

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



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Narrative report



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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

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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

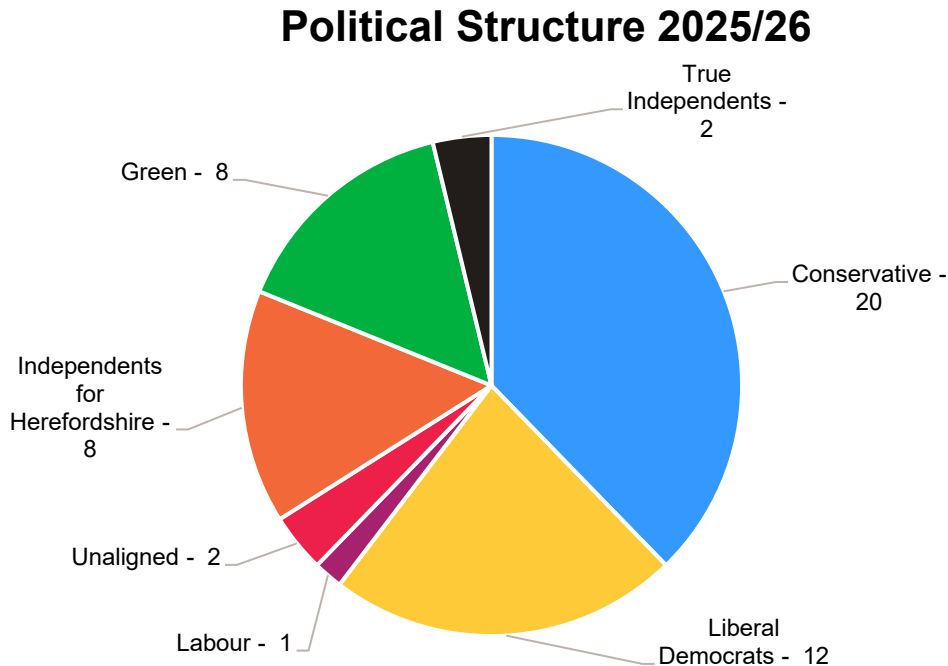
Partnership working is central to Herefordshire Council's success and to delivering the best results for our residents. We are stronger together and the council will always work to build strong, effective partnerships to ensure our county is much more than the sum of its parts.

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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:



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.

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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

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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.

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Our Financial Performance

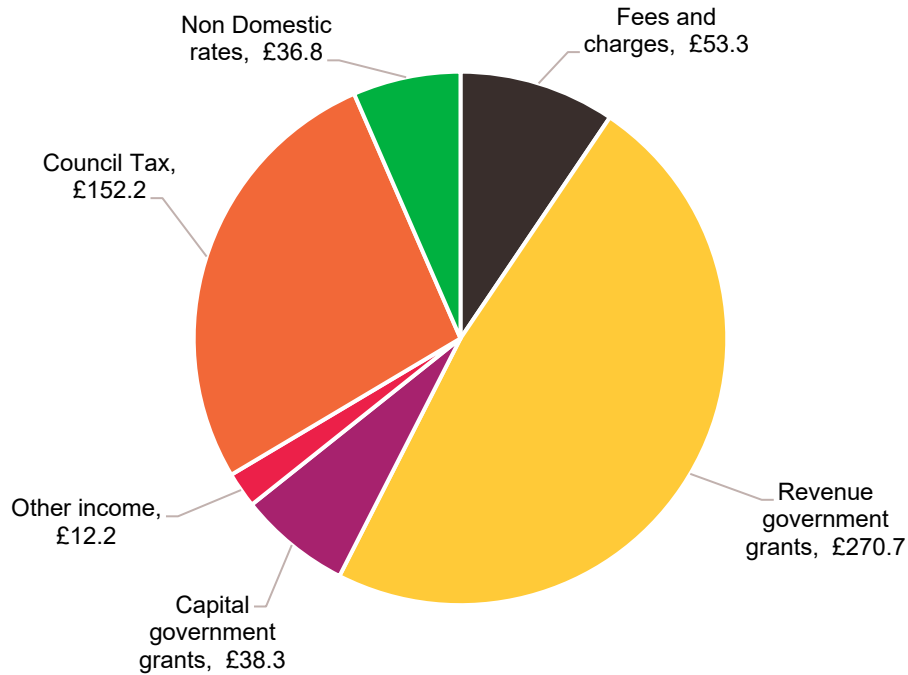
Revenue Summary

The council receives funding from three main sources:

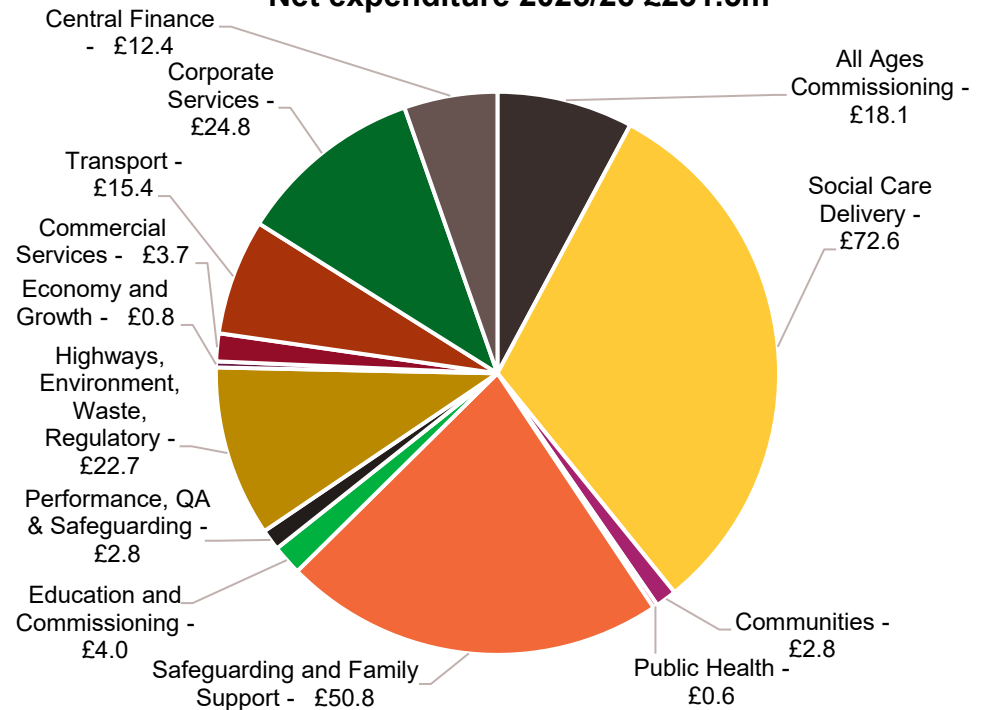
- Government grants
- Council tax
- Business rates

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



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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
Directorate Total	213.4	219.1	5.7
Central, Treasury Management	18.1	12.4	(5.7)
Total	231.5	231.5	-

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

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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.

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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.

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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)
Total	149.2	113.8	86.0	(27.8)

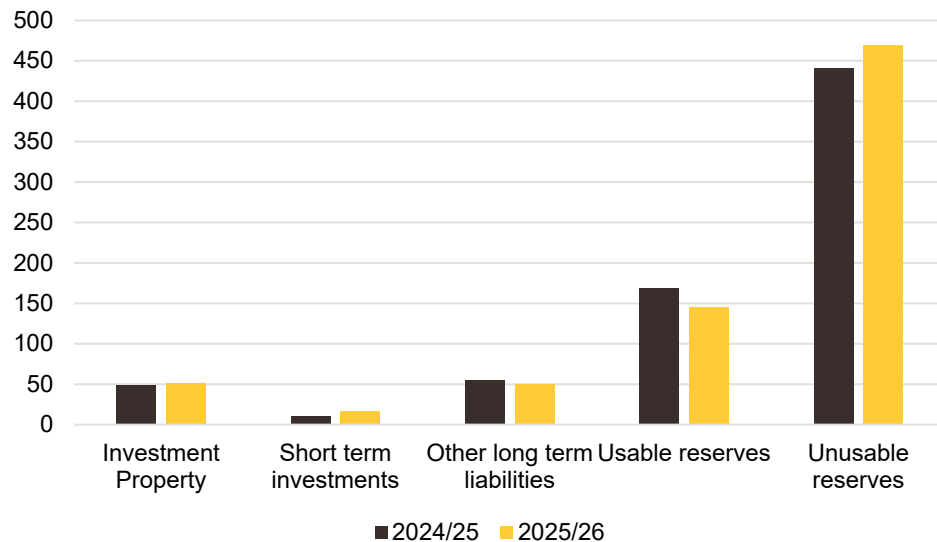
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Assets and Liabilities

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)
Net financial position (assets less liabilities)	609.9	614.9	5.0
The net financial position is held in reserves as follows:			
General reserves (usable)	(168.4)	(146.0)	22.4
Other reserves (unusable)	(441.5)	(468.9)	(27.4)
Total reserves	(609.9)	(614.9)	(5.0)

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.

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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

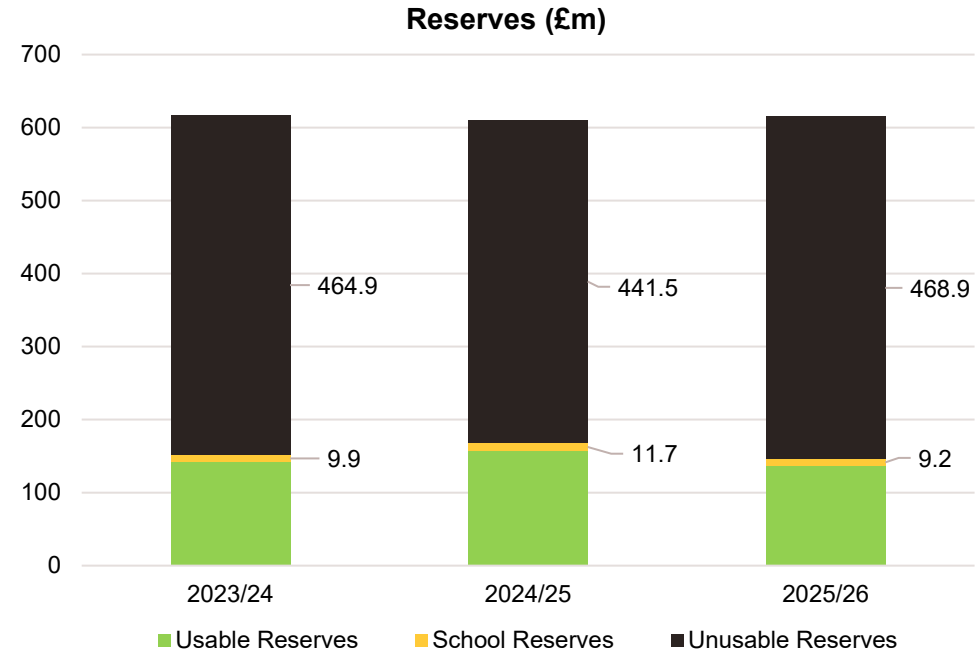
Herefordshire Council's non-teaching staff are members of the Worcestershire County Council Pension Fund. Herefordshire's proportion of the net liability of the Worcestershire County Council Pension Fund as at 31 March 2026 is £3.4 million (£7.1 million at 31 March 2025) on an International Accounting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



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.

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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.

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- **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



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

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
786.7	Long term assets		836.7
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
104.0	Current assets		113.7

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)
(78.7)	Current liabilities		(96.6)
(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)
(202.1)	Total long term liabilities		(238.9)
609.9	Net assets		614.9
(168.4)	Usable reserves	29	(146.0)
(441.5)	Unusable reserves	30	(468.9)
(609.9)	Total reserves		(614.9)

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
Balance at 31 March 2024	(9.6)	(73.2)	(82.8)	(38.2)	(30.8)	(151.8)	(464.9)	(616.7)
Total comprehensive income and expenditure	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)	-	-	-	-	-	-
(Increase)/decrease in year	(0.5)	(7.5)	(8.0)	3.4	(12.0)	(16.6)	23.4	6.8
Balance at 31 March 2025	(10.1)	(80.7)	(90.8)	(34.8)	(42.8)	(168.4)	(441.5)	(609.9)
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	-	-	-	-	-	-
(Increase)/decrease in year	-	9.8	9.8	5.6	7.0	22.4	(27.4)	(5.0)
Balance at 31 March 2026	(10.1)	(70.9)	(81.0)	(29.2)	(35.8)	(146.0)	(468.9)	(614.9)
Note		31				29	30	

Cash flow statement

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

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
0.4	Net cash flows from operating activities		10.1
1.8	Net cash flows from investing activities	33	36.1
(14.4)	Net cash flows from financing activities	34.1	(53.1)
(12.2)	Net (increase)/decrease in cash and cash equivalents		(6.9)
23.1	Cash and cash equivalents at 1 April		35.3
35.3	Cash and cash equivalents at 31 March	23	42.2
12.2	Net increase/(decrease) in cash and cash equivalents		6.9

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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
Net cost of services	231.5	21.7	253.2	(10.9)	242.3
Other income and expenditure	(231.5)	(11.9)	(243.4)	2.0	(241.4)
(Surplus)/deficit on the provision of services	-	9.8	9.8	(8.9)	0.9
Opening general fund balance at 1 April			(90.8)		
(Surplus)/deficit			9.8		
Closing general fund balance at 31 March			(81.0)		
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
Net cost of services	212.3	13.9	226.2	(2.1)	224.1
Other income and expenditure	(212.8)	(21.4)	(234.2)	26.2	(208.0)
(Surplus)/deficit on the provision of services	(0.5)	(7.5)	(8.0)	24.1	16.1
Opening general fund balance at 1 April			(82.8)		
(Surplus)/deficit			(8.0)		
Closing general fund balance at 31 March			(90.8)		
Note		8.2	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	10.0	Children and Young People	(2.5)	(2.9)	16.3	10.9
1.5	(0.5)	-	1.0	Community Wellbeing	(0.5)	(1.1)	-	(1.6)
26.7	(0.4)	-	26.3	Economy and Environment	(5.7)	(0.9)	-	(6.6)
(40.3)	0.9	-	(39.4)	Corporate Services	(12.5)	(1.1)	-	(13.6)
(14.7)	(1.3)	13.9	(2.1)	Net cost of services	(21.2)	(6.0)	16.3	(10.9)
29.4	0.7	(3.9)	26.2	Other income and expenditure	1.0	0.7	0.3	2.0
14.7	(0.6)	10.0	24.1	(Surplus)/deficit on the provision of services	(20.2)	(5.3)	16.6	(8.9)

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)	(4.5)	Children and Young People	6.2	(4.6)	(0.1)	(0.4)	1.1
2.8	(14.3)	(0.6)	3.7	(8.4)	Community Wellbeing	1.3	(19.2)	(0.6)	2.9	(15.6)
0.8	(2.0)	(4.7)	4.8	(1.1)	Economy and Environment	34.8	(5.5)	(5.2)	4.6	28.7
41.5	(18.3)	8.1	(3.4)	27.9	Corporate Services	15.2	(18.4)	8.6	2.1	7.5
53.4	(47.0)	2.8	4.7	13.9	Net cost of services	57.5	(47.7)	2.7	9.2	21.7
(39.2)	15.9	(4.9)	6.8	(21.4)	Other income and expenditure	(38.9)	29.9	(6.5)	3.6	(11.9)
14.2	(31.1)	(2.1)	11.5	(7.5)	(Surplus)/deficit on the provision of services	18.6	(17.8)	(3.8)	12.8	9.8

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
	Income	
(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)
(557.5)	Total Income	(563.5)
	Expenditure	
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
573.6	Total expenditure	564.4
16.1	(Surplus)/deficit on the provision of services	0.9

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)	(53.3)
Employee benefits expenses	101.9	20.8	14.8	8.0	145.5
Premises costs	7.4	(1.3)	4.5	(0.1)	10.5
Transport costs	1.0	0.5	16.7	-	18.2
Supplies and services	33.4	12.8	5.1	8.5	59.8
Third party payments	36.4	120.2	34.8	7.0	198.4
Transfer payments	21.1	1.2	1.7	30.8	54.8
REFCUS, depreciation, amortisation and impairment	7.1	3.1	32.5	2.7	45.4
Support services	14.1	(0.4)	(8.1)	8.4	14.0

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

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
35.3	Total other operating expenditure	7.7

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)
3.2	Total financing and investment income and expenditure	(2.1)

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)
(246.5)	Total taxation and non-specific grant income	(247.0)

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)
(69.1)	Total grants credited to taxation and non-specific grant income	(58.0)
(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)
(254.3)	Total grants credited to services	(251.0)
(323.4)	Total grant income	(309.0)

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)	Total DSG after academy and high needs recoupment for the year	-	-	(114.5)
(107.6)	Agreed initial budgeted distribution for the year	(48.5)	(66.0)	(114.5)
0.1	In-year adjustments	0.5	-	0.5
(107.5)	Final budgeted distribution for the year	(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	In year carry forward to following year	16.3	-	16.3
13.9	Carried forward to following year	-	-	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	Total DSG unusable deficit reserve at the end of the year	-	-	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
(37.8)	37.5	(0.3)	23.3	14.2	Total	(37.0)	37.1	0.1	23.3	13.8

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
174	178	352	Total number of employees over £50,000	240	207	447

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
Total		1,073	141	1,214

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
Total		935	121	1,056

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	-	-	-	-
9	32	41	588	Total	4	31	35	270

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)	-
414	Total audit fees	398
-	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
68	Total non audit fees	29
482	Total external audit fees	427

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
Cost or valuation							
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
Adjusted opening balance at 1 April	390.5	49.0	1.6	4.2	3.8	449.1	49.6
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	-	-
Closing balance at 31 March	397.8	50.1	1.6	5.4	17.5	472.4	49.1
Depreciation							
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
Closing balance at 31 March	(1.4)	(9.6)	-	-	-	(11.0)	(1.4)
Closing net book value at 31 March	396.4	40.5	1.6	5.4	17.5	461.4	47.7
Opening net book value at 1 April	385.7	41.1	1.6	4.2	3.8	436.4	46.2

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)
Infrastructure assets closing net book value at 31 March	282.4
Net book value of PPE excluding infrastructure assets	461.4
Total net book value of PPE on the balance sheet at 31 March	743.8

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

Notes supporting the balance sheet

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

Notes supporting the balance sheet

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
Total	142.9	336.4	479.3

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%	-
			3.9

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
(300.9)	Balance at 1 April	(288.8)
	Capital financing:	
(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)
(51.9)	Total capital financing	(69.9)
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
(288.8)	Balance at 31 March	(323.7)

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
	Cost or valuation	
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
48.5	Closing balance at 31 March	51.5

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

Fair value measurement using other significant observable inputs Level 2	£m
Investment properties at 31 March 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
303.1	Opening capital financing requirement	320.6
	Capital investment	
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)	-
	Sources of finance	
(4.9)	Capital receipts	(7.4)
(1.4)	Loan fund principal	(0.6)
(45.8)	Government grants and other contributions	(54.5)
	Sums set aside from revenue	
(0.1)	Direct revenue contributions	(0.4)
(12.8)	Minimum revenue provision	(15.2)
320.6	Closing capital financing requirement	330.3
	Explanation of movements in year	
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)
17.5	Adjusted to services	9.7

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
54.7	Total	51.2

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
38.6	Total	45.3
(3.3)	Bank current accounts	(3.1)
35.3	Total	42.2

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)
(56.8)	Total	(58.8)

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)
(6.7)	Total	(5.9)

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)
(14.9)	Total	(15.7)

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)	Adjusted opening balance at 1 April	(15.3)	(7.5)	(24.5)	(47.3)
3.2	Payments during the year	1.3	1.0	1.5	3.8
(44.9)	Balance outstanding at 31 March	(14.0)	(6.5)	(23.0)	(43.5)

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
Balance outstanding at 31 March	61.8	3.0	41.0	9.0	114.8

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)
(43.4)	Total due in future years undiscounted	(41.7)

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)
Total adjustments between accounting basis and funding basis under regulations	8.9	-	5.6	7.0	(21.5)

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
Total adjustments between accounting basis and funding basis under regulations	(24.1)	-	3.4	(12.0)	32.7

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)
Total			(168.4)	56.2	(33.8)	(146.0)

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

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
Total			(441.5)	14.6	(42.0)	(468.9)

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
Total			(464.9)	(50.9)	74.3	(441.5)

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)
Total		(80.7)	32.0	(22.2)	(70.9)

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)
Total		(73.2)	31.8	(39.3)	(80.7)

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)
(61.4)	Total adjustment for non-cash movements	(31.4)

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
45.7	Total adjustment for investing and financing activities	40.6

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
1.8	Total cash flows from investing activities	36.1

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
(14.4)	Total cash flows from financing activities	(53.1)

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)
Total liabilities from financing activities	(186.6)	(53.1)	(2.4)	(0.5)	(242.6)
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)
Total liabilities from financing activities	(158.8)	(14.4)	(13.6)	0.2	(186.6)
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
	Comprehensive income and expenditure statement	
	Cost of services	
11.4	Current service cost	8.5
0.2	(Gain)/loss from settlements and curtailments	0.1
1.5	Past service cost	-
	Financing and investment income and expenditure	
0.5	Net interest expense	0.3
0.3	Administration expenses	0.3
13.9	Total post-employment benefit charged to the surplus/deficit on the provision of services	9.2
	Other comprehensive income and expenditure	
(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
(1.1)	Total post-employment benefit charged to other comprehensive income and expenditure	1.1
	Movement in reserves statement	
(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
7.1	Net liability arising from defined benefit obligation – LGPS		3.4
0.4	Unfunded teachers pension liability		0.4
7.5	Total net pension liability		3.8

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)
495.6	Closing balance at 31 March	539.5

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

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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)
590.5	Closing balance at 31 March	674.6

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)
(102.0)	Closing balance at 31 March	(138.5)

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%).

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T1.7. Local government pension scheme assets

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

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
	Mortality assumptions	
	Longevity at 65 for current pensioners (in years)	
21.2	Men	21.9
23.6	Women	24.6
	Longevity at 65 for future pensioners (in years)	
22.5	Men	22.7
25.4	Women	26.0
	Financial assumptions	
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.

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T1.10. Pensions reserve

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

31 March 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)
8.0	Balance at 31 March	3.8
7.6	Local government pension scheme	3.4
0.4	Teachers pension scheme	0.4
8.0	Balance at 31 March	3.8

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
			Interest payable and similar charges			
4.7	-	4.7	On loans	6.0	-	6.0
3.0	-	3.0	On PFI and lease liabilities	2.9	-	2.9
7.7	-	7.7	Total expenditure in surplus/deficit on the provision of services	8.9	-	8.9
			Interest receivable			
-	(1.9)	(1.9)	On loans	-	(1.8)	(1.8)
-	(2.9)	(2.9)	On investments	-	(2.4)	(2.4)
-	(4.8)	(4.8)	Total income in surplus/deficit on the provision of services	-	(4.2)	(4.2)
7.7	(4.8)	2.9	Net (gain)/loss for the year	8.9	(4.2)	4.7

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	-
35.6	32.8	Total long term debtors	35.7	32.7
10.4	10.4	Short term investments	16.6	16.6
10.4	10.4	Total short term investments	16.6	16.6
38.6	38.6	Cash and cash equivalents	45.3	45.3
38.6	38.6	Total cash and cash equivalents	45.3	45.3
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)
54.7	31.8	Total short term debtors	51.2	28.3
139.3	113.6	Total assets	148.8	122.9

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)
(3.3)	(3.3)	Total cash and cash equivalents	(3.1)	(3.1)
(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)
(8.3)	(8.3)	Total short term borrowing	(24.3)	(24.3)
(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)
(56.8)	(36.7)	Total short term creditors	(58.8)	(42.2)
(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)
(130.5)	(130.5)	Total long term borrowing	(172.3)	(172.3)
(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)	-
(55.3)	(47.8)	Total other long term liabilities	(49.5)	(45.7)
(254.2)	(226.6)	Total liabilities	(308.0)	(287.6)

Technical annex

T2.4. Fair value of assets and liabilities

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

- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value. 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).

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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
				Financial assets					
32.8	-	-	32.8	Long term debtors	2	32.7	-	-	30.3
32.8	-	-	32.8	Total financial assets		32.7	-	-	30.3
				Financial liabilities					
(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)
(186.6)	(132.2)	(119.1)	(44.2)	Total financial liabilities		(232.1)	(178.5)	(163.5)	(42.4)

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
21.4	Total	23.3

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)
(138.8)	Total	(196.6)

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
533.3	(309.1)	224.2	Net cost of services	555.5	(313.5)	242.0
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)
580.0	(564.0)	16.0	(Surplus)/deficit on the provision of services	573.3	(572.7)	0.6
		(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)	Other comprehensive (income) and expenditure			(5.9)
		6.7	Total comprehensive (income) and expenditure			(5.3)

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
790.8	Long term assets	840.7
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
108.2	Current assets	118.6

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)
(83.6)	Current liabilities	(101.8)
(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)
(202.1)	Total long term liabilities	(238.9)
613.3	Net assets	618.6
(171.8)	Usable reserves	(149.7)
(441.5)	Unusable reserves	(468.9)
(613.3)	Total reserves	(618.6)

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
Balance at 31 March 2024	(9.6)	(73.2)	(82.8)	(38.2)	(30.8)	(151.8)	(464.9)	(616.7)	(3.3)	(620.0)
Total comprehensive income and expenditure	(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)	-
Net (increase)/decrease before transfers	16.1	-	16.1	-	-	16.1	(9.3)	6.8	(0.1)	6.7
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)	-	-	-	-	-	-	-	-
(Increase)/decrease in year	(0.5)	(7.5)	(8.0)	3.4	(12.0)	(16.6)	23.4	6.8	(0.1)	6.7
Balance at 31 March 2025	(10.1)	(80.7)	(90.8)	(34.8)	(42.8)	(168.4)	(441.5)	(609.9)	(3.4)	(613.3)
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)	-
Net (increase)/decrease before transfers	0.9	-	0.9	-	-	0.9	(5.9)	(5.0)	(0.3)	(5.3)
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	-	-	-	-	-	-	-	-
(Increase)/decrease in year	-	9.8	9.8	5.6	7.0	22.4	(27.4)	(5.0)	(0.3)	(5.3)
Balance at 31 March 2026	(10.1)	(70.9)	(81.0)	(29.2)	(35.8)	(146.0)	(468.9)	(614.9)	(3.7)	(618.6)

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
(0.3)	Net cash flows from operating activities	8.5
0.5	Net cash flows from investing activities	36.1
(14.4)	Net cash flows from financing activities	(53.1)
(14.2)	Net (increase)/decrease in cash and cash equivalents	(8.5)
24.5	Cash and cash equivalents at 1 April	38.7
38.7	Cash and cash equivalents at 31 March	47.2
14.2	Net increase/(decrease) in cash and cash equivalents	8.5

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
	Amounts required to be credited to the collection fund				
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
220.3	Total		182.3	54.0	236.3
	Amounts required to be debited from the collection fund				
	Precepts, demands and shares				
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
	Contribution towards previous year's surplus				
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
	Charges to collection fund				
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
217.8	Total		181.6	55.1	236.7
2.5	Surplus/(deficit) for the year		0.7	(1.1)	(0.4)
7.7	Balance bought forward		4.1	6.1	10.2
10.2	Balance carried forward	C3	4.8	5.0	9.8

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.

Business rates income	2025/26 £m
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)
Total	53.5

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
Total			72,816.74

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)
Total	182.3

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
Total	4.8	5.0	9.8

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:



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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.

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- **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.

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Audit and Audit Assurances

The council's Statement of Accounts are audited by Grant Thornton UK LLP. In accordance with statutory requirements, the annual audit includes an examination and certification of the financial statements to confirm they are 'true and fair' and free from material misstatements and an assessment of the council's arrangements to secure economy, efficiency and effectiveness in its use of resources. In 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"> a) In the form of materials or supplies to be consumed in the production process b) In the form of materials or supplies to be consumed or distributed in the rendering of services c) Held for sale or distribution in the ordinary course of operations, or d) In the process of production for sale or distribution
Investment property	Property held solely to earn rentals or for capital appreciation or both.
Lease	A contract that conveys the right to use an asset for a period of time.
Liabilities	Present obligations arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.
Material	Items are material if they could, individually or collectively, influence the decisions or assessments of users. Materiality depends on the nature or size of the item, or both.
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> <ul style="list-style-type: none"> a) revalued downwards or impaired and the gains are lost b) used in the provision of services and the gains are consumed through depreciation, or c) disposed of and the gains are realised. <p>The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date were consolidated into the capital adjustment account.</p>
Revenue	The gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net worth.
Right of use asset	An asset that represents a lessee's right to use an underlying asset for the lease term.
Short term absences account	The short term absences account absorbs the differences that would otherwise arise on the general fund balance from accruing for absences earned but not taken in the year. Statutory arrangements require that the impact on the general fund balance is neutralised by transfers to or from the account.