

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 10 June 2025 at 2.00 pm

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

Non-Voting Committee Person: K Diamond

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

Others in attendance:

L Cater	Assistant Director, South West Audit Partnership
G Hawkins	Public Sector Audit Director, Grant Thornton
S O'Connor	Head of Legal Services and Deputy Monitoring Officer
J Preece	Democratic Services Officer
A Probert	Head of Internal Audit, South West Audit Partnership
Cllr P Stoddart	Cabinet Member Finance and Corporate Services
R Sanders	Director of Finance
J Tranmer	Chief Accountant

56. APOLOGIES FOR ABSENCE

There were no apologies for absence.

57. NAMED SUBSTITUTES (IF ANY)

There were no named substitutes.

58. DECLARATIONS OF INTEREST

Councillor Bartrum declared a non-pecuniary interest on item 8 due to his close personal relationship with the Parish/Town Council representative as recommended by HALC and abstained from voting.

59. MINUTES

RESOLVED:

That the minutes of the meeting held on 25 March 2025 be confirmed as a correct record and signed by the chairman.

60. QUESTIONS FROM MEMBERS OF THE PUBLIC

No questions had been received from members of the public.

61. QUESTIONS FROM COUNCILLORS

No questions had been received from councillors.

62. DRAFT ANNUAL REPORT OF THE AUDIT AND GOVERNANCE COMMITTEE

The Democratic Services Officer introduced the report which was introduced last year as a recommendation from the LGA (Local Government Association) with committees' agreement. The document summarised the work of the committee during the last municipal year and provided a visible demonstration of how the committee is fulfilling its role and compliments the council's objectives of being open and transparent.

The committee were invited to agree the draft report and highlight any adjustments they wished to make before it were published on the council's website.

RESOVLED:

The Committee agreed the report be published on the Councils website.

63. APPOINTMENT TO STANDARDS PANEL

The Head of Legal Services (HLS) introduced the report the main purpose of which was to appoint two members from the Audit and Governance Committee as standing members on the Standards Panel and two substitute members.

Resolved that the Committee:

- a) Noted the appointment of the Chair of Audit & Governance as Chair of the Standards Panel.**
- b) Appointed Sam Potts as the Parish Council representative under recommendation by HALC;**
- c) Appointed Councillors Highfield and Woodall as standing members; and**
- d) Appointed Councillors Cornthwaite and Oliver as substitute members.**

64. EXEMPTIONS FROM CONTRACT PROCEDURE RULES – 1 APRIL 2024 TO 31 MARCH 2025

The Director of Finance (DOF) introduced the report which presented the exemptions to the Council's contract procedure rules (CPR) for the financial year ended 31st of March 2025.

The following principal points were noted:

- The report had been introduced following an improvement recommendation from external auditors, Grant Thornton, and with Committees' agreement, in September 2024.
- For an exemption to be granted, a request had to be made in writing to the section 151 officer by the relevant director, service director or the chief executive.
- Once an exemption has been granted, a record is maintained by the Commercial Services team.
- There were five instances where exemptions to the CPR were granted, against a total number of 417 contracts which commenced during that period. That highlighted and provided assurance that the ability to grant an exemption is taken only in exceptional circumstances and the controls in place through the CPR are effective. It was recommended on that basis that an annual report was

satisfactory moving forward. unless monitoring in year of the frequency of exemptions started to increase.

In response to committee questions, it was noted.

1. The DOF confirmed that the value of the five exemption contracts in proportion to the value of all contracts during that period only equated to around 1%.
2. It was explained that the role of commercial services was to explore other options, ensuring that the exemption route was the last resort.
3. Exemptions are only granted as a last resort and as a practical measure for example, repair works to a school where there should not be any hold up from delivering on what is required to benefit residents and communities because of a procurement timeline that does not support the urgency involved.
4. The DOF explained that there is a good control framework in place which is tested through internal and external audit and that if there were any unknown circumstances where waivers were in use that this would be evidenced through budget monitoring as generally doing emergency procurement did not achieve best value for money.
5. The Head of Legal services provided further assurance that when contracts are executed, legal services ensure the proper governance is in place and that officers have followed the correct decision-making route whilst consulting the constitution to ensure that they also have the powers. It was also noted that the constitution only allowed seven types of exemptions in seven circumstances, and which are all legally permissible.

RESOLVED

The committee noted the report and agreed the annual reporting frequency going forward.

65. DRAFT ANNUAL GOVERNANCE STATEMENT 2024/25

The Director of Finance (DOF) introduced the report, the key points included:

- The Annual Governance Statement (AGS) is a document that the Council is required to publish as part of the council's statutory accounts and is a retrospective document which reports on the effectiveness of the governance arrangements and the internal controls that have been in place during the year ended 31st of March 2025.
- The report is prepared by reference to the seven core principles of good governance as identified by CIPFA, and the statement identifies the arrangements and activities that have been in place during the year, as well as areas where the council's arrangements could be strengthened.
- In January, the committee were provided with an update on the actions identified from the previous year's AGS as part of a midyear progress update.
- The report is informed by director Assurance statements, a review of compliance with laws and regulations and the work and opinion of both internal and external audit.
- The document will be tested by Grant Thornton, as part of their audit work and the final version will be brought to this committee at the meeting in September.

In response to committee questions, it was noted.

1. Previously consultation with residents and stakeholders was conducted through market town events, but this proved costly with very little engagement. The online budget simulator tool had been developed and widely promoted through social media, to increase and enable more residents and other stakeholders to consider funding choices and the impact of changes in income and expenditure on the

- delivery of services. More work would be done to strengthen promotion and raise awareness of this tool through the 2026/ 27 budget setting process.
2. Public and member questions and answers are published on the council's website but not explicitly mentioned within the AGS under the "Core Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability".
 3. In terms of accessibility there is a hard balance to strike in presenting technical content and using plain english. Any suggestions that could be made to improve presentation could still be made and the team was still working on strengthening ahead of the final accounts being published. The council's internal sculpt team had contributed and the requirements of the CIPFA code and external audit were being met.
 4. The council has an AI ethics and governance board comprised of membership across different areas of the council who have oversight to ensure ethical use and accountability, to evaluate the risks and harms associated with AI. The board will evolve as this technology develops and the council's reliance on it increases or the way it is used changes. The board is thought to be a valuable source of assurance in terms of the council's testing of this new technology moving forward.
 5. The DOF was committed to investigating opportunities presented by AI but highlighted the dangers of using it for documents such as the AGS which is technically prescribed by the CIPFA code and could risk losing technical aspects by oversimplifying. It was highlighted that no element of the AGS or the statutory accounts had been AI generated.
 6. In terms of the Improvements in Children's Services, although committee was not actively involved in its journey, they could take assurance from key mechanisms such as in their wider roles as councillors, having received dedicated member updates on the progress, all statutory and Ofsted reports are in the public domain, in terms of governance arrangements, the children's scrutiny committee hold improvements and the cabinet member and director to account and additionally it is included as a key risk on the corporate risk register, which will come to the committee after cabinet have agreed and reviewed it on a quarterly basis to update mitigations and controls against each corporate risks.

The committee noted the report.

Actions

2023/24-053 The DOF to increase activity around the promotion and raising awareness of the online budget simulator tool to increase public engagement.

2023/24-054 Public and member questions and answers to be included within the statement alongside decision notices, agendas and minutes as detailed in Core Principle G:

2023/24-055 Disclaimer to be added to indicate there had been no AI contribution in the creation of the document.

66. 2024/25 DRAFT STATEMENT OF ACCOUNTS

The Director of Finance (DOF) expressed her personal thanks to her teams for their hard work and dedication.

The Chief Accountant (CA) introduced the draft unaudited statement of accounts for the year ended 31st of March 2025.

The following principal points were noted.

- The document included the narrative statement, the annual governance statement, the group accounts and the supplementary accounts of the collection fund statement.
- All documents had been reviewed by the internal sculpt team, who checked for accessibility and readability online.
- Herefordshire was 1 of 3% of local authorities that published on 30th of May one month ahead of the statutory deadline determined by the Accounts and Audit Regulations 2015.
- The accounts would now be subject to external audit testing. It was noted that additional resource had been identified by the external auditors and the audit had started earlier than anticipated and would hopefully support a timely audit opinion to be brought to this committee in September, in advance of the statutory deadline of 27 February 2026.
- The net deficit on the provision of services presented in the comprehensive income and expenditure statement was £11.1 million; this represented the accounting deficit after financial accounting adjustments including pension actuarial costs and capital costs allowable under International Financial Reporting Standards (IFRS).
- The financial outturn position reported for 2024/25 was an underspend of £0.5m against a budget of £212.8m.
- Net assets measured £614.9m
- The general fund balance had increased by £0.5m to £10.1m and earmarked reserves had increased from £73.2m to £80.7m.

In response to committee questions.

1. It was explained the amounts corresponding to council tax and business rates on pages [69](#) (revenue summary) included the expenditure to Herefordshire Council and page [161](#) (collection fund statement) included the total amounts the council collected to include tax collected on behalf of billing authorities such as the police and fire.
2. The Council tax debt on page [119](#) showed a balance broadly consistent with the previous financial year. Collection rates are high and is a key performance indicator in the service level agreement with Hoople. Income and debt are monitored very closely.
3. It was explained that cash balances declined due to liquidity of cash balances around the year end because not as much council tax or business rates were collected in February and March.
4. "Trading and investment income" (Page [97](#)) had halved from the previous year due to valuations on the investment properties. A detailed response would be circulated to the committee.
5. There had been a significant loss on "disposal of non-current assets" (Page [97](#)) due to Academy transfers during the year.
6. A breakdown of "other non-ring fenced grants" (page [101](#)) would be circulated to the committee.
7. A breakdown of additions in property, plant and equipment movements (page [111](#)) would be circulated to the committee.
8. It was highlighted that the repayment of loan debt was set out in the technical annex on page [149](#).
9. The council owned 100% share capital in Midlands Centre for Cyber Security in Skylon Park. Opportunities for the centre were being explored and directed through the shareholder committee. It was noted that the DOF was previously the director of Cyber Quarter Limited as the Council's representative.
10. The dedicated schools grant, a key financial risk as highlighted in the annual governance statement was discussed The council was committed to identify actions to mitigate the DSG deficit, through monitoring of the impact of actions in the DSG Deficit Management Plan, and by reviewing opportunities to increase

- sufficiency and reduce the use and cost of out-of-county and independent provision, through the council's capital programme in 2025/26 and 2026/27.
11. It was explained that the budget amendment, approved in February 2024, allocated additional budget of £2.3 million to the Children & Young People Directorate to mitigate against non-delivery of savings in 2024/25. As savings had been delivered in full, the additional budget had not been used and was presented as an underspend which contributed to the overall underspend position for the year.

On behalf of the committee, the Chairperson thanked and congratulated the officers involved for the efficient preparation of the Draft Statement of Accounts.

The committee noted the draft, unaudited Statement of Accounts for 2024/25.

2023/24-056 A detailed response on "Trading and investment income" (Page [97](#)) having halved from the previous year to be circulated to the committee.

2023/24-057 A breakdown of "other non-ring fenced grants" (page [101](#)) and additions in property, plant and equipment movements (page [111](#)) would be circulated to the committee.

67. INTERNAL AUDIT ANNUAL REPORT AND OPINION 2024/25

The Head of Internal Audit (HIA) introduced the report, the following key points were noted:

- Overall opinion on the governance, risk management and internal control environment in place at Herefordshire Council is Reasonable.
- There were no 'High' residual organisational risks that had been identified throughout the year. or instances of material risks throughout the year where management did not accept the need for mitigating action.
- 82% of reports received either substantial or reasonable assurance, and there were three audits that were given a limited assurance.
- The Council recently updated the Risk Management Strategy and Corporate Risk Register, SWAP would align the programme of internal audit work with the authority's strategic risk register to provide coverage and assurance over these risks.
- A significant number of actions (94) had been completed in 24/25 which felt reflected the commitment from management to implement agreed actions.
- Feedback scores remained strong, especially in relation to SWAP's professionalism and conduct, but return rates had fallen from the previous year. SWAP would work with the S151 Officer and other officers across the Council to seek an increase in 2025/26.
- The HIA informed the committee that this would be her last meeting with Herefordshire and introduced her replacement. She expressed her enjoyment of having worked with the Council, both committee and officers, and thanked everyone for their continued support of the internal audit function.

In response to committee questions, it was noted:

1. The HIA did not feel it was a particular directorate that was resistant in providing feedback and offered for feedback by Directorate to be included within future reports to the committee. It was explained that where an audit was cross cutting, two surveys would be sent to the relevant officers (normally director level).
2. At quarter 4, 15 audits had been outstanding with the anticipation of 13 being completed by the annual opinion. It was thought that 12 audits had been completed, but this would be confirmed by written response.

The chairperson offered his sincere thanks to the HIA for her contributions over the last ten years in particular her assistance with the implementation of Auditboard.

The committee noted the report.

Actions

2023/24-058 The HIA to confirm the number of audits completed since the Quarter 4 report.

68. WORK PROGRAMME

The committee's updated work programme was presented. Following the exemptions to CPR's paper discussed earlier in the meeting being agreed to come to committee on an annual basis, the item would be removed from the work programme for September 2025 and added to June 2026.

The updated work programme was noted.

69. DATES OF FUTURE MEETINGS

The meeting dates for the remainder of 2025/26 were noted and agreed as follows:

Tuesday, 15 July 2025 2pm
Thursday, 25 September 2025 10am
Tuesday, 28 October 2025 2pm
Tuesday, 27 January 2026, 2pm
Tuesday, 24 March 2026, 2pm
Tuesday, 9 June 2026, 2pm

The meeting ended at 3.51 pm

Chairperson