Provision Capital Allocation grant funding, clear understanding of the drivers of high-cost spend and a plan to respond to such pressures and a mechanism to enable quarterly financial monitoring. The High Needs Stability Grant and SEND Reform Plan are key components of the council's future financial strategy and delivery of the Plan will be a key area of focus for the council in 2026/27.

The key governance challenges facing the council in 2026/27 will be monitored by the Corporate Leadership Team and Audit & Governance Committee.

# Annual governance statement

## Audit and Audit Assurances

The council's Statement of Accounts are audited by Grant Thornton UK LLP. In accordance with statutory requirements, the annual audit includes an examination and certification of the financial statements to confirm they are 'true and fair' and free from material misstatements and an assessment of the council's arrangements to secure economy, efficiency and effectiveness in its use of resources. In 2024/25, Grant Thornton gave an unqualified audit opinion on the financial statements.

The external auditor's work on the council's arrangements to secure value for money in 2024/25 did not identify any significant weaknesses or improvement recommendations in respect of arrangements for financial planning, alignment of financial plans to other operational planning and in identifying and managing risks to financial resilience. A key recommendation was raised in respect of the council's Dedicated Schools Grant (DSG) deficit position, and an improvement recommendation was made in respect of the achievement of savings in 2024/25.

The Annual Auditor's Report for the year ended 31 March 2025 acknowledges the transformation and improvements made in the delivery of Children's Services, downgrading the prior year significant weakness and key recommendation to an improvement recommendation. This finding supports the external inspection findings reported by Ofsted across multiple monitoring visits during 2024/25 and the 'Good' rating received in January 2026.

A key recommendation was raised in relation to strengthening challenge and control of capital expenditure to ensure effective governance and oversight of procurement decisions. The council has implemented improvements in this area with additional oversight across all major projects to consider individual and thematic challenges and risks in project delivery.

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, and is aligned to the Risk Strategy and risks identified in the Corporate Risk Register.

Further assurance is provided by reviews undertaken by external agencies including Ofsted, the Care Quality Commission, the Office of the Information Commissioner, the Local Government Association Corporate Peer Challenge and other Local Authority Inspectorates.

For the year ended 31 March 2026, 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 2025 to 31 March 2026. 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: DD/MM/2026**

**Jonathan Lester**  
**Leader of the Council**  
**Date: DD/MM/2026**

## Independent auditor's report

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

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## Glossary of terms

Term	Definition
Accounting policies	Specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.
Accrual	The recognition of income and expenditure as goods and services are provided, not when cash is received or paid.
Assets	A resource controlled by the council as a result of past events and from which future economic or service potential is expected to flow to the council.
Capital adjustment account	<p>The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the comprehensive income and expenditure statement (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the council as finance for the costs of acquisition, construction and enhancement.</p> <p>The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the council.</p> <p>The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains.</p>
Carrying amount	The amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.
CIES	Comprehensive income and expenditure statement.
Creditors	Financial liabilities arising from the contractual obligation to pay cash in the future for goods or services or other benefits that have been received or supplied and have been invoiced or formally agreed with the supplier.
Debtors	Financial assets not traded in an active market with fixed or determinable payments that are contractual rights to receive cash or cash equivalents.
Depreciation	The systematic allocation of the depreciable amount of the asset over its useful life.
Fair value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
Finance lease for lessor	A lease that transfers substantially all the risks and rewards incidental to ownership of an asset.
Financial instruments adjustment account	The financial instruments adjustment account records the timing differences between the rate at which gains and losses are recognised for accounting purposes and the rate at which debits and credits are required to be made against council tax.

## Glossary of terms

Term	Definition
Financial instrument	Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.
Grants and contributions	Transfers of resources to the council in return for past or future compliance with certain conditions relating to the operation of activities.
Historical cost	The carrying amount of an asset as at 1 April 2007 or at the date of acquisition, whichever date is the later, and adjusted for any subsequent depreciation or impairment.
HR and OD	Human Resources and Organisational Development.
IFRIC	International Financial Reporting Interpretations Committee (IFRIC) prescribes accounting treatment within the IFRS standards.
IFRS	International Financial Reporting Standards (IFRS) provide understandable, enforceable and globally accepted accounting standards.
Impairment loss	The amount by which the carrying amount of an asset exceeds its recoverable amount.
Intangible asset	An identifiable asset without physical substance e.g. computer software.
Inventories	These are assets; <ul style="list-style-type: none"> <li>a) In the form of materials or supplies to be consumed in the production process</li> <li>b) In the form of materials or supplies to be consumed or distributed in the rendering of services</li> <li>c) Held for sale or distribution in the ordinary course of operations, or</li> <li>d) In the process of production for sale or distribution</li> </ul>
Investment property	Property held solely to earn rentals or for capital appreciation or both.
Lease	A contract that conveys the right to use an asset for a period of time.
Liabilities	Present obligations arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.
Material	Items are material if they could, individually or collectively, influence the decisions or assessments of users. Materiality depends on the nature or size of the item, or both.
Minimum revenue provision (MRP)	A provision made for the repayment of notional borrowing used to finance capital expenditure.
Non-exchange transactions	Transactions in which an entity either receives value from another entity without giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.
Operating lease for lessor	A lease other than a finance lease.
Private finance initiative (PFI)	A long term contractual public private partnership under which the private sector takes on the risks associated with the delivery of public services in exchange for payments tied to standard of performance.

## Glossary of terms

Term	Definition
Property, plant and equipment (PPE)	Tangible assets held for use in the supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one year.
Provision	A liability of uncertain timing or amount.
Related party	Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.
Revaluation reserve	<p>The revaluation reserve contains the gains made by the council arising from increases in the value of its property, plant and equipment (and intangible assets). The balance is reduced when assets with accumulated gains are:</p> <ol style="list-style-type: none"> <li>revalued downwards or impaired and the gains are lost</li> <li>used in the provision of services and the gains are consumed through depreciation, or</li> <li>disposed of and the gains are realised.</li> </ol> <p>The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date were consolidated into the capital adjustment account.</p>
Revenue	The gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net worth.
Right of use asset	An asset that represents a lessee's right to use an underlying asset for the lease term.
Short term absences account	The short term absences account absorbs the differences that would otherwise arise on the general fund balance from accruing for absences earned but not taken in the year. Statutory arrangements require that the impact on the general fund balance is neutralised by transfers to or from the account.

# Summary Financial Statements 2025/26

## The Cost of Council Services for 2025/26

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

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

The Statement includes accounting adjustments as prescribed by legislation.

## Comprehensive Income & Expenditure Account

2024/25 £m	Comprehensive Income and Expenditure	2025/26 £m
62.4	Children & Young People	69.6
70.4	Community Wellbeing	76.9
63.2	Economy & Environment	64.7
28.1	Corporate Services	31.1
<b>224.1</b>	<b>Net Cost of Services</b>	<b>242.3</b>
35.3	Other Operating Expenditure	7.7
3.2	Financing & Investment Income & Expenditure	(2.1)
(246.5)	Taxation & Non-specific Grant Income	(247.0)
<b>16.1</b>	<b>(Surplus)/Deficit on the Provision of Services</b>	<b>0.9</b>
(8.2)	(Surplus)/Deficit on Revaluation of Non-current Assets	(7.1)
(1.1)	Re-measurement of the Net Defined Benefit Liability	1.2
<b>(9.3)</b>	<b>Other Comprehensive (Income) &amp; Expenditure</b>	<b>(5.9)</b>
<b>6.8</b>	<b>Total Comprehensive (Income) &amp; Expenditure</b>	<b>(5.0)</b>

## Revenue Outturn

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

Service Area	Budget £m	Outturn £m	Variance £m
Children & Young People	58.8	57.6	(1.2)
Community Wellbeing	90.4	94.1	3.7
Economy & Environment	28.1	27.3	(0.8)
Corporate Services	23.4	24.8	1.4
SEN & Home to School Transport	12.7	15.3	2.6
<b>Sub Total: Services</b>	<b>213.4</b>	<b>219.1</b>	<b>5.7</b>
Central, Treasury Management	18.1	12.4	(5.7)
<b>Total</b>	<b>231.5</b>	<b>231.5</b>	<b>-</b>

# Summary Financial Statements 2025/26

## Balance Sheet

The Balance Sheet summarises the council's financial position at 31 March 2026 and reports the assets, liabilities and reserves which show what the council owns and how much it owes.

2024/25 £m	Summary Financial Position	2025/26 £m
890.7	Assets (owned by the council)	950.4
(280.8)	Liabilities (owed by the council)	(335.5)
<b>609.9</b>	<b>Net Financial Position (Assets less Liabilities)</b>	<b>614.9</b>
	<b>Held in reserves as follows:</b>	
(168.4)	General Reserves (Usable)	(146.0)
(441.5)	Other Reserves (Unusable)	(468.9)
<b>(609.9)</b>	<b>Total Reserves</b>	<b>(614.9)</b>

## Reserves

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

2024/25 £m	Reserves	2025/26 £m
(156.7)	Usable Reserves	(136.8)
(11.7)	School Reserves	(9.2)
(441.5)	Unusable Reserves	(468.9)
<b>(609.9)</b>	<b>Total Reserves</b>	<b>(614.9)</b>

## Capital Expenditure

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

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

2024/25 £m	Additions	2025/26 £m
10.1	Land & Buildings	18.1
1.8	Surplus Assets	1.5
0.7	Assets Under Construction	5.7
7.4	Vehicles, Plant, Furniture & Equipment	1.5
37.0	Infrastructure Assets	47.2
0.2	Software & Licences	0.8
0.2	Investment Assets	0.2
0.3	Heritage Assets	-
<b>57.7</b>	<b>Total</b>	<b>75.0</b>
	<b>Financed by:</b>	
(4.9)	Capital Receipts	(7.4)
(52.8)	Government Grants & Other Contributions	(67.6)
<b>(57.7)</b>	<b>Total</b>	<b>(75.0)</b>



# Title of report: Internal Audit Opinion 2025/26

**Meeting: Audit and Governance Committee**

**Meeting date: Tuesday 9 June 2026**

**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 present a summary of the work undertaken by Internal Audit during 2025/26 and to give an overall opinion on levels of assurance resulting from this work.

Due to the information contained in The Internal Audit Annual Opinion (Appendix A), it is deemed unnecessary to submit a separate quarterly monitoring report. Instead, we have produced a condensed version of the usual report which contains a summary of the work concluded since the last meeting of this Committee.

## **Recommendation(s)**

**That the Committee:**

- a) **Considers the reports and comments 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 Annual Opinion Report 2025/26, Appendix A, provides the Head of Internal Audit's (SWAP Assistant Director) opinion, on the adequacy and effectiveness of internal control within Herefordshire Council. The opinion is based on the adequacy of control, noted from a selection of risk-based audits carried out during the year, and other advice work on control systems

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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

including the proactive work of the service as it supports the control arrangements within change projects. The results of any external inspections also inform the opinion.

3. Throughout the year the Internal Audit service have measured the degree of control assurance within the systems, or elements of systems, audited or supported by way of control advice. Overall, the opinion is that a 'Reasonable' assurance level can be given for the controls in place, within the areas where audit activity has taken place, to safeguard these systems which in turn support the delivery of the Council's overall business objectives.
4. Where operational control issues were raised, the risks associated with the control issues raised, in the audit reports, are being actively managed by Management.
5. The purpose of the Head of Internal Audit's Annual Opinion is to contribute to the assurances available to the Head of Paid Service and the Council which underpin the Council's own assessment of the effectiveness of the authority's system of internal control. This opinion is one component that the Council must take into account when completing its Annual Governance Statement.
6. Officers from SWAP will be in attendance at the Committee meeting and will be available to address Members' questions.
7. The Internal Audit Charter and Mandate is attached at Appendix A.

### **Community impact**

8. 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**

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 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**

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

### **Risk management**

15. 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.
16. 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**

17. None.

### **Appendices**

Appendix A SWAP Internal Audit Opinion 2025/26

Appendix B SWAP Summary of Audit Work completed since the last meeting of this Committee

Appendix C SWAP Open Agreed Actions May 2026

### **Background papers**

None identified.





# Herefordshire Council

## Internal Audit Annual Opinion Report 2025/26

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# Internal Audit Annual Opinion – 2025/26: ‘At a Glance’

OFFICIAL

## Annual Opinion



We are pleased to offer Herefordshire Council a **Reasonable Assurance** for 2025/26

This assurance is based on information obtained from multiple engagements and sources, the results of which, when viewed together, provide an understanding of the organisation’s governance arrangements, risk management processes and internal control environment.

## The Headlines

	<p><b>Audits undertaken for Accounts Payable, Housing Benefits, MERS and Dedicated Schools Grant resulted in Substantial Assurance with no agreed actions.</b> This signifies that internal controls are operating effectively and being consistently applied in these areas.</p>
	<p><b>Significant risks were identified in the Transport Hub and Council Tax Audits</b> Progress is being made on the implementation of the agreed actions, which Internal Audit are monitoring.</p>
	<p><b>30 reviews delivered as part of the 2025/26 Internal Audit Plan.</b> Includes assurance, advisory and follow up reviews, and specific audit support. We have 5 reviews at draft report stage and 4 audits are in progress.</p>
	<p><b>Internal Audit staff supporting the Council.</b> Auditors support the Council, by attending meetings, supporting projects and when necessary, conducting specific tasks for the Council.</p>
	<p><b>Agreed Actions</b> Of the 59 actions reported in 2024/25 19 remain open, audits are planned in 2026/27 to follow these up. Of the 27 actions agreed in 2025/26 4 have been actioned.</p>

Assurance Opinions	2024/25	2025/26
Substantial	2	6
Reasonable	12	3
Limited	3	2
No	0	0
Support to the Council		2
Grant Certification		2
Advisory	17	5
Follow-Up		1
Agreed Actions	2024/25	2025/26
Priority 1	0	0
Priority 2	30	14
Priority 3	29	13
<b>Total</b>	<b>59</b>	<b>27</b>



**SWAP**  
INTERNAL AUDIT SERVICES  
Better Assurance, Together

AP Internal Audit Work is completed to comply with Global Internal Audit Standards and all other guidance recognised by the UK Public Sector’s Relevant Internal Audit Standards Setters

Internal Audit provides an independent and objective opinion on the effectiveness of the Authority's risk management, control and governance processes.



## Purpose

The Head of Internal Audit (SWAP Assistant Director) ('the HIA') should provide a written annual report to those charged with governance to support the Authority's Annual Governance Statement (AGS). This report should include the following:

- An opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and internal control environment, including an evaluation of the following:
  - the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities;
  - whether the information technology governance of the organisation supports the organisation's strategies and objectives;
  - the effectiveness of risk management processes; and
  - the potential for the occurrence of fraud and how the organisation manages fraud risk.
- Disclose any qualifications to that opinion, together with the reasons for the qualification.
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies.
- Draw attention to any issues the HIA judges particularly relevant to the preparation of the Annual Governance Statement.
- Compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria.
- Comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

The purpose of this report is to satisfy this requirement and Members are asked to note its content and the Annual Internal Audit Opinion given.

## Three Lines Model

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

The 'Three Lines' model is a way of explaining the relationship between these functions and as a guide to how responsibilities should be divided:

- the first line – functions that own and manage risk.
- the second line – functions that oversee or specialise in risk management, compliance.
- the third line – functions that provide independent assurance.

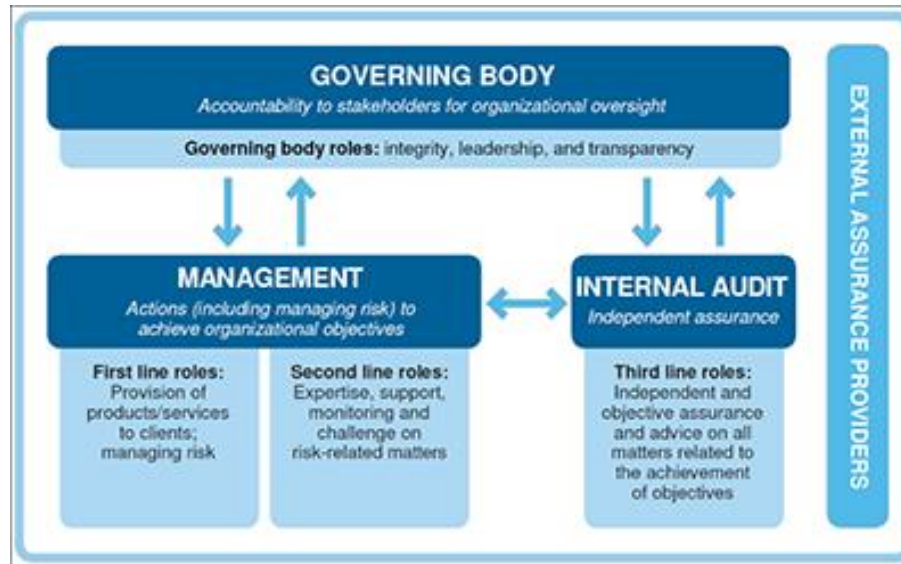


## Background

The Internal Audit service for Herefordshire Council is provided by SWAP Internal Audit Services. The team's work for 2025/26 was completed to comply with the Global Internal Audit Standards and all other guidance recognised by the UK public Sector's Relevant Internal Audit Standards Setters. The work of the team is guided by the Internal Audit Charter which is reviewed annually.

Internal Audit provides an independent and objective opinion on the organisation's control environment by evaluating its effectiveness. This report summarises the activity of the Internal Audit team for the 2025/26 year.

The position of Internal Audit within an organisation's governance framework is best summarised in the Three Lines model shown below.



The Head of Internal Audit (SWAP Assistant Director) is required to provide an opinion to support the Annual Governance Statement.



## Annual Opinion

On the balance of our 2025/26 audit work for Herefordshire Council, enhanced by the work of external agencies, I am able to offer a **Reasonable Assurance** opinion in respect of the areas reviewed during the year.

Audit work is planned to ensure that sufficient assurance will be available to inform the annual opinion as well as supporting the key priorities that underpin Herefordshire Council's Plan (2024 – 2028):

- People
- Place
- Growth
- Transformation

Our audit work supports each of these priorities, and the underpinning theme of Partnership Working, whether as an assurance audit, an advisory piece of work, ad hoc requests or support to the council.

The Annual Opinion is based on information obtained from multiple engagements and sources, the results of which, when viewed together, provide an understanding of the organisation's governance arrangements, risk management processes and internal control environment and facilitate an assessment of overall adequacy and effectiveness. Opinions are a balanced reflection across the year and not a snapshot in time. In forming this opinion, the following sources of information have been used:

- *Completed audits which evaluate risk exposures relating to the organisation's governance, operations and information systems, reliability and integrity of information, efficiency and effectiveness of operations and programmes, safeguarding of assets and compliance with laws and regulations.*
- *Observations from consultancy / advisory support.*
- *Follow up of previous audit activity, including agreed actions.*
- *Grant certification work.*
- *Assurances from other key sources and providers, including third parties, regulator reports etc.*
- *Ongoing support and advice relating to the risks associated with payments administered following the pandemic.*

The following are considered key pieces of audit work that support the annual opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and control.

- *Business Continuity*
- *Continuous assurance*
- *Key financial audits*
- *Information governance and security*
- *Key front line services*

Definitions of Corporate Risk

High Risk

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

Medium Risk

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

Low Risk

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



Significant Corporate Risks

Our audits examine the controls that are in place to manage the risks that relate to the area being audited. We assess the risk at a 'Corporate' level once we have tested the controls in place. Where the controls are found to be ineffective and the 'Corporate risk' as 'High' these are brought to the Audit and Governance Committee attention.

We identified significant weaknesses in the following audits:

Transport Hub

- Contract Management Framework was not adhered to
- Lack of Training and Central Oversight
- Regular reconciliation were not being undertaken between Verto and Business World
- Compensation Events were not being recorded in Cemar and Business World
- Recording of Project Risks and Issues required review to ensure identification and monitoring
- Communications plans require updating

Council Tax

- No structured process to review accounts subject to discount and exemption,
- Lack of management oversight or sign off in respect of reconciliations, variances and discrepancies
- No scheduled process to review accounts in credit
- Out of date procedures and processes
- Review of user access was not being undertaken in accordance with the Access Control Policy

To ensure control weaknesses are being addressed we have continued to follow-up all agreed actions made in previous years audits as well as current year ones which have passed their implementation dates. The CFO receives a regular report of all agreed actions which can be followed up with Officers where appropriate.

All audits, and progress against agreed actions, have been reported throughout 2025/26 to the Audit and Governance Committee.

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

Assurance Definitions

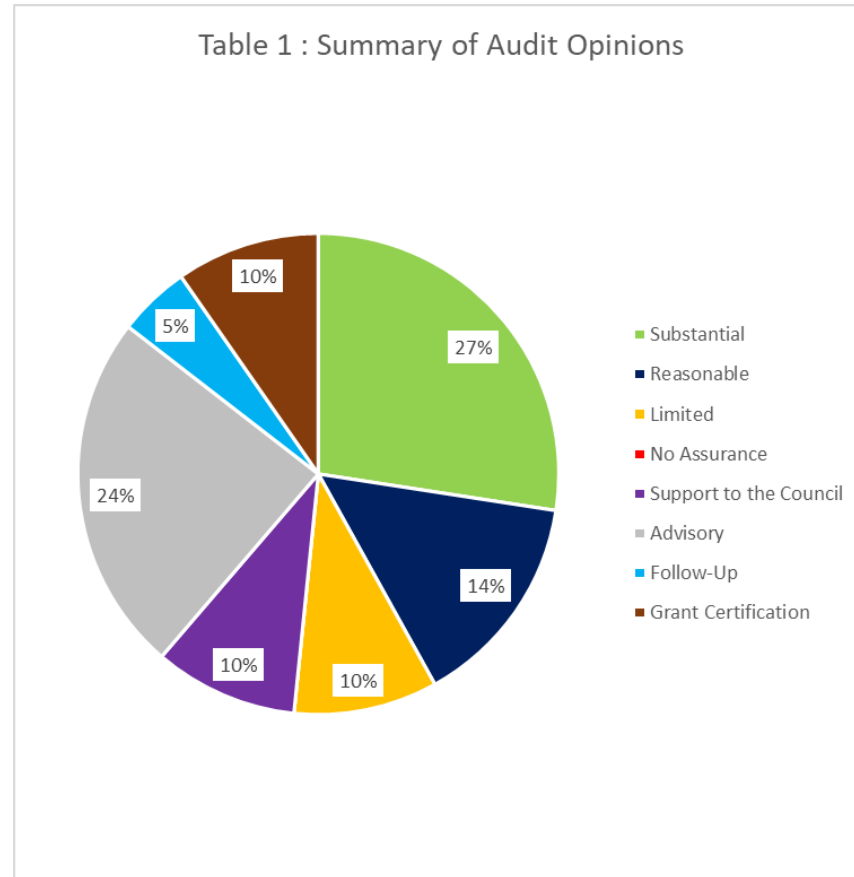
<b>No</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
<b>Limited</b>	Significant gaps, weaknesses 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.



Summary of Audit Opinion

The following two charts summarise the audit opinions and audit work, and involvement, during 2025/26

Table 1 indicates the spread of assurance opinions across our work during the past year.



212

Table 2 indicates the audit work by type.



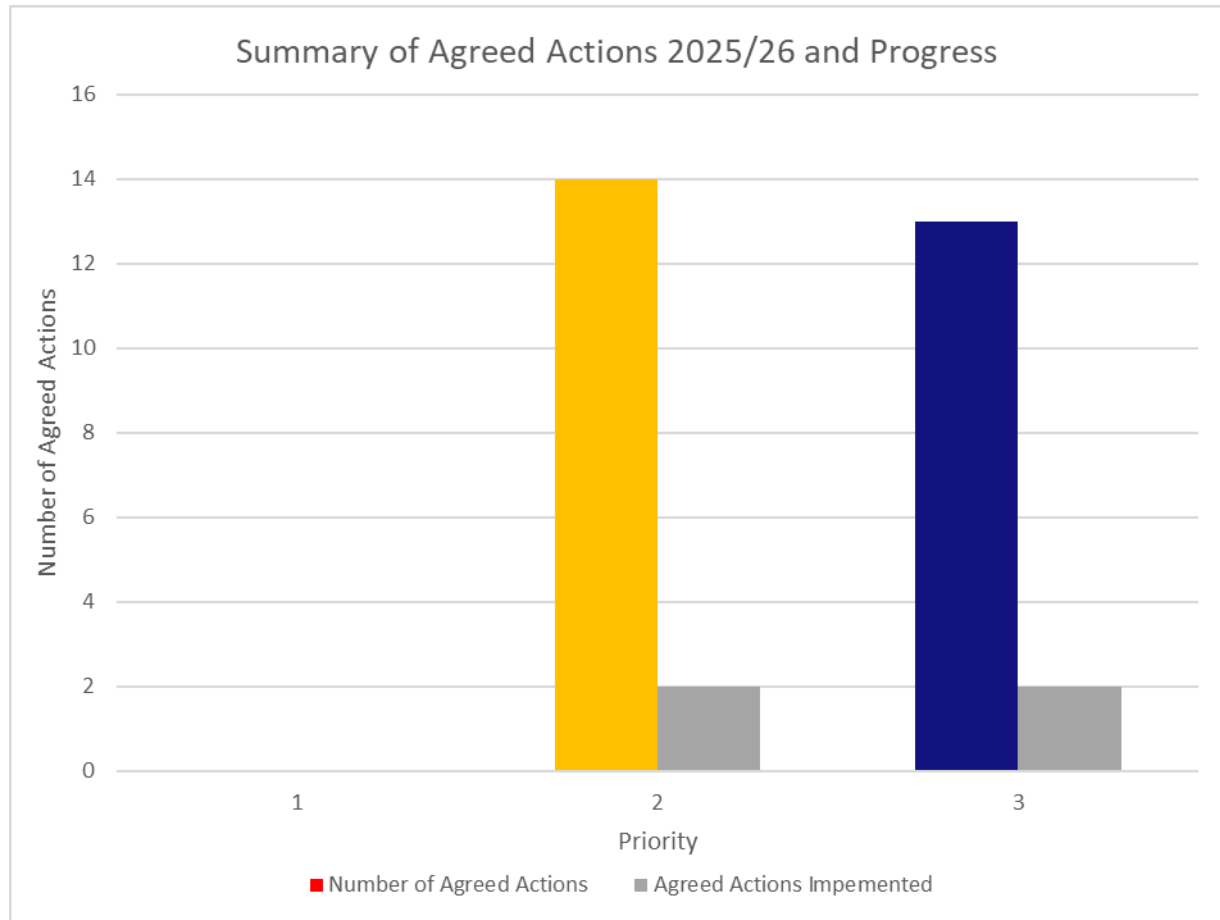
213

SWAP Performance - Summary of Audit Actions by Priority



Priority Actions

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



Added Value

Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.



Added Value

Throughout the year, SWAP strives to add value wherever possible i.e. going beyond the standard expectations and providing something 'more' while adding little or nothing to the cost.

**Benchmarking**

During the year we have provided benchmarking data across either the SWAP partnership or the wider reach of the Local Authority Chief Auditors Network (LACAN). This data is useful for services to develop and improve their own systems and processes so that business objectives can be achieved with continually decreasing resources.

**News Roundup**

We produce a fortnightly newsletter that provides information on topical areas of interest for public sector bodies.

**Client Liaison**

The Auditors meet regularly with Service Managers to discuss potential operational risks and issues, identify areas for audits and plan up-coming audits.

**Audit Protocol**

We have an audit protocol which defines the role of the audit team and what is required for an audit. The aim of the protocol is to improve the audit process for our audit clients and to ensure we can deliver an excellent audit in an efficient and effective manner.

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Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS)

SWAP Performance

In 2025/26 SWAP work was completed to comply with the the Global Internal Audit Standards plus the UK Public Sector Application Note and the CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government. The Internal Audit service for Publica Group (Support) Ltd is provided by SWAP Internal Audit Services.

Under these standards we are required to be independently externally assessed at least every five years to confirm compliance to the required standards. SWAP was assessed in January 2025 and confirmed that we are in conformance to PSIAS. Members of the Committee have been provided with the full EQA report.

Standard 8.3 of the Global Internal Audit Standards requires Heads of Internal Audit to develop, implement and maintain a Quality Assurance and Improvement Programme (QA&IP) that covers all aspects of the internal audit function. The programme must include both internal and external assessments (Standards 8.4 and 12.1 respectively). This acknowledges that high standards can be delivered by managers, but it also implies that improvements can be further developed when benchmarking is obtained from outside the organisation and the internal audit function. Following our External Assessment, we have produced our QA&IP and included additional improvements and developments identified internally that we want to make, as aligned to SWAP’s Business Plan. The QA&IP is a live document and will be regularly reviewed by the SWAP Board to ensure continuous improvement and delivery on our actions.

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# Summary of Internal Audit Work 2025/26

OFFICIAL

Audit Type	Directorate	Audit Area	Status	Opinion	No of Actions
<b>2025/26 Finalised and Completed Reviews</b>					
Governance	Community Wellbeing	CQC Inspection Readiness 2024/25	Final Report	Advisory	0
Operational	Economy and Environment	VFM Assessment – Public Realm Contract and Minor Works Framework 2024/25	Final Report	Low Reasonable	3
Operational	Corporate Services	Mutual Employment Resignation Scheme (MERS) 2024/25	Final Report	Low Substantial	0
Follow-Up	Corporate Services	Polygamous / Dual Employment 2024/25	Final Report	Advisory	0
Operational	Economy and Environment	Public Rights of Way 2024/25	Final Report	Mid Reasonable	3
Key Financial	Corporate Services	Housing Benefit and Council Tax Reductions	Final Report	Low Substantial	0
Operational	Community Wellbeing	Temporary Accommodation	Final Report	Mid Substantial	1
Operational	Economy and Environment	Transport Hub 2025/26	Final Report	High Limited	7
Operational	Community Wellbeing	Adult Social Care - Discharge to Assessment (D2A) Pathway	Final Report	Advisory	0
Core Financial	Corporate Services	Accounts Payable	Final Report	High Substantial	0
Core Financial	Corporate Services	Bank Reconciliations	Final Report	High Substantial	1
Operational	Children and Young People	Dedicated Schools Grant (DSG) – High Needs Block 2024/25	Final Report	High Substantial	0
Key Financial	Corporate Services	Council Tax	Final Report	High Limited	5
Operational	Corporate Services	HUG 2	Complete	Advisory	0

# Summary of Internal Audit Work 2025/26

OFFICIAL

Audit Type	Directorate	Audit Area	Status	Opinion	No of Actions
Operational	Children and Young People	Early Years Compliance	Final Report	Advisory	0
Key Financial	Corporate Services	NNDR	Final Report	Mid Reasonable	7
Grant Certification	Economy and Environment	Bus Subsidy Grant	Complete	Grant Cert	N/A
Grant Certification	Economy and Environment	Local Transport Capital Block Funding Grant	Complete	Grant Cert	N/A
Follow-Up	All	Follow-Up of all Agreed Actions	Complete		N/A
Other Audit Involvement		Working with Counter Fraud	Complete	Support to the Council	N/A
Other Audit Involvement		Management of the IA Function and Client Support	Complete	Support to the Council	N/A

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# Summary of Internal Audit Work 2025/26

OFFICIAL

Audit Type		Audit Area	Status	Comment
<b>Draft Reports</b>				
Follow-Up	Community Wellbeing	Court of Protection	Draft Report	Waiting for sign off from H'shire Director
Core Financial	Corporate Services	Treasury Management	Draft Report	With IA for Review
Core Financial	Corporate Services	Accounts Receivable	Draft Report	With IA for Review
Core Financial	Corporate Services	Payroll	Draft Report	Waiting for sign off from H'Shire Director
Operational	Economy and Environment	Licensing - TENS	Draft Report	With IA for Review
<b>Audits In Progress</b>				
Operational		Public Protection		
Operational		Emergency Planning		
Follow-Up		Foster Care Follow Up		
Follow-Up		Decision Making and Project Governance (City Heart)		
<b>Ongoing Audit Support / Involvement</b>				

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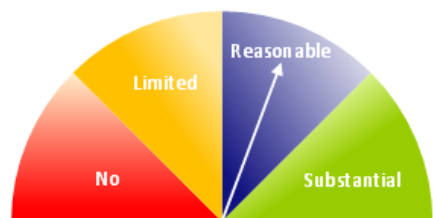
The following are the Internal Audit reports, of each audit review finalised,  
since the last Committee update

## Business Rates – Final Report – April 2026

### Audit Objective

To ensure that key financial system controls are operating effectively for Business Rates and that opportunities for error, fraud or corruption are minimised.

### Executive Summary



#### Assurance Opinion

The review highlighted a generally sound system of governance, risk management and control in place. We identified some issues, non-compliance or scope for improvement which may put at risk the achievement of objectives.

#### Management Actions

Priority 1	0
Priority 2	3
Priority 3	4
<b>Total</b>	<b>7</b>

#### Organisational Risk Assessment

Medium

Our audit work includes areas that we consider have a medium organisational risk and potential impact.

### Key Conclusions

	During 2025/26 537 properties received Empty Property Relief and the last recorded inspection took place over 3 years ago. The lack of planned reviews exposes the authority to the potential risk of fraud, with £1,240,752 of this relief awarded in 2025/26.
	The Rural Settlement List, which is essential for the accurate application of Rural Rate Relief, has not been updated on the Council Website since 2015. It is required to be updated and published annually by the Council under Section 42B of the Local Government Finance Act 1988.
	A reconciliation is performed monthly of the Business Rates system to cash receipting and the general ledger. Variances are recorded and the service area investigate any discrepancies. However, we could not find any evidence of management oversight or sign off of these reconciliations.
	Sampling of Charity Relief cases highlighted inconsistencies with the integrity of data recorded, primarily charity numbers. In addition to this, a business was found to be recorded as a charity instead of a Community Interest Company and therefore receiving the wrong relief.
	VOA schedules are accurately updated in the Academy system, with sign-off spreadsheets maintained and authorised. Several discrepancies are being investigated and remain unresolved due to system integrity issues or pending VOA updates.
	Overall, Business Rates Reliefs tested were found to be correctly applied and administered, with no material errors identified in calculation or billing. However, governance, assurance and review weaknesses were identified, primarily relating to periodic reviews and the maintenance of key procedural documentation.
	The amendments to standing data within the Business Rates system for the 2025/26 billing process, specifically annual updates, such as multiplier changes, were accurately input and aligned with published government multipliers, ensuring compliance and proper authorisation.

### Audit Scope

As part of this work, we reviewed:

- Reconciliations of the Business rates system to the General Ledger and cash receipting system, including suspense accounts;
- Reconciliation between VOA and Business Rates system;
- Discounts, exemptions and reliefs applied;
- Suppressed accounts, credit balances;
- Exception reports and the regular review of the suspense account. Including notifications of new or altered properties;
- Access to the systems, permissions, leavers and amendments to standing data.

#### Scope Limitations:

- Business Rate arrears, debt recovery and write offs;
- Reconciliation of bills and amendments.



Planning decisions and building control notification processes, in respect of new / alterations to properties is functioning well.

#### Other Relevant Information

A review of 2025/26 Small Business Rate Relief (SBRR) accounts found that 64% did not return enquiry forms by December 2025. As a result, SBRR is to be removed from these accounts for 2026/27, withholding an estimated £6.26 million in relief.

A comprehensive review of Business Rates accounts in credit was completed during Q2 2025/26. This addressed long-standing credits on both live and closed accounts, resulting in the clearance of £1.547m on closed accounts through refunds, transfers, or write-offs.

Unreviewed account suppressions have previously halted the normal billing and recovery process. An ongoing project has reduced the pre-enforcement debt on hold from £1,263,364 as of 01/04/2025 to £586,727 as at 25/11/2025, with accounts now able to progress through normal billing and recovery stages.

Another project has reduced Circumstance Codes from 9,297 to 1,218 (1,069 information-only), with new authorisation and monthly monitoring in place ensuring codes do not incorrectly halt recovery.

## Early Years Compliance – Final Advisory Report – May 2026

### Audit Objective

To provide high-level advice regarding the Early Years audit process, taking into consideration statutory requirements and best practice.

### Assurance Opinion

## Advisory

This piece of work is related to advice, and no assurance opinion is required.

This advisory audit was requested by the Finance Business Partner - Schools and Education Service, Early Years Lead Improvement Advisor, Head of Learning and Achievement and Service Director for Education and Skills in response to updated statutory guidance on schools and early years finance. A new role has been created to develop and deliver a programme of compliance monitoring, and Internal Audit were commissioned to support this by reviewing the proposed audit process.

### Risks Reviewed

If statutory obligations are not met the Council could be taken to the Ombudsman, which creates reputational risk.

Vulnerable families will not be accessing the free childcare to which they are entitled.

### Assessment

High

### Summary of Advice Provided

The following advice was provided to the Early Years Lead Improvement Advisor, Early Years Funding and Auditing Support Officer, Early Years Improvement Advisor and EEF Transactional Officer during this advisory audit:

- Creation and delivery of compliance audit training, with reference to Early Years. The presentation was sent via email to the officers and included advice as to:
  - how to determine which providers to audit using a risk-based methodology
  - how to conduct planning, fieldwork and reporting activities
  - how to undertake root-cause analysis
- Creation of a basic example compliance audit template that provides a worked example based on the key elements within the compliance training provided. This is provided in Appendix 1 of this report.
- Review of Council A, R (on the application of) v Local Government and Social Care Ombudsman case with the team, including discussion of how to draw out elements that could be incorporated into their compliance framework.
- How to incorporate the criteria within Agreement between the provider and the Council into the compliance framework eg gather evidence to support any statements of ‘must’ and ‘not permitted’.
- Key elements to include when the Council create a template invoice to be used by the providers, such as clearly identifying what the voluntary contribution is, what it is for, what the total payment is with and without the voluntary contribution.
- Benchmarking and resources from Council B, Council C, The Early Years Network, Early Years Alliance, East Midlands RIIA, London Innovation and Improvement Alliance, Early Years Stronger Practice Hubs, and the National Quality Improvement Network. The detailed advice was provided to officers via email.



### Audit Scope

We reviewed the current compliance framework and provided advice and training regarding the creation of templates, audit techniques, and benchmarking across local authorities.





# Open Agreed Actions – May 2026

Legacy Dashboards / SWAP Action Tracker - Herefordshire Council 1.2 Analytics DB Access



## Open Management Actions

All open issues and closed actions in the last 2 years based on a rolling period.

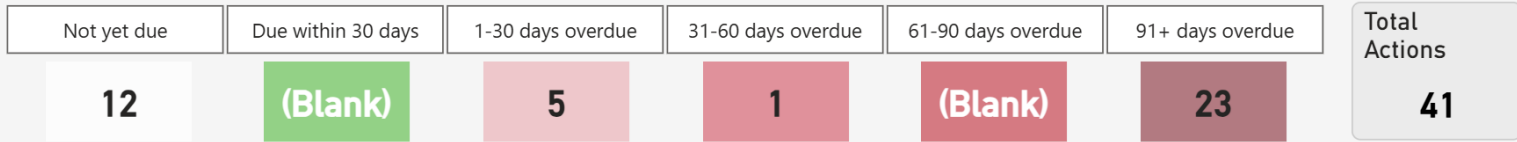


**Audit Title**  
All

**Directorate**  
All

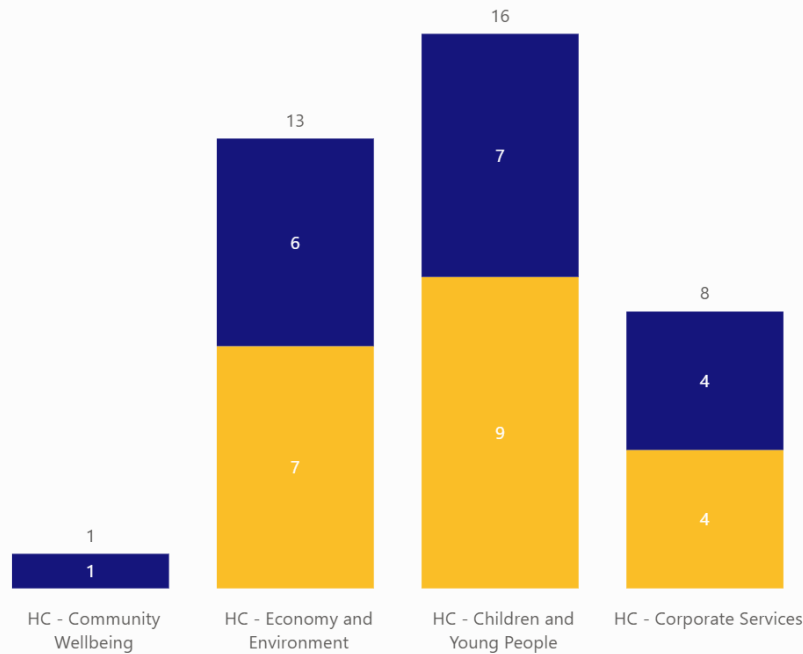
**Strategic Risk**  
All

**Corporate Objective**  
All

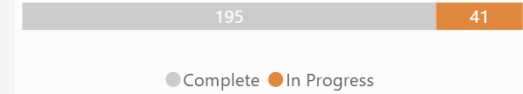


### Open Actions by Directorate

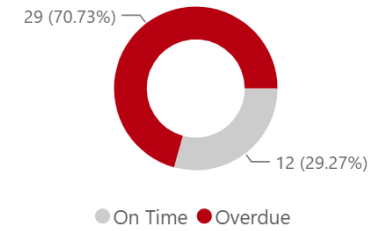
Priority ● 1 ● 2 ● 3



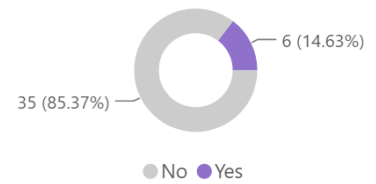
### Open/Closed Actions



### Overdue Open Actions



### Open Actions with Extended Dates



### Open Actions by Priority



ID (Action Plan)	ID (Issue)	Audit Title	Title	Issue Status	Period	Priority Score	Original Timescale	Revised Time	Follow-Up Assessment
5536	5186	HC All Ages Commissioning - Use of Spot Purchasing Non Accommodation Activity	Monitoring and Reporting of Non-Accommodation Spot Purchase Activity	Pending Remediation	2024/25	2	30/09/2025		Audit has been included in 2026/27 audit plan to follow-up these actions
5537	5187	HC All Ages Commissioning - Use of Spot Purchasing Non Accommodation Activity	Process for Sourcing Provision/Services	Pending Remediation	2024/25	2	31/07/2025	31/10/2025	
5538	5188	HC All Ages Commissioning - Use of Spot Purchasing Non Accommodation Activity	Framework Provision/Monitoring	Pending Remediation	2024/25	2	30/09/2025	31/10/2025	
5539	5189	HC All Ages Commissioning - Use of Spot Purchasing Non Accommodation Activity	Resources	Pending Remediation	2024/25	3	30/09/2025	31/10/2025	
5720	5186	HC All Ages Commissioning - Use of Spot Purchasing Non Accommodation Activity	Monitoring and Reporting of Non-Accommodation Spot Purchase Activity	Pending Remediation	2024/25	2	31/07/2025	31/10/2025	
5721	5366	HC All Ages Commissioning - Use of Spot Purchasing Non Accommodation Activity	Identification of suppliers for therapeutic services	Pending Remediation	2024/25	3	28/02/2025	31/10/2025	
5156	4390	HC Court of Protection 24-25	Quality Checks and large balances (Finding 7) and Monitoring of spend relating to one-off purchases (Finding 8)	Pending Remediation	2024/25	2	31/01/2025		Follow-Up audit in Progress
2818	2627	HC Foster Care Placements	13. Mosaic Training	Pending Remediation	2024/25	2	30/09/2024		Audit has been included in 2026/27 audit plan to follow-up these actions
2835	2644	HC Foster Care Placements	14. Mosaic System Champions	Pending Remediation	2024/25	3	30/09/2024		
2842	2651	HC Foster Care Placements	6. Procedures and Guidance for external foster care providers	Pending Remediation	2024/25	3	31/03/2025		
2890	2695	HC Foster Care Placements	3. External placement purchase orders with no end date and no breakdown.	Pending Remediation	2024/25	2	30/09/2024		
2904	2709	HC Foster Care Placements	2. Internal Foster Carer's Procedures within the Transaction team	Pending Remediation	2024/25	3	30/09/2024		
2913	2718	HC Foster Care Placements	1. Purchase orders not on Mosaic for internal foster care placements	Pending Remediation	2024/25	2	31/01/2025		
2925	2729	HC Foster Care Placements	8. Data Quality	Pending Remediation	2024/25	2	25/01/2025		
2928	2732	HC Foster Care Placements	11. Placement audits	Pending Remediation	2024/25	3	30/09/2024	31/03/2025	
2937	2741	HC Foster Care Placements	9. Mosaic Workflow	Pending Remediation	2024/25	2	31/03/2025		
2940	2744	HC Foster Care Placements	10. Record management of System Changes	Pending Remediation	2024/25	3	18/01/2024		
4948	4625	HC Local Authority Designated Officer (LADO) and Referrals to the DBS	Dashboard	Pending Remediation	2024/25	3	31/07/2025		

ID (Action Plan)	ID (Issue)	Audit Title	Title	Issue Status	Period	Priority Score	Original Timescale	Revised Time	Follow-Up Assessment
6598	6180	HC Public Rights of Way (PROW) 2024/25	Lack of documented procedure notes	Pending Remediation	2024/25	3	31/12/2025		Follow-Up audit in Progress
6600	6182	HC Public Rights of Way (PROW) 2024/25	Enhance service KPI monitoring and reporting	Pending Remediation	2024/25	2	30/11/2025		Follow-Up audit in Progress
6649	6230	HC Public Rights of Way (PROW) 2024/25	Continued Service Development	Pending Remediation	2024/25	3	31/03/2026		Follow-Up audit in Progress
6302	5908	HC VfM Assessment Public Realm	Consideration of Lessons Learnt	Pending Remediation	2024/25	3	31/12/2025		Follow-Up of actions to be included in 2026/27 P
6303	5909	HC VfM Assessment Public Realm	Embedding of the Corporate VfM Strategy	Pending Remediation	2024/25	2	31/12/2025		
6304	5910	HC VfM Assessment Public Realm	Clarity on Route to Procurement to achieve VfM	Pending Remediation	2024/25	3	31/12/2025		
8819	8276	HC Bank Reconciliation 2025/26	Procedure Documentation	Pending Remediation	2025/26	3	31/07/2026		
7627	7149	HC Council Tax 2025/26	Written Procedures	Pending Remediation	2025/26	3	31/03/2027		
7631	7153	HC Council Tax 2025/26	Maintaining and reviewing accounts in credit	Pending Remediation	2025/26	2	31/03/2027		
7821	7331	HC Council Tax 2025/26	Periodic reviews of discounts	Pending Remediation	2025/26	2	31/03/2027		
8356	7833	HC NNDR 2025/26	Rural Settlement List	Pending Remediation	2025/26	2	31/12/2026		
8495	7963	HC NNDR 2025/26	Recording Charity Numbers in the Academy System	Pending Remediation	2025/26	3	31/03/2027		
8562	8028	HC NNDR 2025/26	VOA Reconciliation Discrepancies	Pending Remediation	2025/26	3	31/03/2027		
8703	8162	HC NNDR 2025/26	Empty Properties Review	Pending Remediation	2025/26	2	31/03/2027		
8704	8163	HC NNDR 2025/26	Written Procedures	Pending Remediation	2025/26	3	31/03/2027		
8125	7613	HC Temporary Accommodation 2025/26	Recharges and Payments - Continuation to embed controls.	Pending Remediation	2025/26	3	31/08/2026		
9151	8549	HC Transport Hub 2025/26	Key Contract Management	Pending Remediation	2025/26	2	31/12/2026		Follow-Up in Progress - to be reported to July Audit and Governance Committee
9152	8550	HC Transport Hub 2025/26	Project Management – Separation of Risks and Issues	Pending Remediation	2025/26	2	30/04/2026		
9153	8551	HC Transport Hub 2025/26	Outdated Communications Plan	Pending Remediation	2025/26	2	31/07/2026		
9154	8552	HC Transport Hub 2025/26	Recording of Compensation Events	Pending Remediation	2025/26	2	30/04/2026		
9155	8553	HC Transport Hub 2025/26	Budget Management	Pending Remediation	2025/26	2	30/04/2026		
9156	8554	HC Transport Hub 2025/26	Project Management – Review of Decision Registers	Pending Remediation	2025/26	3	30/04/2026		
9157	8555	HC Transport Hub 2025/26	Software Management - Verto	Pending Remediation	2025/26	3	30/04/2026		





# Title of report: Internal Audit Charter and Mandate 2026/27

**Meeting: Audit and Governance Committee**

**Meeting date: Tuesday 9 June 2026**

**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 present to the Audit and Governance Committee the Internal Audit Charter and Mandate 2026/27 for consideration and approval

## **Recommendation(s)**

**That the Committee:**

- a) **Approves the Internal Audit Charter and Mandate 2026/27**

## **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 Internal Audit Charter and Mandate grants the Internal Audit function the authority to provide the Audit and Governance Committee and Senior Management with objective assurance, advice, insight, foresight.
3. The Internal Audit Charter and Mandate 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 Charter and Mandate 2026-27

**Background papers**

None identified.



## Appendix A

## Internal Audit Charter for SWAP Internal Audit Services (SWAP)

### Purpose

SWAP Internal Audit Services creates, protects, and sustains value by providing the audit and governance committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight, that meets rigorous professional standards.

The internal audit function enhances:

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

The internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with the Institute of Internal Auditors Global Internal Audit Standards™ which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the audit and governance committee.
- Internal auditors are free from undue influence and committed to making objective assessments.

### Commitment to Adherence to the Global Internal Audit Standards

The Accounts and Audit (England) Regulations, state that: *“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the public sector internal auditing standards or guidance.”*

The internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements subject to the Application Note for UK Public Sector Internal Audit. The chief audit executive will report annually to the partner audit and governance committee and senior management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program, managed and monitored by the SWAP senior management team and the SWAP board.

## Mandate

### **Authority**

The audit and governance committee grants the internal audit function the mandate to provide the audit and governance committee and senior management with objective assurance, advice, insight, and foresight.

The internal audit function's authority is created by its direct reporting relationship to the audit and governance committee. Such authority allows for unrestricted access to the audit and governance committee.

The audit and governance committee authorises the internal audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of the Partner and other specialized services from within or outside the Partner organisation to complete internal audit services.

### **Independence, Organisational Position, and Reporting Relationships**

The chief audit executive will be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. The chief audit executive will report functionally to the audit and governance committee and administratively (for example, day-to-day operations) to the Section 151 Officer. This positioning provides the authority and status to bring matters directly to senior management and escalate matters to the audit and governance committee, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The chief audit executive will confirm to the audit and governance committee, at least annually, the organisational independence of the internal audit function. If the governance structure does not support organisational independence, the chief audit executive will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The chief audit executive will disclose to the audit and governance committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.

### Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the chief audit executive, audit and governance committee, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant acquisition or reorganisation within the organisation.
- Significant changes in the chief audit executive, audit and governance committee, and/or senior management.
- Significant changes to the organisation's strategies, objectives, risk profile, or the environment in which the organisation operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

### Audit and Governance Committee Oversight

To establish, maintain, and ensure that the internal audit function has sufficient authority to fulfill its duties, the audit and governance committee will:

- Discuss with the chief audit executive and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- Ensure the chief audit executive has unrestricted access to, communicates, and interacts directly with the audit and governance committee, including in private meetings without senior management present.
- Ensure arrangements are in place to notify the chief audit executive of all suspected or detected fraud, corruption, or impropriety.
- Discuss with the chief audit executive and senior management other topics that should be included in the internal audit charter.
- Participate in discussions with the chief audit executive and senior management about the "essential conditions," described in the Global Internal Audit Standards in the UK Public Sector, which establish the foundation that enables an effective internal audit function.
- Approve the internal audit function's charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Review the internal audit charter [annually] with the chief audit executive to consider changes affecting the organisation, such as the employment of a new chief audit executive / head of internal audit or changes in the type, severity, and interdependencies of risks to the organisation; and approve the internal audit charter [annually].
- Approve the risk-based internal audit plan.
- Collaborate with senior management to determine the budgets, qualifications, and competencies the organisation expects in a chief audit executive, as described in the Global Internal Audit Standards in the UK Public Sector.
- Review the chief audit executive's performance, provide feedback to the SWAP CEO, plus senior management, and the organisation's CEO.
- Receive communications from the chief audit executive about the internal audit function including its performance relative to its plan.
- Ensure a quality assurance and improvement program has been established.
- Review of the results of the quality assurance and improvement program annually.
- Make appropriate inquiries of management and the chief audit executive to determine whether scope or resource limitations are inappropriate.

## Chief Audit Executive Roles and Responsibilities

### *Ethics and Professionalism*

The chief audit executive will ensure that internal auditors:

- Conform with the Global Internal Audit Standards in the UK Public Sector, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the Partner organisation and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organisation.
- Report organisational behavior that is inconsistent with the organisation's ethical expectations, as described in applicable policies and procedures.

### Objectivity

The chief audit executive will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the chief audit executive determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for the Partner organisation or its affiliates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any Partner organisation's employees that are not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the chief audit executive, audit and governance committee, management, or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

## Managing the Internal Audit Function

The chief audit executive has the responsibility to:

- At least annually, submit a risk-based internal audit plan to the audit and governance committee and senior management for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the audit and governance committee and senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in the Partner organisation's business, risks, operations, programs, systems, and controls.
- Communicate with the audit and governance committee and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards in the UK Public Sector.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the audit and governance committee and senior management [annually] and for each engagement as appropriate.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the Global Internal Audit Standards in the UK Public Sector and fulfill the internal audit mandate.
- Identify and consider trends and emerging issues that could impact the Partner organisation and communicate to the audit and governance committee and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure adherence to the Partner organisation's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards in the UK Public Sector. Any such conflicts will be resolved or documented and communicated to the audit and governance committee and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the chief audit executive cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the audit and governance committee.

### Communication with the Audit and Governance Committee and Senior Management

The chief audit executive will report [annually] to the audit and governance committee and senior management regarding:

- The internal audit function's mandate.
- The internal audit plan and performance relative to its plan.
- Significant revisions to the internal audit plan.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards in the UK Public Sector and action plans to address the internal audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the audit and governance committee.
- Results of assurance and advisory services.
- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond the Partner organisation's risk appetite.
- Clarification over the responsibility to complete a fraud risk assessment, and presentation of this where responsibility belongs to SWAP.

### Quality Assurance and Improvement Program

The SWAP senior leadership team in collaboration with the chief audit executive / will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards in the UK Public Sector, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the chief audit executive will communicate with the audit and governance committee and senior management about the internal audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be completed at least once every five years by a qualified, independent assessor or assessment team from outside both SWAP and the Partner Organisation; qualifications must include at least one assessor holding an active Chartered Internal Auditor® credential.

## Scope and Types of Internal Audit Services

The scope of internal audit services covers the entire breadth of the organization, including all the Partner organisation's activities, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the audit and governance committee and management on the adequacy and effectiveness of governance, risk management, and control processes for the Partner organisation.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of the Partner Organisation's strategic objectives are appropriately identified and managed.
- The actions of the Partner organisation's officers, directors, management, employees, and contractors comply with the Partner organisation's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.
- Operations and programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Partner organisation.
- The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.





# Title of report: Work programme

**Meeting: Audit and Governance Committee**

**Meeting date: 9 June 2026**

**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 agreed.**

## 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 2026	September 2026	November 2026	January 2027	March 2027	June 2027
<b>3.5.10</b>	<b>Internal Audit</b>	<b>Internal Audit</b>						
a	To consider the Head of Internal Audit’s annual report and opinion, and a summary of internal Audit activity (actual and proposed) and the level of assurance it can give over the Council’s corporate governance arrangements.	Planning Paper Audit Charter Rolling Plan (also inclu. in Progress Report)		Progress Report				Planning Paper Audit Charter
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	Follow Up Audit Review (Transport Hub)		Progress Report	Progress Report	Progress Report	Annual opinion to inc progress 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)						
<b>3.5.11</b>	<b>External Audit</b>	<b>External Audit</b>						
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 2025/26			External Audit - Audit Plan 2026/27	
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.						
<b>3.5.12</b>	<b>Governance</b>							
a	To maintain an overview of the council’s Constitution, conduct a biennial review and recommend any changes to council other than changes to the contract procedure rules, finance procedure rules which have been delegated to the committee for adoption.	Accounting Policy Update Contract and Finance Procedure Rules Proposed Changes to the Constitution	Annual Review of Exemptions from Contract Procedure Rules			Contract and Financial Procedure Rules Update		
b	To monitor the effective development and operation of risk management and corporate governance in the council.	Work Programme Corporate Risk Register	Work Programme Update on Risk Management Activity	Work Programme	Work Programme Update on Risk Management Activity	Work Programme Update on Risk Management Activity	Work Programme Update on Risk Management Activity	Work Programme 1) Dates of future meetings / work programme 2) Draft Annual Report of the Audit & Governance Committee 3) Appointments to the Standards Panel
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			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						2026/27 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 (6 monthly)			

Audit and Governance Committee Constitution		Report	July 2026	September 2026	November 2026	January 2027	March 2027	June 2027
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						
<b>3.5.13 Waste Contract</b>								
a	To review, in conjunction with external advisers advising the council as lender, the risks being borne as a result of the funding provided by the council to Mercia Waste Management Ltd and consider whether the risks being borne by the council, as lender, are reasonable and appropriate having regard to the risks typically assumed by long term senior funders to waste projects in the United Kingdom and best banking practice.	Energy from Waste Loan Update			Energy from Waste Loan Update			
b	To monitor the administration of the loan to the waste project in line with best banking practice having regard to any such external advice, including the terms of any waivers or amendments which may be required or are desirable.	Energy from Waste Loan Update			Energy from Waste Loan Update			
c	Consider what steps should be taken to protect the interests of the council as lender in the event of a default or breach of covenant by Mercia Waste Management Ltd, and make recommendations as appropriate to Council, the council's statutory officers or cabinet as appropriate to ensure the appropriate enforcement of security and litigation in relation to the loan to Mercia Waste Management Ltd	Energy from Waste Loan Update			Energy from Waste Loan Update			
d	Consider and recommend appropriate courses of action to protect the position of the council as lender to the waste project: (i) make recommendation as appropriate to Council with regards to its budget and policy framework and the loan to the waste project (ii) generally to take such other steps in relation to the loan within the scope of these terms of reference as the committee considers to be appropriate.	Energy from Waste Loan Update			Energy from Waste Loan Update			
<b>3.5.14 Code of Conduct: To promote and maintain high standards of conduct by members and co-opted members of the Council</b>								
a	To support Town and Parish Councils within the county to promote and maintain high standards of conduct by members and co-opted members of the Council.	Annual Code of Conduct Report	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						
<b>3.5.15 Accounts</b>								
	To review and approve the Statement of Accounts, external auditor's opinion and reports on them and monitor management action in response to the issues raised by external audit.	Statement of Accounts External Auditor Report		Final Statement of Accounts			Statutory accounts 2026/27 progress, accounting policies and estimates	