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Three Rivers House
Northway
Rickmansworth
Herts WD3 1RL

AUDIT COMMITTEE

NOTICE AND AGENDA

For a meeting to be held on Thursday, 27 November 2025 at 7.30 pm at Penn Chamber, Three Rivers House, Rickmansworth.

Members of the Audit Committee:-

Councillors:

Tony Humphreys (Chair)
Harry Davies
Lisa Hudson
Stephen King
David Major
Keith Martin (Vice-Chair)
Ciaran Reed
Mike Sims
Cheryl Stungo

Joanne Wagstaffe, Chief Executive
Wednesday, 19 November 2025

1. APOLOGIES FOR ABSENCE

2. MINUTES OF PREVIOUS MEETING (Pages 5 - 8)

To confirm, as being a correct record, the minutes of the Audit Committee, held on 25 September 2025, and for them to be signed by the Chair.

3. NOTICE OF ANY OTHER BUSINESS

Items of other business notified under Council Procedure Rule 30 to be announced, together with special circumstances that justify their consideration as a matter of urgency. The Chair to rule on the admission of such items.

4. DECLARATIONS OF INTEREST

To receive any declarations of interest.

5. DRAFT CAPITAL STRATEGY & TREASURY MANAGEMENT POLICY 2026-27 (Pages 9 - 32)

The purpose of this report is to enable the Audit Committee to comment on the draft capital strategy and treasury management policy. The strategy and policy will go on to Policy and Resources Committee and then on to Budget Council on 24th February 2026 and covers the medium term (2026/27 to 2028/29). The tables reflect the current financial year position as at Period 6 monitoring and will be updated for Policy and Resources Committee.

Recommendation

That the report is noted and any recommendations are made to be considered by the Director of Finance and Policy and Resources Committee to allow the final strategy to be approved by Budget Council in February 2026.

6. Treasury Management - Mid- Year Report 2025-26 (Pages 33 - 48)

The Treasury Management mid-year report is prepared in compliant with CIPFA's Code of Practice on Treasury Management and covers performance against the Council's Capital Strategy and Treasury Management Policy. The report is presented to the Audit Committee as the body delegated by Council to undertake the role of scrutiny of treasury management strategy and policies. The report covers the period from 1st April to 30th September 2025.

The Council receives Treasury Management Advice under a contract with Arlingclose limited.

Recommendation

The committee is invited to note the Treasury Management Mid-Year Report 2025-26.

7. INTERNAL AUDIT PROGRESS REPORT (Pages 49 - 70)

This report details:

a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's annual audit plan for 2025/26 as at 14 November 2025.
b) Proposed amendments to the approved 2025/26 Annual Audit Plan.
c) Implementation status of all previously agreed audit recommendations from 2019/20 onwards.
d) An update on performance management information as at 14 November 2025.

Recommendation

For Members to:

- Note the Internal Audit Progress Report for the period to 14 November 2025
- Approve amendments to the Audit Plan as at 14 November 2025
- Agree changes to the implementation date for 8 audit recommendations (paragraph 2.5) for the reason set out in Appendices 3 to 5
- Agree removal of implemented audit

recommendations (Appendices 3 to 5)

8. TRDC EXTERNAL AUDITORS ANNUAL REPORT - 2024-2025 (Pages 71 - 106)

This Auditor's Annual Report provides a summary of the findings and key issues arising from our audit of the Council for 2024/25. This report has been prepared in line with the requirements set out in the Code of Audit Practice and supporting guidance published by the National Audit Office and is required to be published by the Authority alongside the annual report and accounts.

9. FINANCIAL AND BUDGETARY RISKS (Pages 107 - 112)

This report advises the Committee on the latest position in respect of the evaluation of financial risks facing the Council for discussion and any recommendations or comments they wish to make.

Recommendation

That the Committee review the risk register and make any comments it wishes to make against individual risks.

10. Work programme (Pages 113 - 116)

That the Committee consider and makes necessary changes to its Work Programme.

11. OTHER BUSINESS - if approved under item 3 above

12. EXCLUSION OF THE PRESS AND PUBLIC

If any confidential business is approved under item 3, it will also be necessary to specify the class of exempt or confidential information in the additional item(s) and a resolution be passed in the following terms:

"that under Section 100A (4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item(s) of business on the grounds that they involve the likely disclosure of exempt information as defined under the respective paragraphs 1 to 7 of Part 1 of Schedule 12A to the Act."

General Enquiries: Please contact the Committee Team at
committeeteam@threerivers.gov.uk

The Council welcomes contributions from members of the public on agenda items at the Audit Committee meetings. Details of the procedure are provided below:

For those wishing to speak:
Members of the public are entitled to register and identify which item(s) they wish to speak on from the published agenda for the meeting. Those who wish to register to speak are asked to register on the night of the meeting from 7pm. Please note that contributions will be limited to one person speaking for and one against each item for not more than three minutes.

In the event of registering your interest to speak on an agenda item but not taking up that right because the item is deferred, you will be given the right to speak on that item at the next meeting of the Committee.

Those wishing to observe the meeting are requested to arrive from 7pm.

In accordance with The Openness of Local Government Bodies Regulations 2014 any matters considered under Part I business only of the meeting may be filmed, recorded, photographed, broadcast or reported via social media by any person.

Recording and reporting the Council's meetings is subject to the law and it is the responsibility of those doing the recording and reporting to ensure compliance. This will include the Human Rights Act, the Data Protection Legislation and the laws of libel and defamation.

The meeting may be livestreamed and an audio recording of the meeting will be made.

Three Rivers House
Northway
Rickmansworth
Herts WD3 1RL

Audit Committee
MINUTES

Of a meeting held in the Penn Chamber, Three Rivers House, Rickmansworth, on Thursday, 25 September 2025 from 7.30 pm to 8.17 pm.

Present: Councillors

Tony Humphreys (Chair), David Major, Ciaran Reed, Philip Hearn (Substitute) (In place of Mike Sims), Chris Mitchell (Substitute) (In place of Cheryl Stungo), Paul Rainbow (Substitute) (In place of Harry Davies) and Anne Winter (Substitute) (In place of Keith Martin)

Officers in Attendance:

Alison Scott, Director of Finance
Anita Hibbs, Committee Officer
Robert Thurlow, Chief Accountant

External in Attendance:

Darren Williams – SIAS Hertfordshire County Council

AC11/25 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Mike Sims, Keith Martin, Harry Davies, Cheryl Stungo and Lisa Hudson. Substitute members are Councillors Philip Hearn, Anne Winter, Paul Rainbow and Chris Mitchell.

AC12/25 MINUTES OF PREVIOUS MEETING

The minutes of the Audit Committee held on 25 June 2025 were confirmed as a correct record and signed by the Chair of the meeting.

AC13/25 NOTICE OF ANY OTHER BUSINESS

There was no other business.

AC14/25 DECLARATIONS OF INTEREST

None

AC15/25 TREASURY MANAGEMENT - END OF YEAR REPORT 2024/25

Councillor Ciaran Reed arrived at 7.34pm.

The Chief Accountant introduced the report.

Members queried discrepancies between the original budget and actual spending, with the officer explaining that unspent funds have been rolled over into the current financial year, as reflected in monitoring statements. The conversion then shifted to clarifying investment terminology, distinguishing between internally managed funds, which involve third party fund managers. Additionally, the discussion addressed risk management, with liquidity risk identified as the primary concern. The officer emphasised the importance of maintaining sufficient liquid cash to meet supplier payments promptly, highlighting day-to-day efforts to balance cash availability without excess.

Members also queried the high cost of the Crematorium (West Herts Crematorium), £5.4 million, and asked about the difference between consolidated fund figures. Officers explained the process of budget carryovers, funded schemes such as the UK Prosperity Housing Fund, and the process of internal borrowing, amounting to £22.7 million. They clarified that this internal borrowing is not a cash flow risk but a strategy to avoid interest costs by using available cash rather than external borrowing. The conversation also touched on the relationship between reserves, Section 106 money and cash flow, emphasising that the authority remains cash positive. Members expressed initial concern about the large sums but acknowledged the explanations provided alleviated those concerns.

Members raised concerns about the potential risks if interest rates remain high for an extended period. The officer responded positively, explaining that the Council is currently cash positive and benefits from higher interest rates, which improve the budget position rather than hinder it. Members also expressed concerns about the broader financial market, particularly UK government debt and its potential negative effects on local government funding and borrowing costs. The officer reassured Members that the Council forecasts to remain net cash positive throughout the medium-term financial strategy, mitigating risks from increased borrowing costs. Additionally, the discussion also touched on the significant increase in investment figures, attributed mainly to the receipt of local authority housing fund money (LAHF), which has been received upfront but not yet spent, which affects the cash position but will eventually be reflected on the balance sheet once the funds are utilised for housing investment. The officer also explained that the initial funding, LAHF1 has been spent on purchasing properties and LAHF2 is allocated for the garage site development currently underway. Additionally, there is a substitute property arrangement with Watford Community Housing, which has been approved by MHCLG. For LAHF3, officers are exploring open market purchases. A comprehensive report covering all LAHF schemes will be presented to Full Council in December.

The Committee noted the Treasury Management End of Year report.

RESOLVED:

That:

The Committee notes the Treasury Management End-of-Year Report.

AC16/25 STATEMENT OF ACCOUNTS 2024/25 UPDATE

The Chief Accountant introduced the report.

The Committee discussed the Council's financial status. Key points included the ongoing annual deficit against the robust reserve of around £5 million, which provides financial stability in the short term. The budget monitoring reports indicate that the current deficit is within expected ranges and manageable. Concerns were raised about the risks associated with fair funding reforms by the government, but these are not expected to cause significant financial difficulty due to sufficient reserves. A significant issue discussed is the delay in external auditors signing off accounts from 2020 to 2023, attributed to both national audit challenges and a specific local accounting treatment related to the South Oxhey project. Despite these delays, the Council has a recovery plan in place. The discussion also touched on the medium to long-term financial outlook, highlighting a projected increase in deficits by 2027-2028, though these forecasts do not yet account for potential increases in fees, charges or tax base growth. The external auditor cautioned that sustaining ongoing deficits is not viable indefinitely, implying the need for future cuts or revenue adjustments. However, historical trends show the Council has successfully managed to reverse projected deficits at year end.

The conversation moved onto the current status of pension liabilities and the officer confirmed that the liabilities are less than the fair value of assets as of 31 March, indicating a positive position. However, it was clarified that it is a snapshot and can fluctuate. Overall, there is no immediate risk to the pension fund’s stability according to the current assessments.

The Committee noted that the Director of Finance, or the Head of Finance under delegation from the Director of Finance, will authorise for reissue a draft Statement of Accounts 2024/25 for public inspection by 26 September 2025, and a period of public inspection will commence on 29 September 2025.

RESOLVED:

To note that the Director of Finance, or the Head of Finance under delegation from the Director of Finance, will authorise for reissue a draft Statement of Accounts 2024/25 for public inspection by 26 September 2025, and a period of public inspection will commence on 29 September 2025.

AC17/25 SIAS ANNUAL REPORT 2024-2025

Due to a temporary technical issue, the Director of Finance provided an overview of the report on behalf of the Head of SIAS and Client Audit Manager, highlighting the benefits of the shared service model, including increased resilience and access to a broader range of skills compared to individual internal audit services.

The officer confirmed that the 2024-2025 internal audit work has been completed and presented to the last meeting, with internal sign-off achieved.

The Committee noted the SIAS Annual Report 2024-2025.

AC18/25 TRDC SIAS PROGRESS REPORT AGAINST THE 2025-2026 AUDIT PLAN

The Director of Finance introduced the report on behalf of the Head of SIAS and Client Audit Manager.

Members expressed concern about the lack of updates on six recommendations with past target dates. The officer committed to requesting the head of service to provide an update at the next meeting and noted organisational changes aimed at improving monitoring of sundry debts by moving them from revenues and benefits into finance for better budget oversight. The Head of SIAS and Client Audit Manager suggested streamlining future progress reports by excluding low priority recommendations from the appendix to enhance focus on high and medium priority issues. The officer noted that there was a previous approach focusing only on high and medium priority recommendations, and reassured that Members would still have access to all internal audit reports, including low priority items. Members agreed that prioritising high and medium priority recommendations would make documentation easier to read. In addition, simplifying reports would also help substitute members in future, who may not regularly attend meetings.

Councillor Tony Humphreys moved the recommendation as set out in the report.

On being put to the Committee, the motion was declared CARRIED by the Chair, the voting being by general assent.

RESOLVED:

The Committee:

- Noted the Internal Audit Progress Report for the period to 15 September 2025
- Approved amendments to the Audit Plan as at 15 September 2025
- Agreed changes to the implementation date for 6 audit recommendations (paragraph 2.5) for the reason set out in Appendices 3 to 5
- Agreed removal of implemented audit recommendations (Appendices 3 to 5)

AC19/25 WORK PROGRAMME

The Director of Finance advised that the Head of Finance is planning to organise a more intensive, separate training session for committee members, as the current half hour sessions before meetings are not effective for everyone.

Members raised concerns about the timing of the March 2026 Audit Committee meeting, noting that it coincides with council elections nominations period, and suggested considering rescheduling the meeting to avoid any clash. The officer acknowledged that the current schedule was set by Full Council but agreed to review and potentially adjust future meeting dates based on Member feedback.

The Committee noted the work programme.

RESOLVED:

That the Committee consider and makes necessary changes to its Work Programme.

AC20/25 OTHER BUSINESS - IF APPROVED UNDER ITEM 3 ABOVE

None

AC21/25 EXCLUSION OF THE PRESS AND PUBLIC

CHAIR

AUDIT COMMITTEE – 27 NOVEMBER 2025

DRAFT CAPITAL STRATEGY AND TREASURY MANAGEMENT POLICY
(DoF)

1. Summary

1.1 The purpose of this report is to enable the Audit Committee to comment on the draft capital strategy and treasury management policy. The strategy and policy will go on to Policy and Resources Committee and then on to Budget Council on 24th February 2026 and covers the medium term (2026/27 to 2028/29). The tables reflect the current financial year position as at Period 6 monitoring and will be updated for Policy and Resources Committee.

2. Details

2.1 The capital strategy (the Strategy) is designed to give a clear and concise view of how the council determines it priorities for capital investment, decides how much it can afford to borrow and sets its risk appetite. It is intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.

2.2 The framework the government uses to control how much councils can afford to spend on capital investment is known as the Prudential Framework. The objectives of the Prudential Code, which sets out how this framework is to be applied, are to ensure that local authorities' capital investment plans are:

- affordable, prudent, and sustainable,
- that treasury management decisions are taken in accordance with good professional practice, and
- that local strategic planning, asset management planning and proper option appraisal are supported.

2.3 This capital strategy sets out how the Council will achieve the objectives set out above.

Capital Investment Programme – Expenditure

2.4 Capital Investment is the term used to cover all expenditure by the council that can be classified as capital under legislation and proper accounting practice. This includes expenditure on:

- property, plant and equipment,
- heritage assets,
- investment properties., and
- loans to subsidiaries and joint ventures

2.5 Property, plant and equipment includes assets that have physical substance and are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes. They are expected to be used during more than one financial year. Expenditure on the acquisition, creation or enhancement of these assets is capitalised on an accruals basis, provided that the Council is likely to benefit from the future economic benefits or service potential and the cost of the item can be measured reliably. Expenditure on repairs and maintenance is charged to the revenue account when it is incurred.

2.6 Heritage Assets are held with the objective of increasing knowledge, understanding and the appreciation of the Council's history and local area.

2.7 Investment properties are those that are used solely to earn rentals and/or for increases in value. The definition is not met if the property is used in any way for the delivery of services or production of goods or is held for sale.

2.8 Detailed accounting policies in relation to assets and capital expenditure may be found in the annual statement of accounts.

2.9 **Appendix 1** shows the 2025/26 revised capital budget and draft capital budgets for the period 2026/27 to 2028/29. The appendix contains the title, description and officers' comments relating to the progress of the 2025/26 schemes. These tables reflect the monitoring period as at period 6 but will be updated for Policy and Resources Committee. A summary of the proposed capital programme is set out in the following table:

Capital Programme £000	Forecast 2025/26	Proposed Budget 2026/27	Proposed Budget 2027/28	Proposed Budget 2028/29
General Public Services and Community Engagement	5,283	2,165	2,248	
Climate Change and Leisure	2,427	1,267	1,267	
Policy and Resources	1,373	826	779	
Major Projects	17,174	-	-	
Total Capital Programme	**26,258**	**4,258**	**4,294**	**-**

2.13 Commentary to be inserted for Policy and Resources

2.12 **Appendix 2** shows the period 6 variances as reported in the latest budget monitoring report**.**

2.13 Commentary to be inserted for Policy and Resources

Capital Investment Programme – Funding

2.16 The Capital Investment Programme can be funded from a variety of sources. Explanations of the funding sources are set out in the following paragraphs.

2.17 <u>Government Grants & Other Contributions:</u> These are grants for specific purposes which may be available from the Government, e.g. Local Authority Housing Fund, Disabled Facility Grants. The Council can also attract partnership funding from other local authorities and agencies. The Council has also benefited in the past from other funding such as lottery grants.

2.18 <u>Section 106 Contributions:</u> These are contributions from developers to the public services and amenities required for the development. These have been in part replaced by the Community Infrastructure Levy. Current Section 106 monies are guaranteed.

2.19 <u>Capital Receipts Reserve:</u> Capital receipts are derived when selling assets such as land. The main receipt relates to the arrangements made when the Council sold its housing stock to Thrive Homes Ltd in 2008; the Transfer Agreement included a Right to Buy (RTB) Sharing Agreement whereby the Council is entitled to a share of the post-transfer receipts from RTB sales and a 'VAT Shelter Agreement' whereby the Council benefits from the recovery of VAT on continuing works carried out by Thrive. The current MTFP forecasts that this reserve will be fully utilised to support the capital programme.

2.20 Revenue Contributions: Revenue balances from the General Fund may be used to support capital expenditure.

2.21 New Homes Bonus Reserve: New Homes Bonus is a grant relating to the number of new homes delivered in a local authority area. There are no government restrictions on whether this is capital or revenue, nor is there any ring-fence imposed. New Homes Bonus has reduced in recent years and it may be removed under the Fair Funding Review.

2.22 Borrowing: The Council is allowed to borrow to support its capital expenditure as long as this is prudent, sustainable, and affordable. Where the Council decides to borrow to fund capital expenditure the annual cost of borrowing is included within the revenue budget.

2.23 The capital programme includes an assessment of likely available resources to finance capital expenditure and includes assumptions regarding capital receipts, which have been estimated at £1.000m per year.

2.24 **Appendix 3** shows the sources of capital funding proposed over the period 2025/26 to 2028/29, including the funding generated in each year and balances carried forward at the end of each year. The funding for the proposed capital programme is set out in the table below:

Capital Funding £000	Forecast 2025/26	Proposed Budget 2026/27	Proposed Budget 2027/28	Proposed Budget 2028/29
Grants	4,989	586	586	
Reserves	117	-	-	
Capital Receipts	1,000	1,000	1,000	
Section 106 and CIL Funding	3,473	-	-	
Borrowing	16,680	2,672	2,708	
Total Capital Programme	**26,258**	**4,258**	**4,294**	**-**

4. Prudential Indicators

4.1 All Local Authorities are required to set prudential indicators for the forthcoming year and following years before the beginning of the forthcoming year. The indicators must be set by full Council.

4.2 The prudential indicators fall into two main categories of ‘Prudence’ and ‘Affordability’. The indicators for Prudence are further separated between those relating to the Council’s capital expenditure plans and those relating to levels of external debt.

Prudence – Capital Expenditure

4.3 The Capital Financing Requirement (CFR) is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council’s underlying borrowing need. Any capital expenditure, which has not immediately been paid for, will increase the CFR. An increase in the CFR does not necessarily mean that the council will borrow externally to fund the increase. The Council manages its cash balances as a whole and may choose to use internal cash (generated by holding reserves and through timing differences between income and expenditure).

4.4 The table below sets out the Council's estimates of capital expenditure over the medium term financial planning period and the estimated impact on the Council's CFR.

Capital Financing Requirement £000	2025/26 Forecast	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Total Proposed Capital Expenditure	**26,258**	**4,258**	**4,294**	**-**
Capital Financing:				
Grants	4,989	586	586	-
Reserves	117	-	-	-
Capital Receipts	1,000	1,000	1,000	-
Section 106 and CIL	3,473	-	-	-
Total Funding	**9,578**	**1,586**	**1,586**	**-**
Gap	16,680	2,672	2,708	-
MRP	- 662	- 612	- 945	
Opening CFR including Wimbledon	71,554	87,572	89,632	91,394
Closing CFR	**87,572**	**89,632**	**91,394**	**91,394**

Note the opening CFR is subject to restatement following the conclusion of the outstanding external audit.

Prudence – External Debt

4.5 There are two limits on external debt: the 'Operational Boundary' and the 'Authorised Limit'. Both are consistent with existing plans and the proposals in the budget report for capital expenditure and financing, and with approved treasury management policy statement and practices.

4.6 These prudential indicators ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2025/26 and next two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue purposes.

4.7 The Operational Boundary is the limit beyond which external borrowing is not normally expected to exceed. In most cases this would link directly to the authority's plans for capital expenditure, its estimates for CFR and its estimate of cashflow requirements for the year for all purposes. The Council may need to borrow, this limit represents a contingency should the need arise. The additional headroom allows the Council to externalise borrowing currently covered by utilising cash reserves – should interest rates reduce.

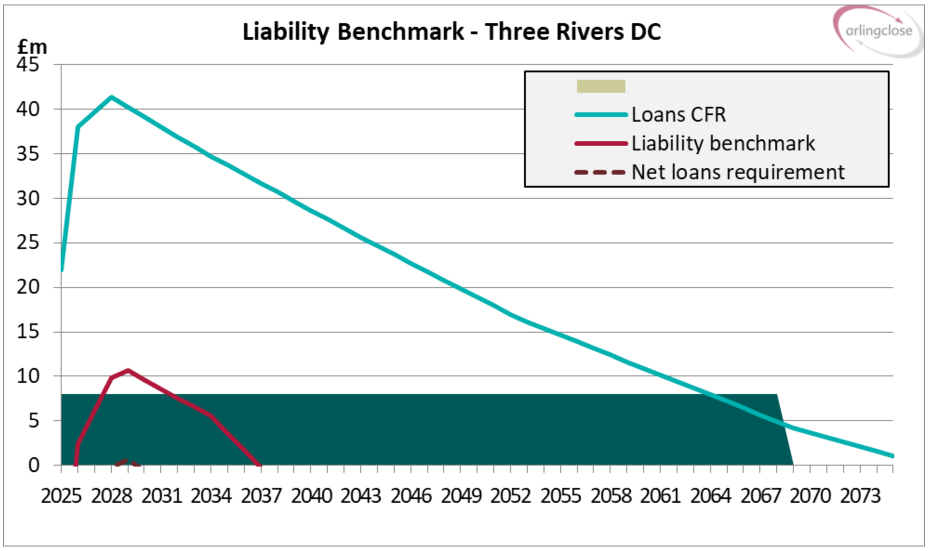
Operational Boundary	2025/26 £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Borrowing	20.000	25.000	25.000	25.000
Finance Leases	50.000	50.000	50.000	50.000

4.8 The Authorised Limit for External Borrowing controls the overall level of borrowing and represents the limit beyond which external long and short term borrowing is prohibited, and this limit needs to be set or revised by the Council. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (2) of the Local Government Act 2003.

Authorised Limit	2025/26 £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Borrowing	25.000	25.000	25.000	25.000
Finance Leases	50.000	50.000	50.000	50.000

Treasury Management Indicator – The Liability Benchmark

4.9 The Treasury Management Code of Practice requires local authorities to calculate their Liability Benchmark. The benchmark includes a projection of external debt required over the long term to fund the organisation's approved budgets and plans compared to the Forecast of total borrowing outstanding. The benchmark should be used to evaluate the amount, timing and maturities needed for new borrowing in relation to the organisation's planned borrowing needs in order to avoid borrowing too much, too little, too long or too short.



Affordability

4.10 The fundamental objective in the consideration of the affordability of the authority's capital plans is to ensure that the level of investment in capital assets proposed means that the total capital investment of the authority remains within sustainable limits.

4.11 In considering the affordability of its capital plans, the authority is required to consider its forecast financial position, including all of the resources currently available to it and estimated for the future, together with the totality of its capital, borrowing and investment plans, income and expenditure forecasts and risks.

4.12 The following indicators provide an indication of the impact of the capital investment plans on the Council's overall finances.

Financing costs to net revenue stream

4.13 This indicator identifies the trend in the cost of capital, (borrowing and other long-term obligation costs net of investment income), against the net revenue stream. The net revenue stream is the Council's core funding of Council Tax, Business rates, and unringfenced central government grants. Investment income includes interest from Treasury Management activities and interest from loans to joint ventures and subsidiaries.

	2024/25 Actual £000	2025/26 Forecast £000	2026/27 Estimate £000	2027/28 Estimate £000	2028/29 Estimate £000
Net Cost of Capital	- 1,206	- 355	- 235	- 145	
Net Revenue Stream	14,061	15,174	15,015	15,421	
Ratio %	**-8.6%**	**-2.3%**	**-1.6%**	**-0.9%**	

Net income from commercial investment to net revenue stream

4.14 This indicator is intended to show the financial exposure of the authority to the loss of income.

4.15 Net income from commercial investments comprises net income from financial investments (other than treasury management investments), together with net income from other assets held primarily for financial return, such as commercial property.

	2024/25 Actual £000	2025/26 Forecast £000	2026/27 Estimate £000	2027/28 Estimate £000	2028/29 Estimate £000
Commercial Investment Income	- 877	- 932	- 982	- 982	
Net Revenue Stream	14,061	15,174	15,015	15,421	
Ratio %	**-6.2%**	**-6.1%**	**-6.5%**	**-6.4%**	

5. The Minimum Revenue Provision (MRP) Strategy and Policy Statement

5.1 The Minimum Revenue Provision (MRP) is designed to pay off an element of the capital spend which has not already been financed from existing revenue or capital resources. The Council is required to make prudent provision, by way of a charge to the revenue account, which means that the repayment of debt is enabled over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

5.2 Where the Council borrows to lend into its joint venture housing company, in order to minimise refinancing risk, it will seek as far as possible seek to align the borrowing and repayment of principle from the company. As a result MRP will not be charged on this debt as it will repaid from the principle repayment from the company. The Council is also able to increase the rate it reduces its CFR by undertaking additional voluntary payments (voluntary revenue provision - VRP) in addition to any MRP; this is not currently the Council's policy.

5.3 Government Regulations require the Council to approve a MRP Statement in advance of each year. The Council's MRP policy statement is at **Appendix 6**.

5.4 Three Rivers District Council's process is to produce a business case for each scheme intended to be unfunded from other resources. This will clearly show the level of MRP which is proposed to ensure that the repayment of any debt can be made in a period commensurate with the period over which the expenditure provides benefits or makes returns.

5.5 Where the Council decides to borrow to fund capital expenditure the annual cost of borrowing is included within the revenue budget.

6. Skills and Knowledge and Professional Advice

6.1 The Council has a shared service with Watford Borough Council for the provision of the finance function allowing access to a greater range of professional skills than would otherwise be available if each council had a separate team. The council uses external advisers on all major projects.

6.2 The Council contracts with Arlingclose for the provision of Treasury advice. Arlingclose provide non-regulated advice on the management of the council's cash flows, investments and borrowings and a markets information service. The Councils VAT advisers are PSTax.

7. Risk

7.1 Financial risks are closely monitored as a separately identifiable part of the corporate risk management framework. The Council's risk appetite is evolving as it becomes involved in a wider range of major property lead investments both within its economic area linked to regeneration and more widely for income generation purposes.

7.2 The Council takes advice from its professional advisers to both identify and mitigate the key risks it faces and ensures that all decisions are made with an understanding of the risks involved.

7.3 Whilst recognising the importance of generating income to support services, the Council will ensure that its external income is actively managed to safeguard the future financial sustainability of the council. In this respect it will continue to seek to balance income from its commercial investment activities against its overall level of risk and the amount of reserves available to mitigate this risk.

7.4 In assessing the risk of its commercial investments the Council will consider the level of risk inherent in the income stream, the security held, its ability to realise assets or other security should the need arise and the level of income received from commercial investments compared to the total income of the council.

8. Options/Reasons for Recommendation

8.1 The recommendations allow the Committee to comment upon the Capital Strategy and Treasury Management Policy in advance of Policy and Resources and Council.

9. Policy/Budget Reference and Implications

9.1 The recommendations in this report contribute to the process whereby the Council will approve and adopt its strategic, service and financial plans under Article 4 of the Council's Constitution.

10. Equal Opportunities, Legal, Staffing, Environmental, Community Safety, Customer Services Centre and Communications, Health & Safety & Website Implications

10.1 None specific.

11. Financial Implications

11.1 As contained in the body of the report.

12. Risk Management Implications

12.1 There are no risks to the Council in agreeing the recommendation below.

13. Recommendation

13.1 That the report is noted and any recommendations are made to be considered by the Director of Finance and Policy and Resources Committee to allow the final strategy to be approved by Budget Council in February 2026.

Report prepared by: Michelle Howell – Interim Head of Finance

Background Papers
The Outturn Report for 2024/25 and 2025/26 P6 Budget Monitoring report as considered by Policy and Resources Committee and Council

Appendices

1. Capital Investment Programme 2025/26 to 2028/29 - Expenditure
2. Capital Investment Programme 2025/26 to 2028/29 - Variances
3. Capital Investment Programme 2025/26 to 2028/29 - Funding
4. Section 106 Balances 2025/26
5. Treasury Management Strategy Statement
6. Minimum Revenue Provision (MRP) Strategy and Policy Statement

The recommendations contained in this report DO NOT constitute a KEY DECISION but contribute to the process whereby the Council will approve and adopt its Strategic, Service and Financial Plans under Article 4 of the Council's Constitution

APPENDIX 1

CAPITAL INVESTMENT PROGRAMME 2025/26 to 2028/29 – EXPENDITURE

To be completed as part of the Policy and Resources budget papers for January 2026

APPENDIX 2

CAPITAL INVESTMENT PROGRAMME 2025/26 to 2028/29 VARIANCES

To be completed as part of the Policy and Resources budget papers for January 2026

APPENDIX 3

CAPITAL INVESTMENT PROGRAMME 2025/26 to 2028/29 FUNDING

To be completed as part of the Policy and Resources budget papers for January 2026

APPENDIX 4

SECTION 106 BALANCES 2025/26

To be completed as part of the Policy and Resources budget papers for January 2026

APPENDIX 5

Three Rivers District Council

Treasury Management Strategy Statement 2026/27

THREE RIVERS DISTRICT COUNCIL

1. Summary

1.1. This document sets out the Council's Treasury Management Strategy Statement (TMSS).

1.2. The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as: "the management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

1.3. The TMSS supports the delivery of the Council's Capital Strategy and provides additional detail on how the Council manages its Treasury Management Activity.

1.4. The TMSS details the policies, practices, objectives and approaches to risk management of its treasury management activities, which is to be monitored by the Audit Committee. The primary objectives are of the Treasury Management Strategy Statement are:

- Security - Safeguard the repayment of the principal and interest of its investments on time
- Liquidity - Ensure adequate liquidity to meet obligations as they fall due
- Yield - Investment return is the final objective and is considered after security and liquidity requirement have been satisfied.

1.5. This statement is reviewed and approved annually by Council alongside the Council's budget, Medium Term Financial Plan (MTFP) and Capital Strategy.

1.6. The Director of Finance in consultation with the Lead Member for Resources and Shared Services has delegated authority to approve any variation to the Strategy Statement during the year with the objective of maximising the Council's returns without significantly increasing risk.

2. Risks

2.1. The key Treasury Management risks are set out in the CIPFA Treasury Management Code of Practice ("the TM Code"). The following paragraphs set out these risks and how they are managed:

Liquidity Risk

That the Council may not have the cash it needs on a day to day basis to pay its bills.

This risk is managed through forecasting and the retention by the Council of an adequate working capital balance. In addition, through the Public Works Loan Board and other organisations, the Council is able to access short term borrowing, usually within 24 hours.

Interest Rate Risk

That the costs and benefits expected do not materialise due to changes in interest rates.

This risk is managed through the placing of different types and maturities of investments, the forecasting and monitoring of the interest budget (with assistance from the Council's retained advisors).

Exchange Rate Risk

That losses or gains are made due to fluctuations in the prices of currency.

The Council does not engage in any significant non-sterling transactions.

Credit and Counterparty Risk

That the entity holding Council funds is unable to repay them when due. This risk is managed through the maintenance of a list of authorised counterparties, with separate limits to ensure that the exposure to this risk is limited.

Refinancing Risk

That the loans taken by the Council will become due for repayment and need replacing at a time when there is limited finance available or interest rates are significantly higher.

The timing of loan maturities is monitored along with interest rate forecasts. Officers ensure that due dates are monitored and seek advice from the Council’s advisors about when to raise any finance needed.

Legal and Regulatory Risk

That the Council operates outside its legal powers.

This risk is managed through the Council’s training and development of Officers involved in Treasury Management, the independent oversight of Internal and External Audit, and the advice (for example on the contents of this strategy) taken from the Council’s Treasury advisors.

Fraud, Error and Corruption

The risk that losses will be caused by impropriety or incompetence.

This risk is managed through the controls in the Council’s financial procedures. For example, the segregation of duties between those making investment decisions and those transferring funds.

Market Risk

That the price of investments held fluctuates, principally in secondary markets.

The majority of the Council’s investments are not traded, but where they are (e.g. Property investment portfolio) the main investments’ value comes from the income they generate which is generally long term and secure.

3. Treasury Indicators: Limits to Borrowing Activity

3.1. There are two limits on external debt: the ‘Operational Boundary’ and the ‘Authorised Limit’. Both are consistent with existing plans and the proposals in the budget report for capital expenditure and financing, and with approved treasury management policy statement and practices. These indicators are set out in the Capital Strategy.

3.2. The key difference is that the Authorised Limit cannot be breached without prior approval of the Council. The Operational Boundary is a more realistic indicator of the likely position. The difference between the authorised limit and operational boundary for borrowing is that the authorised limit includes a head room for borrowing for future known capital needs now. The Authorised Limit represents the limit beyond which borrowing is prohibited, and needs to be revised if necessary by members.

4. Borrowing Strategy

4.1. The Council’s treasury team maintains a cashflow forecast and works its liquidity requirements within this forecast; it may, on rare occasions, be necessary to borrow short-term for cashflow purposes. This will be in the form of short term debt or overdraft facilities and is normally for small amounts for minimum durations. As this is based on need and has a defined repayment period it is not normally included within the limits set above.

4.2. The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated (ie: the cost of holding does not outweigh the benefits of early borrowing) and that the Council can ensure the security of such funds. Any associated risks will be approved and reported through the standard reporting method.

5. Investment Policy

5.1. The Council's investment policy has regard to the statutory Guidance on Local Government Investments and TM Code. The Council's investment priorities are security first, liquidity second, then yield.

5.2. Investment instruments identified for use in the financial year are listed below under the 'Specified' and 'Non-Specified' Investments categories. Counterparty limits will be as set through the Council's Treasury Management Practices Schedules and are detailed at Annex A.

5.3. As part of its diversification of investments, the Council has invested some of its core funds (ie: funds not immediately required for cashflow reasons) in longer–term investment property instruments. These are in the form of individual assets directly owned by the council. Although the Council has no current investments or plans to invest in pooled property funds, these are an option that could be considered in the future. All property investments are controlled through the Property Investment Board (PIB) and each investment is subject to its own business case and appraisal before a decision to invest is taken and before any Council funds are committed.

5.4. During 2020/21 the Council made a small Money Market Fund investment with Royal London Asset Management to diversify placement of some longer term cash. It is intended to continue to make use of this fund during 2026/27.

6. Creditworthiness policy

6.1. The Council will ensure:

- It maintains a policy covering both the categories of investment types it will invest in and the criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections below.

- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

6.2. The Director of Finance will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary and will provide an overall pool of counterparties considered high quality.

6.3. Credit rating information is supplied by our treasury consultants on all active counterparties that comply with the Council's criteria. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing.

7. Counterparty Categories

7.1. The Council uses the following criteria in choosing the categories of institutions in which to invest:

- **Banks 1 - Good Credit Quality**

  The Council will only use UK banks or foreign banks trading in the UK in sterling denomination and which meet the Rating criteria.

- **Banks 2 – The Council's Own Banker**

  For transactional purposes, if the bank falls below the above criteria, it will be included, although in this case balances will be minimised as far as possible in both monetary size and time within operational constraints.

- **Bank Subsidiary and Treasury Operations**

  The Council will use these where the parent bank has the necessary ratings outlined above and the parent has provided an indemnity guarantee.

- **Building Societies**

  The Council will use all Societies which meet the ratings for banks outlined above.

- **Specific Public Bodies**

  The Council may lend to Public Bodies other than Local Authorities. The criterion for lending to these bodies is that the loan has been approved by Council.

- **Money Market Funds AAA Rated**

  The Council may lend to Money Market Funds in order to spread its investment risk.

- **Local Authorities**

  A limit of £5m per authority will be applied.

- **Debt Management Deposit Account Facility**

  A Government body which accepts local authority deposits.

- **Council Subsidiaries (non-specified)**

  The Council will lend to its subsidiaries subject to approval of a business case by the Portfolio Holder, in consultation with the Director of Finance. Business cases must be accompanied by an independent assessment of viability, and be subjected to regular monitoring by the Director of Finance.

7.2. Further details of counterparty categories and limits are set out Annex A Schedule of Specified and Non-Specified Investments.

7.3. The Council will also consider investment in property in accordance with its Property

Investment Strategy. All property investments will be dependent on a standalone business case being proven.

8. The Monitoring of Investment Counterparties

8.1 The credit rating of counterparties is monitored regularly. The main rating agencies (Fitch, Moody's and Standard & Poor's) provide credit ratings for financial institutions. The Council receives credit rating information (changes, rating watches and rating outlooks) from Arlingclose as and when ratings change, and counterparties are checked promptly. The Council considers minimum short term ratings as key criteria in the choice of creditworthy investment counterparties; F1+, P-1 and A-1+ are the highest short term credit ratings of Fitch, Moody's and Standard & Poor's respectively. Minimum Short Term Ratings, where given, must be met for all categories.

8.2 On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Director of Finance, and if required new counterparties which meet the criteria will be added to the list.

8.3 For non-specified investments (e.g. e-f above) the progress of the entity against the approved, independently verified business case will be monitored by the Director of Finance.

9. Use of Additional Information Other Than Credit Ratings

9.1 Additional requirements under the Code of Practice require the Council to supplement credit rating information. Whilst the above criteria rely primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

10. Time and Monetary Limits Applying to Investments

10.1 The time and monetary limits for institutions on the Council's Counterparty List summarised in the table below, are driven by the above criteria. These limits will cover both Specified and Non-Specified Investments.

11. Exceptional Circumstances

11.1 The criteria for choosing counterparties set out above provide a sound approach to investment in "normal" market circumstances. Whilst Members are asked to approve this base criteria above, under the exceptional current market conditions Director of Finance may temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval. These restrictions will remain in place until the banking system returns to "normal" conditions. Similarly, the time periods for investments will be restricted.

11.2 Examples of these restrictions would be the greater use of the Debt Management Deposit Account Facility (DMO) – a Government body which accepts local authority deposits, money Market Funds, and strongly rated institutions. The credit criteria have been amended to reflect these facilities.

12. Investment Strategy

12.1 In-House Funds - investments will be made with reference to the core balance and cashflow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

12.2 Investment Treasury Indicator and Limit - total principal funds invested for greater than one year. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

Treasury Indicator & Limit	2025/26	2026/27	2027/28	2028/29
Maximum Principal Sums invested for greater than one year (excluding property investment and loans to Council subsidiaries).	£10m	£10m	£10m	£10m

13. Investment Risk & Security Benchmarking

13.1 These benchmarks are simple guides to maximum risk and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmarks is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the Mid-Year or Annual Report. The benchmarks are as follows:

Security:

Security of the investments is measured by credit ratings, which is supplied by the three main credit rating agencies (Fitch, Moodys and Standard & Poors). Where investments are made to Council subsidiaries (non-listed), the security is measured through a business case with independent viability assessment.

Liquidity:

The Council set liquidity facilities/benchmarks to maintain:

- Authorised bank overdraft - nil.
- Liquid short term deposits of at least £0.5m available with a week's notice.

The Council has the benefit of instant access to its funds on the general account with Lloyds.

Yield:

The Council benchmarks the yield on its operational cash against SONIA (the Sterling Overnight Index Average). This is a measure of market rates for actual returns on overnight cash deposits. Performance against this indicator will be reported in the reports produced at mid-year and year-end.

14. Reporting Requirements

14.1 The Audit Committee has the responsibility for the scrutiny of Treasury Management policies and practices and receives the Treasury Management Policy for review prior to approval by Council.

14.2 An annual report on the performance of the Treasury Management function, including the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy is considered by Council following the end of the financial year

14.3 Council also receives a Mid-Year Treasury Management Report setting out activity to 30 September.

15. Policy on the Use of External Service Providers

15.1 Arlingclose are the appointed external advisors. The Council recognises that responsibility for treasury management decisions remains with the Council at all times and will ensure that undue reliance is not placed upon our external service providers. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

15.2 The Council will also, from time to time, procure specialist advice for ad-hoc pieces of work; this will be procured in accordance with the Council's normal procedure rules.

16. Member and Officer Training

16.1 In order to ensure that Members and Officers are sufficiently trained and qualified to monitor and manage the Council's Treasury Management activity, the following measures are in place:

- Ensuring that officers attend suitable courses and seminars to keep their technical knowledge up to date;
- Keeping up to date with CIPFA publications on Treasury Management;
- Regular briefings both by email and face to face with the Council's Treasury advisors;
- Reports and briefing sessions to Members on major changes to Treasury policies and strategies.

Non Specified Investment Category	**Limit (£ or %)**
Any bank or building society that has a minimum long term credit rating of A (or equivalent), for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).	£5m
The Council's own banker if it fails to meet the basic credit criteria.	In this instance balances will be minimised as much as possible
Building Societies not meeting the basic security requirements under the specified investments. The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Council may use such building societies which were originally considered Eligible Institutions and have a minimum asset size of £5,000m, but will restrict these types of investments to £2m for up to six months.	£2m
Specific Public Bodies The Council can seek Member approval to make loans to other public bodies for periods of more than one year.	£10m
Loans to Council Subsidiaries The Council will lend to its subsidiaries subject to approval of a business case by the Portfolio Holder, in consultation with the Director of Finance. Business cases must be accompanied by an independent assessment of viability, and be subjected to regular monitoring by the Director of Finance.	£10m limit for any single loan
Other unspecified investments The strategy allows the Portfolio Holder, in consultation with the Director of Finance, in consultation with the Lead Member, the delegated authority to approve any variation to the Treasury Management Strategy during the year which may be brought about by investigating the opportunity to invest for greater than one year and also to invest in other investment instruments i.e Government bonds, Gilts and investment property with a view of to maximising the Council's returns without significantly increasing risk. This allows the addition of further unspecified investments, subject to conditions which will be generally similar to (e).	£10m

	Minimum Short Term Ratings			**Schedule 1 (A) – UK Banks & Building Societies**			
Institution Type	**Fitch**	**Moody's**	**S&P**				
The Council's own Bankers	F1m	P-1	A-1	If Council's own bankers fall below the minimum long term criteria for UK banks, cash balances will be managed within operational liquidity constraints and balances will be minimised as much as possible.			
Wholly Owned Subsidiaries of UK Clearing Banks - Parent Ratings	F1	P-1	A-1	Long Term Credit Rating: AA(F), Aa2(M), AA(S&P)	Long Term Credit Rating: Single A (All agencies)	Long Term Credit Rating: Lower than A (All agencies)	Long Term Credit Rating: Lower than A
Partially Owned Subsidiaries of UK Clearing Banks - Parent Ratings	F1	P-1	A-1				
UK Building Societies (Credit Rated)	F1	P-1	A-1				
UK Building Societies (Unrated)				Assets over £15bn	Assets over £5bn	Assets of £2.5bn	Assets of £1bn
	Maximum Amount / Duration:			**£10m** **364 Days**	**£10m** **6 Months**	**£10m** **3 Months**	**£10m** **1 Month**

Schedule 1 (B) – Other Entities	
Specific Public Bodies	As approved by Members – up to £10m for up to 10 years
Debt Management Deposit Facility (UK Government)	Unlimited – this is the Council's Safe-Haven Deposit facility with the UK Government
Money Market Funds (AAA Rated)	£10m per fund
Municipal Bond Agency	As approved by Members
UK Local Authorities	A Maximum of £5m applies per Authority. The Council can invest in all UK Local Authorities whether rated or not. The Council will not lend to an authority which is subject to a s.114 notice without member approval.

Notes:

1. F1+, P-1 and A-1+ are the highest short term credit ratings of Fitch, Moody's and Standard and Poor's respectively.
2. Minimum Short Term Ratings - Where given, these must be met, for all categories (except RBS Group).
3. Building Societies - A Building Society has to meet either the ratings criteria or the assets criterion to be included in the category, not both.
4. Maximum amount is the maximum, in total, over all investments, with any one institution (with the exception of RBS Group).

Minimum Revenue Provision (MRP) Strategy and Policy Statement

The Minimum Revenue Provision (MRP) is designed to pay off an element of the capital spend which has not already been financed from existing revenue or capital resources. The Council is required to make prudent provision, by way of a charge to the revenue account, which means that the repayment of debt is enabled over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

The Council is also able to increase the rate it reduces its CFR by undertaking additional voluntary payments (voluntary revenue provision - VRP) in addition to any MRP; this is not currently the Council's policy.

Government Regulations require the Council to approve a MRP Statement in advance of each year. The following is the Council's MRP statement:

From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be:

- **Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction) (option 3)

This option provides for a reduction in the borrowing need over the asset's estimated life.

No MRP provision is made in respect of investments or payments to the joint ventures as such investments are intended to be time-limited and allow for the repayment of debt. For finance leases the council will charge MRP to its General Fund each year dependant on the life of the underlying asset.

Treasury Management Mid-Year Report 2025/06

Audit Committee

27/11/2025

THREE RIVERS DISTRICT COUNCIL

- **AUDIT COMMITTEE**

PART I

TREASURY MANAGEMENT MID-YEAR REPORT 2025-26
(DoF)

1 Summary

1.1 The Treasury Management mid-year report is prepared in compliant with CIPFA's Code of Practice on Treasury Management and covers performance against the Council's Capital Strategy and Treasury Management Policy.

1.2 The report is presented to the Audit Committee as the body delegated by Council to undertake the role of scrutiny of treasury management strategy and policies.

1.3 The report covers the period from 1st April to 30th September 2025.

1.4 The Council receives Treasury Management Advice under a contract with Arlingclose limited.

2 Recommendation

2.1 The committee is invited to note the Treasury Management Mid-Year Report 2025-26

Report prepared by: Robert Thurlow, Chief Accountant

3 Details

3.1 The report summaries treasury management activity, compliance and performance during the first two quarters of 2025/26.

3.1.1 The Council was a net investor throughout the period and managed its cash balances through a combination of instant access bank deposits, term deposits placed with the UK Debt Management Officer and loans of up to 12 months to other local government bodies.

3.1.2 The Council's investment risk score and rate of return are benchmarked against peer authorities by the treasury advisors. These benchmarks indicated that the Council is achieving better than typical investment returns with lower than typical risk exposure.

3.1.3 The Council's Capital Financing Requirement is projected to increase by £15.929m, as a result of Capital Expenditure funded by borrowing.

3.1.4 There was no additional external borrowing during the period, and no external borrowing is forecast to be required for the remainder of the year. Additional borrowing requirement from in-year capital investment will be offset against cash balances (known as 'internal borrowing') in line with the Council's Borrowing Strategy.

3.1.5 The Council has complied with all limits and indicators set out in the Treasury Management Policy.

3.1.6 A review of the external context for the period, which covers economic background, financial markets and credit conditions provided by the Council's Treasury Management Advisors, Arlingclose, is included as appendix 2.

4 Policy/Budget Reference and Implications

4.1 The recommendations in this report are within the Council's agreed policy and budgets.

5 Legal Implications

5.1 There are no legal implications arising directly from this report.

Data Quality

Data sources:

Treasury Live (Treasury Management System)

Arlingclose Investment Benchmarking

Data checked by:

Robert Thurlow, Chief Accountant

Data rating:

1	**Poor**	
2	**Sufficient**	
3	**High**	**X**

Background Papers
Capital Strategy and Treasury Management Policy 2025/26.

APPENDICES / ATTACHMENTS
Appendix 1 – Mid-Year Treasury Management Report 2025/26.
Appendix 2 – External Context for the Mid-Year Treasury Report 2025/26

THREE RIVERS
DISTRICT COUNCIL

Treasury Management Mid-Year Report 2025/26

1. Introduction

1.1. This report has been prepared in compliance with the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires Council to approve, as a minimum, treasury management semi-annual and annual outturn reports.

1.2. This report includes the requirement in the 2021 Code of quarterly reporting of the treasury management prudential indicators.

1.3. The Council's treasury management strategy for 2025/26 was approved at a meeting of Full Council on 25 February 2025. The Council has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy.

2. Local Context

2.1. On 31st March 2025, the Council had net investments of £33.346m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.3.25 Actual £m	31.3.26 Forecast £m
Total CFR	**66.943**	**82.872**
Wimbledon Finance Lease CFR	46.365	46.365
Borrowing CFR	**20.578**	**36.507**
External borrowing – TRDC	8.000	8.000
Internal borrowing	12.578	28.507

The treasury management position at 30th September and the change over the six months is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.25 Balance £m	Movement £m	30.9.25 Balance £m	30.9.25 Rate %
Long-term borrowing - PWLB	8.000	0.000	8.000	2.41
Total borrowing	**8.000**	**0.000**	**8.000**	**2.41**
Short-term investments	19.048	9.653	28.701	4.522
Pooled Fund Investments	5.001	0.010	5.011	-
Cash and cash equivalents	9.297	(1.080)	8.217	3.77
Total investments	**33.346**	**8.583**	**41.929**	**-**
Net investments	**25.346**		**33.929**	

3. Borrowing Strategy and Activity

3.1. As outlined in the treasury strategy, the Council's chief objective when borrowing has been to strike an appropriate risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective. The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

3.2. After substantial rises in interest rates since 2021 central banks have now begun to reduce their policy rates, albeit slowly. Gilt yields however have increased over the period amid concerns about inflation, the UK government's fiscal position and general economic uncertainty.

3.3. The PWLB certainty rate for 10-year maturity loans was 5.38% at the beginning of the period and 5.53% at the end. The lowest available 10-year maturity certainty rate was 5.17% and the highest was 5.62%. Rates for 20-year maturity loans ranged from 5.71% to 6.30% during the period, and 50-year maturity loans from 5.46% to 6.14%. The cost of short-term borrowing from other local authorities has been similar to Base Rate during the period at 4.0% to 4.5%.

3.4. CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of Council. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes. The Council has no new plans to borrow to invest primarily for financial return.

3.5. **Loans Portfolio:**

3.5.1. At 30th September the Council held 1 £8m loan, which was unchanged from 31st March 2025, as part of its strategy for funding previous years' capital programmes. Outstanding loans on 30th September are summarised in Table 3A below.

Table 3A: Borrowing Position

	31.3.25 Balance £m	Net Movement £m	30.9.25 Balance £m	30.9.25 Weighted Average Rate %	30.9.25 Weighted Average Maturity (years)
Public Works Loan Board	8.000	0.000	8.000	2.41	42.99
Total borrowing	**8.000**	**0.000**	**8.000**	**2.41**	**42.99**

3.5.2. The Council's borrowing interest costs are fixed and as there has been no borrowing activity are not affected by movements in market rates.

3.6. **Other Debt Activity**

3.6.1. Debt other than borrowing stood at £46.438m on 30th September 2025, taking total debt to £54.438m. The lease liability of £46.438m relates entirely to the Wimbledon Investment.

4. Treasury Investment Activity

4.1. The CIPFA Treasury Management Code defines treasury management investments as those investments which arise from the Council's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

4.2. The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the half year, the Council's investment balances ranged between £32.850 and £53.942 million due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.3.25 Balance £m	Net Movement £m	30.9.25 Balance £m	30.9.25 Income Return %	30.9.25 Weighted Average Maturity days
Banks & building societies (unsecured)	9.297	(1.144)	8.153	4.04	1
Debt Management Office (HM Treasury)	5.048	8.653	13.701	4.11	20
Local authorities and other govt entities	14.000	4.000	18.000	5.35	182
Royal London Short-Term Fixed Income Fund	5.001	0.011	5.012	4.57	-
Total investments	**33.346**	**11.520**	**44.866**	**4.53**	**-**

4.3. Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

4.4. As demonstrated by the liability benchmark in this report, the Council expects to be a long-term investor and treasury investments therefore include both short-term low risk instruments to manage day-to-day cash flows and longer-term instruments where limited additional risk is accepted in return for higher investment income to support local public services.

4.5. Bank Rate reduced from 4.50% to 4.25% in May 2025, followed by a further reduction to 4.00% in August 2025. Short term interest rates have largely followed these levels. The rates on DMADF deposits ranged between 3.91% and 4.45% and money market rates between 3.9% and 4.5%.

4.6. The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5 below.

Table 5: Investment Benchmarking – Treasury investments managed in-house

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
31.03.2025	5.01	A+	33%	137	4.94
30.09.2025	4.30	AA-	22%	85	4.39
Similar LAs	**4.53**	**A+**	**64%**	**53**	**4.27**
All LAs	**4.53**	**A+**	**62%**	**1**	**4.20**

*Weighted average maturity

5. Compliance

5.1. The Director of Finance reports that all treasury management activities undertaken during the half year complied fully with the principles in the Treasury Management Code and the Council's approved Treasury Management Strategy.

5.1.1. Compliance with specific investment limits is demonstrated in table 7 below.

Table 7: Investment Limits

	2025/26 Maximum £m	30.9.25 Actual £m	2025/26 Limit £m	Complied?
Any single organisation, except the UK Government	9.902	8.346	10.000	Yes
Unsecured investments with banks and building societies	**9.902**	**8.346**	**10.000**	Yes
Money Market Funds	**5.012**	**5.012**	**5.000**	Yes*

* The balance of £5.012m includes unrealised gains of £0.014m. The actual amount invested is £4.998m

5.1.2. Compliance with the Authorised Limit and Operational Boundary for external debt is demonstrated in table 8 below.

Table 8: Debt and the Authorised Limit and Operational Boundary

	H1 2025/26 Maximum £m	30.9.25 Actual £m	2025/26 Operational Boundary £m	2025/26 Authorised Limit £m	Complied?
Borrowing	**8.000**	**8.000**	**20.000**	**25.000**	**Yes**

5.1.3. Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure

6. Treasury Management Prudential Indicators

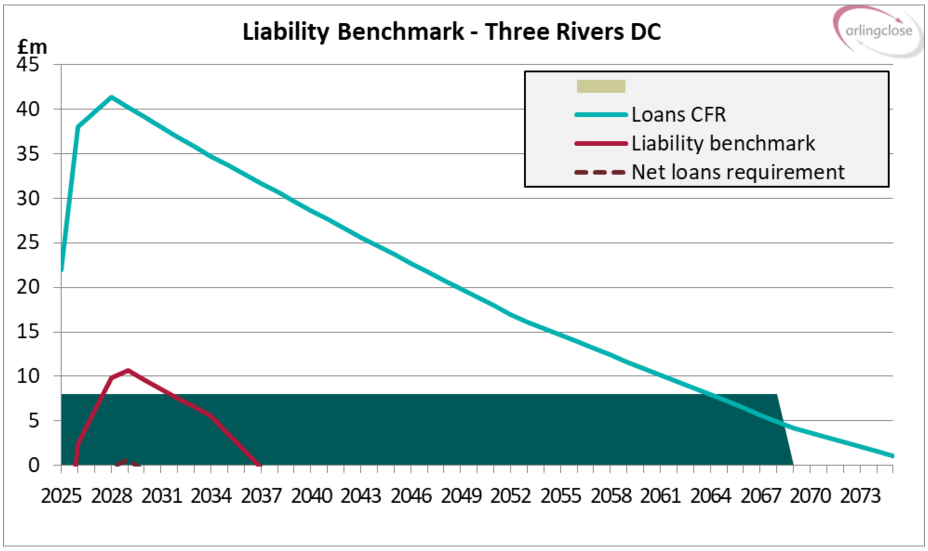
6.1. As required by the 2021 CIPFA Treasury Management Code, the Council monitors and measures the following treasury management prudential indicators.

6.2. **TMI1 - Liability Benchmark:**

This indicator compares the Council's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £0.1m required to manage day-to-day cash flow.

	31.3.25 Actual £m	**31.3.26 Forecast £m**	**31.3.27 Forecast £m**	**31.3.28 Forecast £m**
Loans CFR	21.900	38.000	39.7000	41.400
Less: Balance sheet resources	(47.600)	(45.600)	(43.600)	(14.600)
Net loans requirement	(25.600)	(7.600)	(3.800)	(0.200)
Plus: Liquidity allowance	10.000	10.000	10.000	10.000
Liability benchmark	**(15.600)**	**2.400**	**6.200**	**9.800**
Existing borrowing	**8.000**	**8.000**	**8.000**	**8.000**

Following on from the medium-term forecast above, the long-term liability benchmark assumes capital expenditure funded by borrowing of £2.700m a year, minimum revenue provision on new capital expenditure based on a 50 year asset life and income, expenditure and reserves all increasing by inflation of 2.5% p.a. This is shown in the chart below together with the maturity profile of the Council's existing borrowing.



Whilst borrowing may be above the liability benchmark, strategies involving borrowing which is significantly above the liability benchmark carry higher risk.

6.3. TMI2 - Maturity Structure of Borrowing

This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	Upper Limit	Lower Limit	30.9.25 Actual	Complied?
10 years and above	0%	100%	100%	Yes

6.4. TMI3 Long-term Treasury Management Investments

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management limits are:

	2025/26	2026/27	2027/28
Limit on principal invested beyond year end	£10m	£10m	£10m
Actual principal invested beyond year end	0	0	0
Complied?	Y	Y	Y

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External Context

Economic background: The first quarter was dominated by the fallout from the US trade tariffs and their impact on equity and bond markets. The second quarter, still rife with uncertainty, saw equity markets making gains and a divergence in US and UK government bond yields, which had been moving relatively closely together.

From late June, amid a UK backdrop of economic uncertainty, concerns around the government's fiscal position and speculation around the autumn Budget, yields on medium and longer term gilts pushed higher, including the 30-year which hit its highest level for almost 30 years.

UK headline annual consumer price inflation (CPI) increased over the period, rising from 2.6% in March to 3.8% in August, still well above the Bank of England's 2% target. Core inflation also rose, from 3.4% to 3.6% over the same period, albeit the August reading was down from 3.8% the previous month. Services inflation also fell from July to August, to 4.7% from 5.0%.

The UK economy expanded by 0.7% in the first quarter of the calendar year and by 0.3% in the second quarter. In the final version of the Q2 2025 GDP report, annual growth was revised upwards to 1.4% y/y. However, monthly figures showed zero growth in July, in line with expectations, indicating a sluggish start to Q3.

Labour market data continued to soften throughout the period, with the unemployment rate rising and earnings growth easing, but probably not to an extent that would make the more hawkish MPC members comfortable with further rate cuts. In addition, the employment rate rose while the economic inactivity rate and number of vacancies fell.

The BoE's Monetary Policy Committee (MPC) cut Bank Rate from 4.5% to 4.25% in May and to 4.0% in August after an unprecedented second round of voting. The final 5-4 vote was for a 25bps cut, with the minority wanting no change. In September, seven MPC members voted to hold rates while two preferred a 25bps cut. The Committee's views still differ on whether the upside risks from inflation expectations and wage setting outweigh downside risks from weaker demand and growth.

The August BoE Monetary Policy Report highlighted that after peaking in Q3 2025, inflation is projected to fall back to target by mid-2027, helped by increasing spare capacity in the economy and the ongoing effects from past tighter policy rates. GDP is expected to remain weak in the near-term while over the medium term outlook will be influenced by domestic and global developments.

Arlingclose, the authority's treasury adviser, maintained its central view that Bank Rate would be cut further as the BoE focused on weak GDP growth more than higher inflation. One more cut is currently expected during 2025/26, taking Bank Rate to 3.75%. The risks to the forecast are balanced in the near-term but weighted to the downside further out as weak consumer sentiment and business confidence and investment continue to constrain growth. There is also considerable uncertainty around the autumn Budget and the impact this will have on the outlook.

Against a backdrop of uncertain US trade policy and pressure from President Trump, the US Federal Reserve held interest rates steady for most of the period, before cutting the Fed Funds Rate to 4.00%-4.25% in September. Fed policymakers also published their new economic projections at the same time. These pointed to a 0.50% lower Fed Funds Rate by the end of 2025 and 0.25% lower in 2026, alongside GDP growth of 1.6% in 2025, inflation of 3%, and an unemployment rate of 4.5%.

The European Central Bank cut rates in June, reducing its main refinancing rate from 2.25% to 2.0%, before keeping it on hold through to the end of the period. New ECB projections predicted inflation averaging 2.1% in 2025, before falling below target in 2026, alongside improving GDP growth, for which the risks are deemed more balanced and the disinflationary process over.

Financial markets: After the sharp declines seen early in the period, sentiment in financial markets improved, but risky assets have generally remained volatile. Early in the period bond yields fell, but ongoing uncertainty, particularly in the UK, has seen medium and longer yields rise with bond investors requiring an increasingly higher return against the perceived elevated risk of UK plc. Since the sell-off in April, equity markets have gained back the previous declines, with investors continuing to remain bullish in the face of ongoing uncertainty.

Over the period, the 10-year UK benchmark gilt yield started at 4.65% and ended at 4.70%. However, these six months saw significant volatility with the 10-year yield hitting a low of 4.45% and a high of 4.82%. It was a broadly similar picture for the 20-year gilt which started at 5.18% and ended at 5.39% with a low and high of 5.10% and 5.55% respectively. The Sterling Overnight Rate (SONIA) averaged 4.19% over the six months to 30th September.

Credit review: Arlingclose maintained its recommended maximum unsecured duration limit on the majority of the banks on its counterparty list at 6 months. The other banks remain on 100 days.

Early in the period, Fitch upgraded NatWest Group and related entities to AA- from A+ and placed Clydesdale Bank's long-term A- rating on Rating Watch Positive. While Moody's downgraded the long term rating on the United States sovereign to Aa1 in May and also affirmed OP Corporate's rating at Aa3.

Then in the second quarter, Fitch upgraded Clydesdale Bank and also HSBC, downgraded Lancashire CC and Close Brothers while Moody's upgraded Transport for London, Allied Irish Banks, Bank of Ireland and Toronto-Dominion Bank.

After spiking in early April following the US trade tariff announcements, UK credit default swap prices have since generally trended downwards and ended the period at levels broadly in line with those in the first quarter of the calendar year and throughout most of 2024.

European banks' CDS prices has followed a fairly similar pattern to the UK, as have Singaporean and Australian lenders while Canadian bank CDS prices remain modestly elevated compared to earlier in 2025 and in 2024.

Overall, at the end of the period CDS prices for all banks on Arlingclose's counterparty list remained within limits deemed satisfactory for maintaining credit advice at current durations.

Financial market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remain under constant review.

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Three Rivers District Council
Audit Committee Progress Report
27 November 2025

Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 14 November 2025
- Approve amendments to the Audit Plan as at 14 November 2025
- Agree changes to the implementation date for 8 audit recommendations (paragraph 2.5) for the reason set out in Appendices 3 to 5
- Agree removal of implemented audit recommendations (Appendices 3 to 5)

Contents

1. Introduction and Background

Purpose of Report

1.1 This report details:

a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's annual audit plan for 2025/26 as at 14 November 2025.
b) Proposed amendments to the approved 2025/26 Annual Audit Plan.
c) Implementation status of all previously agreed audit recommendations from 2019/20 onwards.
d) An update on performance management information as at 14 November 2025.

Background

1.2 The work of internal audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan.

1.3 The 2025/26 Annual Audit Plan was approved by Audit Committee on 25 March 2025.

1.4 The Audit Committee receives periodic updates on progress against the Annual Audit Plan from SIAS. This is the second report giving an update on the delivery of the 2025/26 Internal Audit Plan.

2. Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

2.1 At 14 November 2025, 48% of the 2025/26 Audit Plan days had been delivered. Appendix 1 provides a status update on each individual deliverable within the audit plan.

2.2 There have not been any final reports issued since the September meeting of the Audit Committee. However, the position is not dissimilar to progress in the November 2024 report, and all audits have been allocated resource to ensure that the agreed KPIs for deliverable days (95%) and draft reports issued (90%) are met before 31 March 2026.

All Priority Audit Recommendations

2.3 Audit Committee Members will be aware that a Final Audit Report is issued when agreed by Management. This includes an agreement to implement the recommendations made. It is SIAS's responsibility to bring to Members' attention the implementation status of recommendations; it is the responsibility of officers to implement the recommendations by the agreed date.

2.4 The table below summarises progress in implementation of all outstanding internal audit recommendations as at 14 November 2025, with full details given in appendices 3 to 5:

Year	Number of Recommendations made	Total Number of Outstanding Recommendations	Not yet due	Overdue & a revised implementation date provided	No update received	Percentage implemented %
2023/24	39	2	1	1	0	95%
2024/25	35	8	4	4	0	77%

2.5 Since the September 2025 Audit Committee, extension to implementation dates have been requested by action owners for seven recommendations (some were not due at the time of the extension request) as follows:

- One from the 2023/24 Sundry Debtors audit, with a revised target date of 31 March 2026 (was 31 March 2025).
- Two from the 2024/25 Public Health Funerals audit, both with revised target dates of 29 June 2026 (was 31 December 2025).
- One from the 2024/25 Council Tax audit, with a revised target date of 31 March 2026 (was 30 April 2025).
- One from the 2024/25 Procurement Act audit, with a revised target date of 28 February 2026 (was 31 January 2026).
- Two from the Business Rates audit, both with a revised target date of 31 January 2026 (was 30 September 2025)

Proposed 2025/26 Audit Plan Amendments

2.6 For the Shared Service’s 11 days contingency, 6 days have been allocated to the Financial Billing audit and 5 days allocated to the Agency audit (in light of the complexities of the audit area). The above changes have fully utilised the remaining plan contingency balance

Reporting of Audit Plan Delivery Progress

2.7 To help the Committee assess the current position in terms of progress against the projects in the 2025/26 Audit Plan, an analysis of agreed start dates is shown at Appendix 2. Dates have been agreed with management and resources allocated accordingly.

2.8 The 2025/26 Annual performance indicators and targets were approved by the SIAS Board in March 2025. Actual performance for Three Rivers District Council (including the Shared Services Plan) against the targets that are monitored in year is set out in the table below.

Performance Indicator	Annual Target	Profiled Target to 14 November 2025	Actual to 14 November 2025
1. **Planned Days** – percentage of actual billable days against planned chargeable days completed (excludes unused contingency)	95%	60% (120 / 201 days)	48% (96 / 201 days)
2. **Planned Projects** – percentage of actual completed projects to draft report stage against planned completed projects by 31st March 2025	90%	42% (8 out of 19 projects to draft)	32% (6 out of 19 projects to draft)
3. **Client Satisfaction** – percentage of client satisfaction questionnaires returned at 'satisfactory overall' level (minimum of 39/65 overall)	90%	90%	100% (based on one questionnaire received in 2025/26)
4. **Number of Critical and High Priority Audit Recommendations agreed**	95%	95%	No Critical or High Priority Audit Recommendations made to date in 2025/26

2.9 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2025/26 Head of Assurance's Annual Report:

- **5. Annual Plan** – prepared in time to present to the March meeting of each Audit Committee. If there is no March meeting, then the plan should be prepared for the first meeting of the financial year.

- **6. Planned Projects** - percentage of actual completed projects to Final report stage against planned completed projects. Reported annually within the Chief Audit Executive's annual report and opinion.

- **7. Chief Audit Executive's Annual Report** – presented at the Audit Committee's first meeting of the civic year.

2.10 We currently report no risks to the delivery of the agreed audit plan, or ability to provide an annual assurance opinion. However, it should be noted that Plan delivery is currently below the agreed profile. This is a service wide performance issue which was recently reported to the SIAS Board with the following reasons:

a) Audits being pushed back, deferred or cancelled at client request, thereby altering the profile of delivery and time lapse while a replacement audit is brought forward.
b) Delays in our external co-sourced partner being able to commence some of their allocated audits.
c) Recruitment to two existing trainee auditor vacancies during quarter one, with both not starting until quarter two.
d) Some anecdotal evidence of senior staff at partners experiencing capacity challenges linked to LGR. This is a known risk talking to Heads of Internal Audit who have already been through this process.

2.12 We are satisfied that the current position should be recovered during quarters 3 and 4, given that both previously vacant positions have now been successfully recruited to and the new staff members are now in post.

APPENDIX 1   INTERNAL AUDIT PLAN 2025/26 – UPDATE ON POSITION AS AT 14 November 2025

2025/26 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	L				
Key Financial Systems									
Agency Staffing (Shared Services Plan)						11	Yes	1.5	ToR issued
Council Tax (Collection rates and debt management) (Shared Services Plan)						7	Yes	6	In Quality Review
Debtors and General Ledger Exception Reporting (Shared Services Plan)						12	Yes	2	In Planning
External Audit Financial Recommendations (not VFM) (Shared Services Plan)						0	Yes	0	Cancelled
Non-Domestic Rates (collection rates and debt management) (Shared Services Plan)						7	Yes	6	In Quality Review
Payroll - Systems Audit (Shared Services Plan)						12	Yes	11	In Fieldwork
Financial Billing (Shared Services Plan)						6	Yes	0	In Planning
Treasury Management (Shared Services Plan)						8	Yes	2	In Fieldwork
Operational Audits									
Rent Deposit Guarantee Scheme						10	BDO	8.5	In Quality Review

APPENDIX 1 INTERNAL AUDIT PLAN 2025/26 – UPDATE ON POSITION AS AT 14 November 2025

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	L				
Property Management Process Resilience						10	BDO	9	Draft Report Issued
Financial Billing (including Property Services and Temporary Accommodation)						10	Yes	5	In Fieldwork
Leisure – Hire of Grounds						10	Yes	3	In Fieldwork
Watersmeet Theatre						10	Yes	0	Allocated
Corporate Services									
Risk Management						10	Yes	5	In Fieldwork
Geographic Information System						14	BDO	2	Draft Report Issued
Business Continuity Planning						6	Yes	0	Allocated
Grant Certifications									
SHDF	Unqualified	0	0	0	0	1	SIAS	1	Final Report Issued
Fast Followers - Innovate UK Net Zero Living programme	Unqualified	0	0	0	0	1	SIAS	1	Final Report Issued
IT Audits									
Cyber Security (Shared Services Plan)						15	BDO	0	Allocated
To Be Allocated									
Unused Contingency (Shared Services Plan)						0	N/A		

APPENDIX 1 INTERNAL AUDIT PLAN 2025/26 – UPDATE ON POSITION AS AT 14 November 2025

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	L				
Follow-Up Audits									
Follow-up of outstanding audit recommendations						8	N/A	6	
Strategic Support									
2026/27 Audit Planning						5	N/A	0	
Audit Committee						8	N/A	5.5	
Chief Audit Executive Opinion 2024/25						3	N/A	3	Complete
Client Liaison and Plan Monitoring						7	N/A	5	
SIAS Development and Global Internal Audit Standards Implementation						3	N/A	3	
2023/24 Projects Requiring Completion (5 days TRDC plan / 5 days Shared Services Plan)									
Community Safety		0	0	0	0	10	SIAS	10	Final Report Issued
Business Rates		0	0	0	0		SIAS		Final Report Issued
TRDC TOTAL		**0**	**0**	**0**	**0**	**121**		**62**	
SHARED SERVICES TOTAL		**0**	**0**	**0**	**0**	**83**		**33.5**	
COMBINED TOTAL		**0**	**0**	**0**	**0**	**204**		**95.5**	

<u>Key to recommendation priority levels:</u>
C = Critical, H = High, M = Medium, L = Low

APPENDIX 2 2025/26 AUDIT PLAN PROJECTED START DATES

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Audits	Payroll – Systems Audit **(In Quality Review)**	Risk Management **(In Fieldwork)**	Financial Billing (inc Property Services and Temporary Accommodation) **(ToR Issued)**	Leisure – Hire of Grounds **(In Fieldwork)**
	Treasury Management **(In Fieldwork)**	Rent Deposit Guarantee Scheme **(In Quality Review)**	GIS **(Draft Report Issued)**	Creditors and GL Exception Reporting **(In Planning)**
	External Audit Financial Recommendations (not VFM) **(Audit Cancelled)**	Council Tax (Collection rates and debt management) **(In Quality Review)**	Property Management Resilience **(Draft Report Issued)**	Watersmeet Theatre **(Allocated)**
		Non-Domestic Rates (Collection Rates and Debt Management) **(In Quality Review)**	Agency Staffing **(In Fieldwork)**	Business Continuity Planning **(Allocated)**
Audits				Cyber Security **(Allocated)**
Grants	SHDF Final Report Issued			
	Fast Followers - Innovate UK Net Zero Living programme Final Report Issued			
2024/25 Carry Forward	2024/25 Community Safety Final Report Issued			
	2024/25 Business Rates Final Report Issued			

Benefits 2023/24 **Final report issued May 2024**							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
01	We recommend that uncollectable housing benefit overpayments are written-off at regular intervals through the year.	Medium	Agreed Position -July 2024 No update received from action owner. Position - September 2024 Agree with the recommendation and we will do these quarterly. Position -November 2024 No update received. Position -February 2025 A review of old debt has started. Before we consider write-offs, we are considering passing suitable debts to an Enforcement agent first. Position - September 2025 No update provided. **Position – November 2025** **There is a dedicated team currently working through all HB overpayments to ensure collectable overpayments are processed quickly and write off old uncollectable amounts.**	Revenues Manager	31 July 2024	×	31/03/26 (Previous implementation dates were: 30/09/24 and 30/04/25)

APPENDIX 4 OUTSTANDING RECOMMENDATIONS FROM THE 2023/24 AUDIT PLAN

Sundry Debtors 2023/24

Final report issued October 2024

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
01	We recommend debts are chased consistently, and the manual intervention process is followed by the Debt Recovery Team to ensure all recovery actions are followed.	Medium	Agreed. The team works through the aged debtors report run at the beginning of each month, to ensure any queries or further recovery action is taken, once the standard recovery processes have completed. There is currently limited action that can be taken, which can vary from one debt type under SD to another. We are looking at this in greater detail during 24/25. Position – November 2024 No update received. Position – February 2025 A review of Sundry Debt work started in February 2025 to establish and agree what work the individual services carry out and what the Recovery Team do. The intention is that individual services will raise a debt and complete the standard admin work around making arrangements, sending a reminder etc. The debt will only be passed to Recovery if formal recovery action is required i.e. tracing a debtor, passing to an Enforcement Agent etc. Position - September 2025 No update provided. **Position – November 2025** **Work is progressing in writing off long term sundry debts and engagement with enforcement agents. The constitution at Three Rivers has been amended to make it clear that the director of finance can write off uncollectable amounts. The recovery team has been consulted over the transfer of sundry debts to Finance and this is now well underway. Once this is in place sundry**	Revenues Team Leader for SD	31 March 2025	×	31/03/26

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Sundry Debtors 2023/24

Final report issued October 2024

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
			debts will be part of the budget monitoring conversation with Service Heads who ultimately have the decision making powers around these.				
02	Write-offs should be raised regularly through the year.	Medium	Agreed. We are working to bring management of SD, around write-offs in particular back in line with previous BAU practices / regularity. By the end of 2024/25 write offs should be written off on a quarterly basis. Position – November 2024 No update received. Position – February 2025 Some write-offs have been processed. Before further write-offs are processed, we are considering passing suitable debts to an Enforcement agent first. Position - September 2025 No update provided. **Position – November 2025** **Debts capable of being pursued have been passed to enforcement agents whilst those that are deemed uncollectable are written off. Once sundry debts have passed to Finance it is intended that these will be reviewed as part of the budget monitoring cycle with service managers.**	Revenues Team Leader for SD	31 March 2025	✓	

Public Health Funerals 2024/25

Final report issued November 2024

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
01	Management should ensure that: 1) the draft policy is finalised and approved, as planned. 2) a copy of the approved policy is made available on the Council's website.	Medium	Waste & Environment Manager and Environmental Strategy Manager to present report and policy to relevant committees and ensure website is updated in due course. Position (March 2025) Environmental Strategy Manager recently attended a PHF training course and is feeding some of that learning into the policy and procedures documents. Position (September 2025) Policy is written - committee report is in the process of being finalised to take this policy to committee. **Position - November 2025** **Report cycle is as follows;** **CMT 3rd February 2026** **JLT 17th February 2026** **General Public Services Committee 17th March 2026** **Policy and Resources Committee 29th June 2026**	Waste & Environment Manager and Environmental Strategy Manager	31 July 2025	×	29/06/26 (Previous implement ation date was 31/12/25)
03	We recommend that: 1) Procedure notes should be documented to ensure officers are undertaking correct processes and relevant controls applied. This should include the requirement to take documents, valuables and/or cash or simply photograph them and leave them in-situ, as appropriate. 2) The inventory recording any personal effects taken from the	Medium	Procedure notes to be reviewed and decision made by SLT/Legal as required. Procedure notes to be updated. Position (March 2025) Environmental Strategy Manager recently attended a PHF training course and is feeding some of that learning into the policy and procedures documents. Position (September 2025)	Waste & Environment Manager and Environmental Strategy Manager	31 December 2025	×	29/06/26

Public Health Funerals 2024/25 **Final report issued November 2024**							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
	property is completed, signed and dated by both officers at the time of completion, i.e. at the property. A record should be kept where no items are taken (unless the Council decides not to take any personal items).		Policy is written and procedure notes are in the process of being updated. However in the meantime checklists/inventory logs have been introduced. Committee report is in the process of being finalised. The Policy will go to Committee, Procedures will go to CMT for information. Use of genealogists is being considered as part of the committee report. **Position - November 2025** **Report cycle is as follows;** **CMT 3rd February 2026** **JLT 17th February 2026** **General Public Services Committee 17th March 2026** **Policy and Resources Committee 29th June 2026**				

Asset Management and Garages 2024/25 **Final report issued January 2025**							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
01	The Property Strategy and Policy should be refreshed and appropriately approved. Management should consider developing an asset management plan/action plan to help ensure the Strategy and Policy is achieved. Or, add additional detail to the new Strategy and Policy to provide more depth, such as other policies, processes and procedures.	Medium	A refresh of the Property Strategy & Policy has already been identified for action by the Head of Property Services & Major Projects. A revised Strategy, together with an action plan will be prepared and adopted during 2025. Position (March 2025) This task has not started yet. Position (September 2025)	Head of Property Services & Major Projects	30 September 2025	×	31/03/26

APPENDIX 5 OUTSTANDING RECOMMENDATIONS FROM THE 2024/25 AUDIT PLAN

Asset Management and Garages 2024/25 **Final report issued January 2025**							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
			This task has been reprogrammed and will be concluded by 31 March 2026. **Position - November 2025** **This task is about to commence and will be completed by 31 March 2025.**		31 March 2026	×	
07	Ensure that there is an appropriate plan and resources in place to ensure all lease rent reviews and lease renewals dates are accurately recorded on TRAMPS, with event dates. Ensure there is an appropriate lease rent review and lease renewal timetable in place and that outstanding cases are allocated to officers for action, with prioritisation.	Medium	As data is added to the TRAMPS system the ‘events facility’ will become more effective. At the end of 2024 the Team produced an updated spreadsheet of essential events (such as rent reviews & lease renewals) and we have developed a programme to address these outdated actions, whilst we populate TRAMPS. The target date is achievable, subject to the successful and timely recruitment of the Property & Estates Officer. Position (March 2025) Prior to the departure of the Interim Senior Surveyor, their last task was to update the lease event spreadsheet, to identify outstanding lease renewals and rent reviews. The Property Services Team have already begun implementing these rent reviews and lease renewals by combination of in-house resources and external agency support. Position (September 2025) To provide additional assurance, we have been testing critical date data on an asset-by-asset basis. As a result, we have extended the deadline for completion of this task until 30 November 2025 **Position (November 2025)**	Property & Asset Manager	30 September 2025	×	30/11/25

APPENDIX 5 OUTSTANDING RECOMMENDATIONS FROM THE 2024/25 AUDIT PLAN

Asset Management and Garages 2024/25

Final report issued January 2025

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
			As indicated in September's update, we have revised the date for completion of the TRAMP's data until 30 November and this remains on target. Work continues on a daily basis to update the TRAMP's system with key data.		30 November 2025	×	
			Perhaps more importantly, all outstanding lease renewals and rent reviews have now been actioned. With Property Officers prioritising higher value and older rent reviews and lease renewals. The period of negotiation and settlement will continue over the coming fee months but will lead to all outstanding reviews and renewals being lifted to market value and backdated rent reviews and new rents will generate additional revenue income for TRDC.		Completed	✓	

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Council Tax 2024/25

Final report issued January 2024

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
01	A full housekeeping exercise should be undertaken to review historic discounts and exemptions that should have a provisional end date / end date in the system. We also recommend that a follow up of all other discounts and exemptions that do not require a provisional end date be completed, with ongoing periodic checks moving forward.	High	A full review of all Discounts and Exemptions will take place during the year, particularly those that do not usually have an expected end date, such as SMI or 'O' where the situation is unlikely to change unless there is a change in occupiers. Position – February 2025, This has been delayed whilst the service undergoes a period of transformation with officers being trained to be generic and	Revenues & Benefits Service Delivery Manager	31 March 2025	×	31/03/26 (Previous implementation date was 30/04/25)

Council Tax 2024/25

Final report issued January 2024

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
			therefore able to work across the service. The first phase of the training is due to complete by 31.03.2025 and we will then complete the review of all discounts and exemptions. Please note all Single Person Discounts and Empty Homes have been reviewed. Position - September 2025 No update provided. **Position - November 2025** **The Service is still undergoing a period of transformation with officers being trained to be generic and therefore able to work across the service. This has now entered the second training phase due to end March 2026. At this stage we will look to review in payment discount and exemptions. The overall performance around processing is always in the top quartile of local authorities benchmarking.**				

Cyber Security 2024/25

Final report issued May 2025

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
02	Cyber Security Phishing Campaign We recommend the current training and communication campaigns in respect of cyber security are further developed in respect of: • Reviewing existing cyber security training to enhance the current focus on recognising phishing emails and	Medium	ICT will review the outcomes of the phishing campaigns, including the phishing training awareness and work with both Councils SIRO's to consider onward training for colleagues who persistently fail phishing tests, or click on the links multiple times. ICT will consider running annual cyber security campaigns. Position - September 2025	ICT Business Relationship Manager	31 December 2025	✓	

Cyber Security 2024/25 Final report issued May 2025							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
	the risks of clicking on suspicious links. • Requiring staff to re-complete the cyber security training module in instances where they fail more than one test exercise or click on links multiple times. • Considering the running of annual cyber security campaigns to maintain continual staff awareness.		On target - Phishing campaign One ran in January 2025, initial results were reported to CMB at WBC and CMT at TRDC. Results have also been reported at It Steering Group in April, July. Mandatory training for IT security modules continues to be required annually by all staff. Further training has been released in line with increasing cyber threats, such as Social Engineering. Those completion rates have been reported into IT Steering group and at CMB and CMT. Cyber awareness event is currently being explored with Herts Constabulary for Q3. Next steps are to undertake phishing campaign 2. **Position - November 2025** • **Phishing campaign is scheduled for Q3.** • **Phishing and Social Engineering Awareness training continues to be actively promoted for both officers and elected members, with progress reported quarterly to the IT Steering Group.** • **A Cyber Awareness event is now confirmed for Q4, in partnership with Hertfordshire Constabulary.**				

Procurement Act Preparedness 2024/25 Final report issued May 2025							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
01	We recommend that performance reports are submitted annually to both Councils to allow oversight and understanding for each organisation.	Medium	The 2024/25 annual procurement report for Watford was completed and presented on 6 May 2025, with plans to replicate the approach for	Associate Director of Customer and	July 2025	×	28/02/26 (Previous implement

APPENDIX 5 OUTSTANDING RECOMMENDATIONS FROM THE 2024/25 AUDIT PLAN

Procurement Act Preparedness 2024/25
Final report issued May 2025

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
	Formal agreement of performance reporting to be agreed with each Council to ensure they have appropriate oversight of their procurement performance under the new Procurement Act arrangements.		Three Rivers and introduce quarterly stakeholder reviews. Position - September 2025 The 2024/25 annual procurement for Watford has now been signed off by Portfolio Holders. Guidance from Three Rivers on the approach for their annual report awaited. Recruitment for a permanent Procurement Manager is shortly due to commence at which point quarterly stakeholder reviews will be implemented. **Position - November 2025** **Procurement Manager interviews scheduled for week commencing 3 November 2025. Three Rivers confirmed that annual report should be produced, and this will be completed by the end of November 2025.**	Corporate Services			ation date was 31/01/26)

Business Rates (Voids and Reliefs) 2024/25
Final report issued June 2025

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
01	We recommend that a data matching / relief check exercise is undertaken to ensure the legitimacy of relief claims.	Medium	A process and timetable for data matching are scheduled to be agreed by 30 September 2025 and this action is currently pending. Position (September 2025) No update provided. **Position - November 2025** **Process and timetable agreed and data matching being undertaken**	Revenues Manager/Finance Manager/Head of Revenues and Benefits	September 2025	×	31/01/26

Business Rates (Voids and Reliefs) 2024/25 **Final report issued June 2025**							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
02	We recommend that, in line with the planned review of this area, a strategy is devised and implemented to ensure that quality assurance checks are in place within the Shared Service to ensure compliance with required standards and policies by Business Rates officers.	Medium	A strategy is being developed to implement quality assurance checks, with training scheduled to begin by 30 September 2025 and this action is currently in progress Position (September 2025) No update provided. **Position – November 2025** **Training has been provided. New data post recruited to and quality assurance now being managed by team leaders following departure of previous manager. Position to be reviewed in new year but current evidence is that QA has improved substantially.**	Quality and Assurance Team	September 2025	×	31/01/26

APPENDIX 6 – ASSURANCE AND RECOMMENDATION PRIORITY LEVELS

Audit Opinions	
Assurance Level	**Definition**
Assurance Reviews	
Substantial	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Not Assessed	This opinion is used in relation to consultancy or embedded assurance activities, where the nature of the work is to provide support and advice to management and is not of a sufficient depth to provide an opinion on the adequacy of governance or internal control arrangements. Recommendations will however be made where required to support system or process improvements.
Grant / Funding Certification Reviews	
Unqualified	No material matters have been identified in relation the eligibility, accounting and expenditure associated with the funding received that would cause SIAS to believe that the related funding conditions have not been met.
Qualified	Except for the matters identified within the audit report, the eligibility, accounting and expenditure associated with the funding received meets the requirements of the funding conditions.
Disclaimer Opinion	Based on the limitations indicated within the report, SIAS are unable to provide an opinion in relation to the Council's compliance with the eligibility, accounting and expenditure requirements contained within the funding conditions.
Adverse Opinion	Based on the significance of the matters included within the report, the Council have not complied with the funding conditions associated with the funding received.

Recommendation Priority Levels		
Priority Level		**Definition**
Corporate	**Critical**	Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
Service	**High**	Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
	Medium	Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
	Low	Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.

AZETS

Agenda Item 8

Three Rivers District Council

Auditor’s Annual Report

Year ended 31 March 2025

November 2025

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Headlines from our audit

Purpose of this report

This Auditor's Annual Report provides a summary of the findings and key issues arising from our audit of the Council for 2024/25. This report has been prepared in line with the requirements set out in the Code of Audit Practice and supporting guidance published by the National Audit Office and is required to be published by the Authority alongside the annual report and accounts.

Our responsibilities

Financial statements

We provide an opinion as to whether the accounts give a true and fair view of the financial position of the Authority and of its income and expenditure during the year. We confirm whether the accounts have been prepared in line with the CIPFA/LASSAC Code of Practice in Local Authority Accounting ('the Code').

Due to the challenges of undertaking an audit where the previous 4 years have been disclaimed because of the local authority backstop, it will not be possible to regain full assurance over the financial statements for 2024/25. The audit is currently in progress but there will not be enough time for us to undertake sufficient work to support an unmodified audit opinion ahead of the backstop date of 27 February 2026. This is due to the limitations imposed from the lack of assurance on opening balances and closing balances in key areas. We therefore intend to disclaim our audit report.

Narrative report and Annual Governance Statement

We assess whether the Narrative report and Annual Governance Statement is consistent with our knowledge of the Authority.

We are unable to conclude the other information included in the statement of accounts is consistent with our knowledge of the Council and Group and the draft financial statements. This is because it will not be possible to undertake sufficient audit work to reach a conclusion before the statutory backstop date of 27 February 2026.

Value for money

We are required under Section 20(1)c of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness (value for money) in its use of resources and provide a summary of our findings in the commentary in this report.

We are required to report if we have identified any significant weaknesses as a result of this work.

We have not identified any significant weaknesses in the arrangements for securing at economy, efficiency and effectiveness in the use of resources at the Council. Further detail is provided in this report.

Headlines from our audit

Statutory powers

We may exercise other powers we have under the Local Audit and Accountability Act 2014. These powers include issuing a Public Interest Report, issuing statutory recommendations, issuing an Advisory Notice, applying for a judicial review, or applying to the courts to have an item of expenditure declared unlawful.

Public interest report

We may issue a Public Interest Report if we believe there are matters that should be brought to the attention of the public.

If we issue a Public Interest Report, the Authority is required to consider it and to bring it to the attention of the public.

We have not issued a Public Interest Report this year.

Statutory recommendations

We may make written recommendations to the Council under Schedule 7 of the Local Audit and Accountability Act. If we do this, the Authority must consider the matter at a general meeting and notify us of the action it intends to take (if any). We also send a copy of this recommendation to the relevant Secretary of State.

We have not made any statutory recommendations this year.

Advisory notice

We may issue an advisory notice if we believe that the Council, or an officer of the Council, has, or is about to, incur an unlawful item of expenditure or has, or is about to, take a course of action which may result in a significant loss or deficiency.
If we issue an advisory notice, the Authority is required to stop the course of action for 21 days, consider the notice and then notify us of the action it intends to take and why.

We have not issued an advisory notice this year.

Judicial review

We may make an application for judicial review of a decision of the Council, or of a failure to act by the Council, which it is reasonable to believe would have an effect on the accounts of that body.

We did not make an application for judicial review this year.

Application to the court

We may apply to the courts for a declaration that an item of expenditure the Authority has incurred is unlawful.

We have not applied to the courts this year.

Headlines from our audit

Findings and recommendations

Findings from our financial statements audit

Our financial statements audit is currently in progress and due to conclude by the statutory backstop of 27 February 2026. Detailed findings from our audit of the financial statements, including our consideration of significant risks, will be communicated in the following reports:

- audit opinion on the financial statements for the year ended 31 March 2025
- draft audit completion (ISA 260) report to Those Charged with Governance

Our draft audit completion report will be reported to the Council's Audit Committee in February 2026.

Requests for our audit completion (ISA260) report should be directed to the Council.

Recommendations arising from our financial statements audit

Recommendations relating to internal controls and other matters arising from our financial statements work will be contained in the audit completion (ISA 260) report.

From our work to date, we have not identified any recommendations relating to the financial statements audit which indicate significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness in the Council's use of resources and, as such, would not be considered key recommendations. Should any such key recommendations be raised during the remainder of our audit work we will report these in our audit completion report and our auditor's report (opinion) in February 2026.

Key recommendations arising from our value for money work

We provide a summary of our findings in respect of value for money in the commentary in this report.

Where we identify significant weaknesses as part of our review of the Council's arrangements to secure value for money, we make key, or essential, recommendations setting out the actions that should be taken by the Council.

We have not made any key recommendations this year.

Other recommendations arising from our value for money work

We make other recommendations if we identify areas for improvement which do not relate to identified significant weaknesses

We have raised other recommendations to support the Council's ongoing improvement and followed up on the recommendations raised in the prior year.

Value for money

Value for money

We are required to consider whether the Council has established proper arrangements to secure economy, efficiency and effectiveness in its use of resources, as set out in the NAO Code of Practice 2024 and the requirements of Auditor Guidance Note 3 (‘AGN 03’).

We have completed our value for money work. Our detailed findings are reported in the following commentary in this report.

We have not identified any significant weaknesses in the Council’s arrangements and so are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Reporting criteria	Planning – risk of significant weakness identified?	Final – significant weakness identified?	Recommendations made		
			Statutory	Key	Other
Financial sustainability How the body plans and manages its resources to ensure it can continue to deliver its services	No	No	No	No	Yes
Governance How the body ensures it makes informed decisions and properly manages risk	No	No	No	No	Yes
Improving economy, efficiency and effectiveness How the body uses information about its costs and performance to improve the way it manages and delivers its services	No	No	No	No	No

Value for money

Councils are responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in their use of resources. This includes managing key operational and financial risks and taking properly informed decisions so that they can deliver their objectives and safeguard public money.

As auditors, we are required to consider whether the Council has established proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We performed risk assessment procedures at the audit planning stage to identify any potential areas of significant weakness which could result in value for money not being achieved. This included considering the findings from other regulators and internal auditors, reviewing records at the Council and performing procedures to gain an understanding of the high-level arrangements in place. The resulting risk areas we identified were set out in our audit plan.

For each identified risk area, we performed further procedures during our audit to consider whether there were significant weaknesses in the processes in place at the Council to achieve value for money.

The NAO Code of Audit Practice requires us to structure our commentary on VFM arrangements under three reporting criteria: financial sustainability, governance and improving economy, efficiency and effectiveness.

We have set out on the following pages our commentary and findings on the arrangements at the Council in each area.

In addition to our financial statements work we performed a range of procedures to inform our value for money commentary, including:

- *Meeting with management and regular meetings with senior officers*
- *Interviews as appropriate with other executive officers and management*
- *Review of Council and committee reports and attendance at audit committee meetings*
- *Reviewing reports from third parties*
- *Considering the findings from our audit work on the financial statements*
- *Review of the Council's Annual Governance Statement and Narrative Report and other publications*
- *Considering the work of internal audit and the counter fraud function*
- *Consideration of other sources of external evidence.*

Value for money

Overview

Three Rivers District Council (the Council) is a district council in Southwest Hertfordshire. It works with nine other district and borough councils, local parish and town councils and Hertfordshire County Council (which includes Hertfordshire Fire and Rescue Service) in a three-tier local government system. The administrative area also includes the Hertfordshire Police and Crime Commissioner and Hertfordshire Constabulary. The Council serves a population of circa 90,000 people. The Council has entered into a number of large capital and investment schemes to promote regeneration and generate income. Some of these investment schemes carry significant financial risk. The Council faces, over the medium term, growing financial challenge and increasing uncertainty over its longer-term income predictions, including in respect of its investment in the Wimbledon 'income strip' investment.

Like all councils and the wider local government sector, Three Rivers continues to face significant challenges. The sector faces high levels of uncertainty over future levels of government funding and, for a number of years, has had to plan on the basis of single-year settlements. This makes it harder to produce comprehensive multi-year plans as part of medium-term financial planning. The government has signalled an intention to return to multi-year settlements in the future and announced a national overhaul of local government, reorganizing multi-tier council areas into a series of unitary authorities with devolved powers at a regional, mayoral level. The changes proposed would impact Three Rivers which, like all districts, would be absorbed into a larger unitary council from 1 April 2028 according to the current planned timescales. Work is currently ongoing to present options for reorganization in response to government requirements.

High inflation over recent years has increased cost pressures on all councils' revenue and capital expenditure, indicating reduced certainty about what the future may hold, economically. High interest rates have provided the Council with fortuitously higher than expected interest income on cash balances, but the combination of higher inflation and higher interest rates impacts local communities, including the community the Council serves in Three Rivers. This can lead to increases in demand for council services and impact on council income in areas such as car parking and collection rates for council tax, business rates and rents.

The Local Government Association continues to estimate that the costs to councils of delivering their services will exceed core funding in the future. Nationally, there has been an increase in the number of councils issuing s114 notices or indicating one may be likely.

Three Rivers has arrangements in place to mitigate the macro-risks posed by the national context and, at present, a reasonable level of general fund reserves. However, these could be significantly depleted over the next few years if macro-economic conditions are unfavourable and the uncertainty inherent in the Council's cost and income assumptions do not crystallise in the Council's favour.

Value for money

Local government reorganisation

On 5 February 2025 the Minister for State for Local Government and English Devolution asked all councils in two-tier areas to develop unitary proposals, which will bring together upper and lower tier local government services in new unitary councils. Hertfordshire is in the third wave of reorganisation. Final detailed proposals are to be submitted in November 2025, with the potential establishment of a shadow Council in May 2027 and the transition to the unitary authority in April 2028, marking the cessation of the existing councils in Hertfordshire.

This means the next few years will be ones of significant change and uncertainty. Councils will need to consider the risk of the loss of key individuals and corporate memory in the lead-up to and transition into the new unitary authority. There may be an incentive for more short-term decision making in respect of the use of reserves and concerns, where reserves have been built up over previous years, either via strong management or for the implementation of a particular redevelopment scheme, that these reserves may end up being repurposed to cover an overspend incurred by a successor body. Whilst Authorities retain powers to make some spending decisions in advance of the reorganisation, it is important to make sure that proper governance arrangements remain in place, and that due consideration is given to any schemes which are likely to run beyond the date of transition to the new body.

Transition and reorganisation on this scale will require significant management time to ensure the benefits are identified and plans are in place to realise them post-transition. It may also require experience and skill-sets outside of the 'business as usual' skills and experience in place at the Council. It will be important for the Council to assess the skills it has in place, identify any gaps and take steps to mitigate those gaps to reduce risks arising during or post transition. Plans and arrangements for reorganisation will utilise increasing capacity of senior officers and this may divert attention from the realisation of savings plans or make the achievement of previously planned savings less likely. Such risks will need to be incorporated into updated medium term financial plans.

Members, and in particular audit committee members, will need to be satisfied that where earmarked reserves are being utilised, they are being utilised for their intended purpose and that reserve balances remain at an appropriate and prudent level, as well as be satisfied that balanced budgets continue to be set up to and including the Council's final period of account, in line with the statutory duties placed on key staff. Effective governance and stewardship will remain key, particularly in the operation of the audit committee, delivery of internal audit and execution of the risk management process.

For Three Rivers, this reorganisation into unitary authorities could streamline service delivery, reduce duplication and improve long-term financial sustainability. Government believes there are substantial financial benefits and savings to be made, although these would depend on the exact configuration arrived at. However, any reorganisation of this scale brings significant risk and uncertainty. The Council recognises that transformation costs and service continuity risks must be managed effectively. The transition will require careful planning, particularly around the disaggregation of legacy financial systems, reserves, and service responsibilities. The complexity of the reconfiguration is compounded with several significant income strip schemes across Hertfordshire, including one at Three Rivers, and a substantial volume of large and significant ongoing capital investment and regeneration capital schemes.

Value for money: financial sustainability

This relates to how the Council plans and manages its resources to ensure it can continue to deliver its services.

We considered the following areas:

- *how the Council identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into the plans;*
- *how the Council plans to bridge its funding gaps and identifies achievable savings;*
- *how the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;*
- *how the Council ensures that its financial plan is consistent with workforce, capital, investment, and other operational plans, which may include working with other local public bodies as part of a wider system; and*
- *how the Council identifies and manages risks to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.*

General fund

At 31 March 2025 the Council's general fund stood at £4.4m, a slight increase from the general fund balance at 31 March 2024 of £4.3m. However, the level of earmarked reserves increased during the year from £20.5m to £23.2m, meaning the overall level of useable general fund reserves available to the Council now stands at £27.6m, compared to £24.8m a year ago. This is a reasonable level of reserves; the Council's net expenditure on services in 2024/25 was £24.6m and this level of reserves provides a buffer for unexpected short-term shocks.

However, whilst earmarked reserves can be utilised if Members decide to change their use, they are earmarked for specific purposes in anticipation of specific costs. The general fund balance of £4.5m as at 31 March 2025, whilst currently healthy and significantly higher than the Council's minimum level of £2m, is the true reserve for 'unanticipated' cost pressures. The earmarked reserves also include an Economic Impact Reserve ('EIR'), to manage risk. This was £1.4m at the end of March 2025 and is available to manage future economic downturn or loss of business rates. It is assumed that £0.4 million will be utilised from the EIR over the MTFP (2025/26 – 2027/28) to manage the reduction in income from the leisure management contract following the legacy impact of COVID-19 on activity levels.

Medium term financial strategy

Three Rivers District Council manages its budget in conjunction with the Medium-Term Financial Plan (MTFP), which was approved on 25 February 2025 at Full Council. The MTFP is the Council's key financial planning document for the General Fund. It sets out the Council's strategic approach to the management of the General Fund and contains key assumptions over council tax levels, income, cost and inflation pressures, payroll uplifts, capital funding and treasury management.

This strategy underpins the Council's key priorities for Three Rivers and supports the delivery of these priorities and achievement of strategic outcomes within an affordable financial envelope. The MTFP sets out principles which generate financial security targets and identifies financial pressures and any additional resources for priorities to ensure the Council has a financially sustainable plan.

Value for money: financial sustainability

The MTFP is reviewed annually and serves as a guide for the council’s financial planning over a multi-year period. The MTFP includes forecasts for the General Fund, which covers the day-to-day expenses of the council. This involves adjusting for various pressures and savings, such as changes in government funding, inflation, and service demands. Alongside the MTFP, the Council also reviews its Capital Strategy and Treasury management policy, which outlines plans for long-term investments in infrastructure and other capital projects.

The MTFP identifies potential savings and efficiencies to support financial sustainability. This includes reviewing service delivery models and exploring new income generation opportunities. The strategy also considers borrowing costs, and investment returns so that the Council can fund its projects while maintaining financial stability. The Council engages with the public and stakeholders to gather input on budget priorities and enhance transparency in the financial planning process.

The Council's Financial plan is completed as part of wider engagement with the Senior Leadership Team (SLT). The first stage of the annual budget setting process is a review of pressures that might impact the council such as new legislation or Council priorities.

The Council approved as part of its budget an additional £500k funding for the Three rivers Climate Emergency and Sustainability Strategy to support the Council in meeting its climate change priorities of Three Rivers Net Zero by 2045. The Council approves the budget in February of every year.

Informing the budget are Capital Strategy reports (reported quarterly) and service plans. These are constructed with input from the Senior Leadership Team and identify budget requirements. There is a quarterly monitoring process reported to Clearance Boards and the Executive. All heads of service are required to complete a 3-year savings, growth and capital needs form that feeds into a Star Chamber process, reviewed by the Council’s Directors and reported to SLT for sign off.

The Revenue and Capital investment plans are approved as part of the budget setting process. The Council also has shared partnerships which require joint approval of spending requirements for Audit, Anti Fraud, Building Control, Revenue and Benefits and ICT.

The Council maintains a risk register to which each service is required to contribute both in terms of identifying risks and monitoring them on a quarterly basis for reporting to Members. The SLT approves any changes and reviews the effectiveness of the Risk Management guide following recommendations from the Corporate Risk Group. The Audit Committee receives a report on these and comments or advises as appropriate.

The Council’s assumptions in its financial strategy remain broadly reasonable and supported by well-considered rationale, though some risk is unavoidable. The MTFP assumes a 2% pay award for 2025/26 and future years, alongside adjustments for real living wage and National Insurance changes. Non-contract budgets are held at cash, and fees and charges have generally been uplifted by 2.5%. Unavoidable growth linked to statutory or contractual obligations has been incorporated into base budgets.

While the plan does not specify a general inflation percentage for non-pay elements, inflationary pressures are acknowledged as a key risk. Inflation currently stands at 3.8% as of September 2025 and may remain elevated for longer than anticipated. This creates a risk that pay, and other costs could exceed assumptions, particularly if cost-of-living pressures persist above the Bank of England target. Higher inflation would increase pressure on pay budgets and could offset anticipated reductions in pay inflation from 2025/26 onwards. Overall, the Council’s approach appears prudent, but the absence of a defined inflation assumption introduces uncertainty in long-term financial sustainability.

Value for money: financial sustainability

Like all councils, Three Rivers faces ongoing and increasing financial pressures. The general fund has been used to support the in-year budgets in recent years. This is not a sustainable strategy, although the amount needed has been reducing year on year and the general fund balance has remained above the minimum level of £2m set by the Director of Finance.

The Council's forecasts for business rate retention and growth are informed by annual projections and expert advice from Local Government Futures and Analyse Local, particularly regarding appeals. In preparing the 2025/26 budget and MTFP the Council expects a reduction in revenue due to the anticipated impact of Fair Funding. To manage this transition, it has strengthened the collection fund reserve. However, initial modelling suggests that the financial impact of Fair Funding may be less significant than originally projected. The Collection Fund Reserve and HB Equalisation Reserve is forecast to be £7.8m by 31 March 2026.

The MTFP assumes the savings targets will be achieved in full to avoid further reliance being placed on in-year use of general fund reserves over the period to 2027/28. The Council recognises there is an inflationary impact on utility costs and interest rates impacting the borrowing costs. The Council does not have additional borrowing needs for 2025/26, and the higher interest rates produce favourable returns for the Council through the investment of cash balances.

Notwithstanding the challenging financial pressures over the MTFP period, the Council's arrangements for identifying its financial and economic risks and understanding its position are strong. The MTFP is well-thought-through and management is responsive to in-year changes to income and cost and their impact both in the current year and future MTFP plans. The Council's financial management in-year has enabled it to reduce its draw on General Fund reserves compared to previous years. Risks associated with the assumptions in the MTFP are well-understood and well-articulated and the MTFP is a detailed, granular strategy with an in-depth level of consideration across all areas of funding, costs and risks.

Budget performance

The original budget for 2025/26 was approved by Full Council on 27 February 2025, with a revised budget subsequently approved via urgent decision in July 2025. While the adjustment to the revenue budget was relatively minor (£0.4 million), the capital programme saw a significant increase of £9.3 million. This increase is attributed to rephased expenditure from 2024/25, following slippage in the delivery of capital projects.

Similarly, £7.5 million was also rephased from 2023/24 into the 2024/25 budget. This recurring pattern of rephasing across financial years suggests potential weaknesses in the Council's capital planning and delivery arrangements. The reprofiling of large project spend into 2025/26 highlights the need for a thorough review of the underlying causes of slippage. The Council should ensure it has a clear understanding of the reasons behind these delays, specifically understanding whether they stem from deficiencies in capital planning, project management, or implementation processes. Strengthening these areas will be critical to improving delivery confidence and ensuring that capital investment achieves its intended outcomes within planned timeframes.

Budget	Original budget (£m)	Revised budget (£m)	Forecast outturn (£m)	Variance (£m)	Comments
Revenue	14.677	15.108	15.105	(0.003)	Minor favourable variance
Capital	5.522	14.829	14.829	0.000	Latest budget was adjusted to include £9.3m rephased from 2024/25.

Value for money: financial sustainability

The Minimum Revenue Provision

The Council is required each year to set a Minimum Revenue Provision (MRP). The MRP refers to the amount charged to the revenue budget for the repayment of debt, based on the underlying need to borrow rather than the actual debt held. This underlying debt is necessary to finance the capital programme. Capital expenditure generally relates to assets with a life expectancy of more than one year, such as buildings, vehicles, and equipment. It is therefore prudent to charge an amount for the repayment of debt over the life of the asset, or a similar proxy, allowing borrowing to be matched to asset life. Setting aside funds for debt repayment in this way enables future borrowing to finance asset replacement without incurring additional cost. The method of spreading these costs is through an annual Minimum Revenue Provision, and it is therefore important that the MRP is sufficiently prudent to mitigate long-term financial sustainability risks. A prudent MRP policy ensures that the Council sets aside adequate resources to repay borrowing over time, thereby reducing future financial pressure.

Following consultation, MHCLG have clarified and updated the regulations and the statutory guidance for minimum revenue provision. Although these take full effect from April 2025, the consultation highlighted that the intention was not to change policy but to clearly set out in legislation the practices that authorities should already be following. This guidance clarifies that capital receipts may not be used in place of a prudent MRP, that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted from the calculation unless exempted by statute.

The Council has a statutory duty under the Local Government Act 2003 to ensure its MRP is prudent. Indicators of prudence can be assessed by comparing the MRP to the Council's Capital Financing Requirement (CFR) and total borrowings and comparing the total borrowings to the CFR. An MRP level below 2% of the CFR and 3% of total borrowings may indicate increased financial risk. Where total borrowings exceed the CFR, this also indicates reduced financial headroom.

In the previous year, the MRP was 1.13% of the opening CFR, indicating scope for a more prudent charge. In line with the guidance issued by the Secretary of State on Minimum Revenue Provision (MRP) on 10 April 2024, Three Rivers District Council does not apply MRP on loans to companies for housing provision, provided the loans will be repaid in full.

The Council's opening 2024/25 Capital Financing Requirement (CFR) of £71.6m includes a carrying value of £42.7m for Wimbledon investment property; MRP for Wimbledon is based on the lease principal repayment. Adjusting the opening CFR by removing the carrying value for Wimbledon (£42.7m) and housing loans (£7.5m) gives £21.4m. Therefore, the 2024/25 MRP of £0.481m represents 2.25% of the adjusted opening CFR, which is above the benchmark level of 2%.

For 2024/25, the MRP as a percentage of total borrowings is approximately 5.5% (against a minimum benchmark of 3%), which exceeds the 3% benchmark and reflects a more balanced approach. In addition, the Council's total debt as a percentage of the capital financing requirement is 20% (against a maximum benchmark of 100%). Borrowings have steadily decreased over the past five years, and the Council is not heavily reliant on debt to fund capital investment. This trend, combined with a proportionate MRP, suggests that debt repayment is well-managed and supports future investment capacity. However, once the impact of the income strip 'borrowing' – the long-term financial liability – is taken into account, MRP as a percentage of borrowing reduces to 1.3% and total borrowing increases to 82.5% of opening CFR.

Value for money: financial sustainability

We have used the following figures in assessing the prudence of the MRP for 2024/25, taken from the 2024/25 draft financial statements.

- Opening CFR £71.6m (adjusted CFR £21.4m)
- General Fund borrowing £14.3m
- MRP 2024/25 £0.781m
- Total general fund and earmarked reserves £27.6m
- Net cost of services 24/25 £5.6m
- Gross service revenue expenditure 24/25 £68m
- Long term borrowing including income strip £59.4m
- Long term assets £171.9m

Overall, MRP is considered prudent as a percentage of total borrowing ad opening CFR. The Council's total general fund debt is only 31% of the general fund CFR, which indicates sufficient 'headroom' for financial resilience purposes.

	Council's ratios	Expectation	Evaluation
MRP as % of total borrowing	5.5%	< 3% then this may indicate a higher risk of MRP being insufficient to secure longer term financial resilience	●
MRP as % of Capital Financing Requirement (CFR)	2.25%	< 2% then this may indicate a higher risk of MRP being insufficient to secure longer term financial resilience.	●
Debt as a proportion of CFR	20%	>50% then this may indicate a higher risk of the Council being over-indebted	●
Total general fund and earmarked reserves as a proportion of net cost of services	493%	the lower the proportion, the greater the risk to financial resilience	●
General fund and earmarked reserves as a percentage of gross service revenue expenditure	41%	the lower the percentage, the greater the risk to financial resilience	●
Long term borrowing as a proportion of long term assets	8.3%	the higher the proportion, the greater the risk the council is over indebted	●

Value for money: financial sustainability

The Wimbledon 'income strip'

Three Rivers District Council entered into an income strip agreement for 27-39A Hartfield Road, Wimbledon in December 2022. The council acquired a 50-year leasehold interest in the asset, with option to purchase the freehold for £10 at the end of the term.

An income strip agreement typically involves a long-term lease arrangement, under which the council commits to making lease payments while benefiting from the redevelopment and regeneration of the asset and increased rental income it is hoped this will generate. In essence:

- The Council enters into a long-term finance lease with the investor and is required to make annual, index-linked lease payments for, in this case, 50 years
- The investor provides access to its preferred developer, who regenerates the asset and the numerous constituent units
- The units are leased out and rental income from these units is retained by the Council
- At the end of the 50-year lease, the assets are handed to the Council.

The terms of the proposed 50-year lease include a starting annual rental payment of £1.45 million that is payable to the investor. This is subject to annual Retail Price Index (RPI) indexation with a floor (minimum increase) of 1% and cap (maximum increase) of 4%.

The Council's financial arrangement was structured to ensure a sustainable long-term revenue stream. Under this arrangement, the Council receives an annual income of £200,000, allocated to the revenue account to support service delivery, while an additional £300,000 per annum is directed into a sinking fund to mitigate financial risks for the first five years of the lease agreement. This fund serves as the primary source for covering any expenditure not met by income, with the reserve fund projected to reach £4.9 million by the end of the 50-year term. The council is entitled to the full £1.9 million annual passing rent from occupational tenants, with the rental income received index-linked to RPI, subject to a 1-4% cap and collar, compounded every five years.

The Council assumes responsibility for the risk associated with rental income and the planned and preventative maintenance of the building structure and roof, although these costs are recoverable from occupational tenants through a service charge. The asset contains long terms tenants, including an established hotel chain. The risk to the Council of the cost of inflation linked payments to the investor is, to an extent, mitigated by the fact that the Council's own tenants are subject to a similar inflation linked tenancy, meaning the income received rises in line with the payments the Council is expected to make to the investor. Whilst the overall economic risk sits with the Council – for example, were the hotel to fall not administration, the Council would still be required to pay the investor's annual lease costs – this is to an extent mitigated by the terms of the tenancy agreement in place governing increases in rental income.

Value for money: financial sustainability

Calculations viewed suggest that rental income to the council exceeds lease costs paid to the investor. However, receipts do not exceed the £500k surplus annually and therefore the council has had to claim the income guaranteed by the developer for the first five years of the lease.

As part of the agreement, the investor made a payment to the Council of £3.5m as a contribution towards a sinking fund for the building to mitigate against risks associated with non-payment of rent by tenants and any required refurbishment, although should this not be required the Council is free to use the monies for any purpose. As at 31 March 2025 the council holds an earmarked reserve of £9.3m. This has increased from £8.8m at 31 March 2024.

A decision was taken by the Council as a result of the Covid-19 pandemic to increase the commercial risk reserve. It is our view that the Council is appropriately managing risks regarding the income strip such as future maintenance costs, unforeseen vacancies, tenant defaults and market challenges relating to tenant occupancy which could create revenue gaps, by increasing the commercial risk reserve. However, with the structure of the income strip agreement there is always a risk that earmarked reserve monies are used to fund revenue gaps rather than enhance or maintain the asset which would reduce the reserve over time and potentially create future funding gaps in the longer term.

Under this scheme, all of the economic risk sits with the Council. There is therefore a long-term financial sustainability risk should economic conditions result in an impairment of the asset value and reductions in rental income, whilst at the same time the value of the lease payments owed by the Council will continue to increase by up to 4% each year.

Based on the current level of reserves, we have not identified this as a significant risk to the council at this current time. However, it is important that the Council continues to monitor this position closely to ensure it is able to meet lease payments that could be inflated by up to 4% annually in the backdrop of a challenging economic market, without this burden falling on the taxpayer for the remaining 47 years.

Value for money: financial sustainability

Summary

We have not, at present, identified any significant weaknesses in the arrangements in place to support financial sustainability. However, as reported in the prior year, there are residual financial risks present which, if not managed effectively over the short term, could introduce significant weakness in future years. This is due primarily to the fact that continuing success of the scheme rests on favourable economic conditions over the remaining 47 years.

The Council has effective arrangements in place to plan and manage its resources to ensure it can continue to deliver its services. It has a good understanding of its financial position and the risks inherent in the forward-looking MTFP. It has a capable, experienced and informed management team who demonstrate a good understanding of the current position and future financial challenge. Arrangements in respect of financial planning, budget setting and control are in place and operating effectively. The Council monitors its Medium-Term Financial Plan (MTFP) through regular updates and reviews, quarterly monitoring reports, executive oversight and public and stakeholder consultation. The MTFP is reviewed annually to ensure alignment with financial goals and economic changes. Quarterly reports update on financial performance, highlighting variances and proposing corrective actions. The Executive Committee regularly reviews the MTFP to ensure targets are met and adjustments are made as needed.

With local government reorganisation planned to take place in just over two years, but with little certainty over what the future reorganisation will look like, there is a growing uncertainty over the long-term plans. This makes it harder for the Council to consider the longer-term financial position. In the short term, members will need to ensure that their current decisions take into account, as far as possible, the needs of the future unitary body into which Three Rivers will be absorbed and ensure that, on transition, the Council's financial resilience is as strong as possible to ensure the emerging organisation commences its life on a robust financial footing.

There are indicators of financial strain: MRP is low compared to the Council's CFR, the long-term success of the income strip relies on favourable macro-economic conditions over the next half-century over which the Council has no control and the continuing pressures on local authority funding are unlikely to improve over the short term. Unfavourable macro economic conditions could result in an impairment of the income strip asset value and reductions in rental income, whilst the cost of the lease continues to increase by up to 4% each year, regardless.

Management is, however, alert to the risks present and is actively considering options to mitigate. The arrangements in place enable management to be aware of and respond to the risks, notwithstanding the significant financial challenge presented and, as such, in considering management capability and the efficacy of the arrangements, we have not, at present, identified any significant weaknesses in the arrangements in place to support financial sustainability.

Value for money: financial sustainability

Recommendations

We have rolled forward a number of recommendations in respect of financial sustainability:

1. The Council should consider whether the Wimbledon income strip scheme contains an embedded derivative – and, if so, whether the derivative is closely associated – and account for this within the financial statements accordingly.
2. The Council should ensure the Effective Interest Rate (EIR), and thus the net present value (NPV) of the liability for the scheme, remains appropriate given the scheme's performance, and ensure this is reflected in the financial statements accordingly.

We have raised the following new recommendations in respect of financial sustainability:

1. The capital budget was underspent in the financial year by £9.3m, mirroring a similar underspend of £7.5m in the prior year. This slippage indicates potential weaknesses in the capital planning arrangements. The Council should ensure it understands the reason for this slippage in the capital programme, including understanding whether the slippage is due to poor capital planning or poor implementation arrangements, and implement actions to strengthen the capital programme, budget forecasting and implementation.
2. With local government reorganisation planned to take place in just over two years, Members should ensure their plans are in the best interests of the new council(s) and the residents of the reorganised area, and do not undermine or diminish the benefits or savings anticipated as a result of unitarization. Members will need to ensure that their current decisions take into account, as far as possible, the needs of the future unitary body and ensure that, on transition, the Council's financial resilience is as strong as possible to ensure the emerging organisation commences its life on a robust financial footing.
3. Members should consider whether there are further actions that could strengthen the position to ensure the new unitary body commences its life in as strong a position as possible to support the residents and businesses of the unitary area.
4. Members, and in particular audit committee members, will need to be satisfied that where earmarked reserves are being utilised, they are being utilised for their intended purpose and that reserve balances remain at an appropriate and prudent level, as well as be satisfied that balanced budgets continue to be set up to and including the Council's final period of account, in line with the statutory duties placed on key staff

Value for money: governance

This relates to the arrangements in place for overseeing the Council's performance, identifying risks to achievement of its objectives and taking key decisions.

We considered the following areas:

- *how the Council monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;*
- *how the Council approaches and carries out its annual budget setting process;*
- *how the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;*
- *how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee; and*
- *how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests) and for example where it procures or commissions services.*

Risk management and governance

The Council has appropriate arrangements in place to assess risk and gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.

The Council considers fraud and counters risk across a broad range of areas. The Council has an approved Risk Management Policy and a Risk Management Guide. Strategic risks are linked to the Council's priorities. The Strategic Risk Register is reviewed and monitored on a quarterly basis. Operational risks are also developed and monitored as part of the service risk registers maintained at the service lead level.

Regular meetings are held between budget mangers and finance business partners. Budget monitoring is reported through the Corporate Management Team (CMT) and CMT takes joint ownership of the budget delivery. The managers manage the budgets and there is collective ownership of budgets by CMT. The senior leadership lead on the wider corporate governance agenda, of which risk management is a part, and ensure that all risks are fully considered in all strategic decision making, while the CMT ensure that the Council manages risk effectively in each service within the agreed corporate strategy.

The audit committee considers and reviews the risk management strategy and conducts annual assessments of the operational risk registers.

The Council's risk strategy includes the roles and responsibilities of all those involved in the risk management process.

Informed decision making

The Council promotes informed decision-making by creating committees with distinct responsibilities. These committees hold regular meetings to address significant matters as per their terms of reference. Details of these meetings, including agendas, are published on the Council's website to foster transparency and facilitate stakeholder engagement.

Value for money: governance

Reports are distributed well in advance of meetings to enable members to contribute effectively and raise challenges. The governance process implemented by the Council undergoes independent review by the Audit Committee. At the start of each committee meeting, members and officers are required to declare their interests.

Budgetary control

The Council produces quarterly budget monitoring reports which are available on the Council website. These reports include a review of the general fund balance, financial position, the capital program, and performance against local indicators related to strategic risks, freedom of information, and environment information requests. These reports are subject to review by relevant committees of the Council.

The Council undertakes an incremental approach to budgeting. In relation to capital, the agreed programme is reprofiled during the year to reflect projected delivery. The affordability of future schemes is kept under review to ensure that borrowing requirements arising from the capital expenditure are affordable within the agreed budget. This includes a review of annual capital programmes.

The forecast income and expenditure from treasury management activities is included in the budget and reported on in the financial monitoring report. The Council's treasury management strategy sets out the council's investment and borrowing strategy and appetite for risk in relation to these activities. Scenario planning is undertaken as part of the financial planning process. A contingency for pay inflation is set aside each year to manage the impact of the pay award.

Shared arrangements

The ability to identify and assimilate new technologies is an integral part of the Council’s approach to achieving its strategic objectives. The Council has a Shared ICT service with Three Rivers District Council. The shared ICT service is responsible for developing the shared ICT platform as well as delivering ICT services.

A joint ICT Management Board and an IT Steering Group meets frequently to consider the strategic direction of the service. The ICT service is committed to embracing new digital opportunities to better meet the needs of residents, achieve savings and transform services. A secure, resilient, effective, and forward-looking Technology Service is critical in delivering these aims. Access to all IT systems is strictly defined according to role. Password access is controlled according to best practice. Specific Council policies exist (whistleblowing, anti-money laundering for example) and training offered to Officers and Members in these areas to encourage early detection and investigation of any suspicious activity.

The Council operates shared services for HR and Revenue and Benefits with Three Rivers District Council Parking Services are provided by Hertsmere. There is a Shared Service Operations Board and Partnership Board in place to oversee the shared service arrangements with Three Rivers District Council. The Council has a housing joint venture with Watford Community Housing. In addition, there are other smaller partnerships with community-based organisations.

Value for money: governance

Internal audit

The Council's internal audit provision is delivered by the Shared Internal Audit Service (SIAS) hosted by Hertfordshire County Council. The service complies with CIPFA's Statement on the role of the Head of Internal Audit and operates to Public Sector Internal Audit Standards. The Head of Assurance confirms to Audit Committee the 'Fitness for Purpose' of internal audit to conduct the work that informs the assurance opinion each year. For each audit, SIAS issues a Final Audit Report, and this is signed off by management together with an agreement to implement the recommendations that have been made.

In compliance with the requirements of Accounts and Regulations 2015, the Council places reliance on the Shared Internal Audit Service (SIAS) which undertakes a programme of work to review the effectiveness of the Council's risk management, control environment and governance processes. An annual audit of operational plan is presented to the Audit Committee for approval. Progress of internal audit against the audit operational plan is considered at Audit Committee meetings.

SIAS reports to the Audit Committee quarterly regarding progress against the Audit Plan and the implementation status of high priority recommendations.

The overall internal audit assurance opinion for 2024/25 is 'Reasonable assurance' on financial systems, meaning there is a sound system of governance, risk management and control, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited. The assurance on the non-financial systems is 'Reasonable assurance', meaning there is a sound system of governance, risk management, and control in place. Some issues, non-compliance, or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.

SIAS has concluded that the corporate governance and risk management frameworks comply with the CIPFA / SOLACE best practice guidance on corporate governance. This conclusion is based on the work undertaken by the Council and reported in its Annual Governance Statement for 2024/25 and the specific reviews of Risk Management and Corporate Governance conducted by SIAS during the year.

Standards and behaviour

The Council's Monitoring Officer holds overall responsibility for ensuring the Council operates lawfully and has a statutory duty to report any instances of legal non-compliance. To support this, procedures are in place to ensure legal considerations are embedded in report preparation. All reports submitted to the Corporate Management Board (CMB), Portfolio Holders, Cabinet, and Council include legal implications and, where appropriate, commentary from the Monitoring Officer.

Value for money: governance

In 2023/24, the Council undertook a project to refresh its organisational Values and Behaviours. It maintains a comprehensive suite of HR policies, which are updated as needed. Legal implications are consistently included in all formal reports. Statutory Officers meet regularly—both informally and formally—with internal auditors to discuss governance matters. The Council has established a range of policies to promote integrity and transparency, including:

- Anti-Fraud and Corruption Strategy
- Anti-Bribery Policy
- Gifts and Hospitality Policy, which includes guidance on declaring interests and hospitality
- Whistleblowing Policy, supported by a dedicated email address

Allegations of fraud, such as Council Tax Reduction fraud, Council Tax fraud, Blue Badge misuse, Community Infrastructure Levy fraud, grant fraud, and Business Rates fraud, are referred to the Fraud Team via email or phone. The Council's Local Code of Corporate Governance identifies the Nolan Principles (Standards in Public Life) as the foundation of its governance framework. Expected standards of conduct and behaviour for Members, Officers, partners, and the community are communicated through Codes of Conduct, Protocols, and the Constitution. Mechanisms are in place to ensure all parties understand their responsibilities under these frameworks.

The Council's website provides clear guidance on how to make a complaint about a Member's conduct and outlines the process for handling such allegations. Complaints are managed by the Monitoring Officer. The Corporate Compliments and Complaints Policy specifies that complaints about elected Councillors should be directed to the Solicitor to the Council, who also serves as the Monitoring Officer.

The Council's Constitution also sets out employment procedures for senior officers, including the Head of Paid Service, Strategic and Assistant Directors, Monitoring Officer, and Chief Finance Officer. Management demonstrates a commitment to transparency through detailed reporting in the Medium-Term Financial Plan (MTFP) and budget documents, as well as through the breadth of information shared with Members across various matters.

Value for money: governance

Governance over the Wimbledon ‘income strip’

The Shareholder and Commercial Ventures Panel has oversight of the income strip arrangement and its financial viability. Performance updates on the income strip agreement are presented as a standing agenda item at each shareholder and Commercial Ventures Scrutiny Panel meeting. The Council has appointed Lambert Smith Hampton (LSH) to manage the property on a day-to-day basis and we have observed evidence that regular monitoring of the arrangement is undertaken between LSH, the Head of Property and Finance.

Performance of the income strip arrangement also forms part of the quarterly monitoring to the Policy and Resources Committee. The monitoring report also includes the balance on the commercial risk reserve which is ringfenced to mitigate risks associated with the project. We are satisfied that there were appropriate governance and scrutiny arrangements in place during the 2024/25 financial year in relation to this arrangement.

Preparation of statutory financial statements

The Council issued their 2024/25 draft financial statements by the statutory reporting date of 30 June 2025. However, the Council subsequently amended and revised these statements and re-issued them on 30 September 2025. In updating their accounts, management has made changes, in the comparators, to figures in the prior year audited accounts. This includes changes in the level of MRP charged and in the closing general fund balance. These changes are not material and thus should not have been amended in the prior year comparators. Moreover, changes should not be made retrospectively to MRP as this is a breach of legal and regulatory requirements. The Council should ensure the accounts it produces on 30 June each year are its final draft statements and, importantly, should ensure it does not amend figures in the prior year accounts comparators unless a material error has been identified in line with International Accounting Standard 1 (IAS1).

Local government reorganisation

The next few years will be ones of significant change and uncertainty. Councils will need to consider the risk of the loss of key individuals and corporate memory in the lead-up to and transition into the new unitary authority. There may be an incentive for more short-term decision making in respect of the use of reserves and concerns, where reserves have been built up over previous years, either via strong management or for the implementation of a particular development scheme, that these reserves may end up being repurposed to cover an overspend incurred by a successor body. Whilst Authorities retain powers to make some spending decisions in advance of the reorganisation, it is important to make sure that proper governance arrangements remain in place, and that due consideration is given to any schemes which are likely to run beyond the date of transition to the new body.

Value for money: governance

Transition and reorganisation on this scale will require significant management time to ensure the benefits are identified and plans are in place to realise them post-transition. It may also require experience and skill-sets outside of the 'business as usual' skills and experience in place at the Council. It will be important for the Council to assess the skills it has in place, identify any gaps and take steps to mitigate those gaps to reduce risks arising during or post transition. Plans and arrangements for reorganisation will utilise increasing capacity of senior officers and this may divert attention from the realisation of savings plans or make the achievement of previously planned savings less likely. Such risks will need to be incorporated into updated medium term financial plans.

Summary

We have not identified any significant weaknesses in the Council's arrangements. The Council has effective arrangements in place for overseeing the Council's performance, identifying risks to achievement of its objectives and taking key decisions.

We have raised one new recommendation in respect of the preparation of financial statements and one in respect of the forthcoming local government reorganisation.

Value for money: improving economy, efficiency and effectiveness

This relates to how the Council seeks to improve its systems so that it can deliver more for the resources that are available to it.

We considered the following areas:

- *how financial and performance information has been used to assess performance and identify areas for improvement;*
- *how the Council evaluates service quality to assess performance and identify areas for improvement;*
- *how the Council ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, to assess whether it is meeting its objectives; and*
- *where the Council commissions or procures services, how it assesses whether it is realising the expected benefits.*

Use of information

The Council utilises financial and performance information to assess its performance. It ensures that services and priorities approved by the Members are delivered by reporting quarterly using key measures and programme updates to track progress.

The Corporate Framework for 2023 - 2026 sets out our key priorities to achieve our vision. Key Performance Indicators for each of the council's service areas are aligned to a corporate framework objective which are monitored quarterly and/or annually. The following are the key objectives for Three Rivers:

- Provide responsive and responsible local leadership,
- Expand our position as a great place to do business, Support
- Enable sustainable communities
- and achieve net carbon zero and be climate resilient

Partnership working and use of consultants

The Council has improved its Freedom of Information processes working with the Information Commissioner and has been used as a case study for improvement. Local Government Ombudsman reports are taken to Committee.

Consultants are only used for specific tasks where the Council does not have specific skills or there is a high level of risk such as Treasury Management Advice, external legal support on commercial projects. Where possible services are procured with other partners such as with County for biodiversity and heritage advice. The council has a procurement policy in place and when needed, interim vacancies are approved by SLT to fill in areas where there is more targeted resources need.

Value for money: governance

In November 2023, the Council adopted its Procurement Strategy (2023–2026), which outlines five strategic aims:

- Enhance value
- Deliver sustainably
- Drive innovation
- Be commercial
- Ensure compliance

Procurement activities are governed by the UK Public Contracts Regulations and the Council's own Contract Procedure Rules, which form part of the Constitution. These rules define the procedures, timescales, and governance for procurement. Contracts are actively reviewed to improve service delivery and assess opportunities for insourcing.

The Council actively collaborates with various partners, including private investors, to drive major commercial and residential developments. The Council values community input and actively engages with stakeholders.

Listening to residents and working collaboratively ensures the Council's plans align with expectations and needs. The Council prioritises supporting and valuing communities by delivering health, wellbeing, cultural, community safety, and environmental initiatives. This cooperative effort involves a wide range of partners.

The Council oversees the commissioning and procurement of services, ensuring strict adherence to relevant legislation, professional standards and internal policies. There is a Procurement policy in place, delineating the prescribed approach for all procurement activities. This policy has been communicated to all staff involved in the procurement process. All contracts entered into by the Council are required to comply with the rules embedded within the Constitution.

Service and quality monitoring

The Council has a Major Projects Board, and these are also monitored as part of budget monitoring. The Council does not have significant major capital projects.

To assess whether expected benefits are being realised, the Council employs monitoring and evaluation mechanisms. This ensures that outcomes align with expectations and provides a basis for continuous improvement. Members also play a crucial role in scrutinising procurement processes and monitoring their results. These measures collectively contribute to quality outcomes.

Value for money: improving economy, efficiency and effectiveness

A performance and governance system is used to monitor performance and risk and is providing improved insight into corporate priority delivery. The system provides a range of corporate performance monitoring relating to service delivery, finances, staff, and customers, alongside consideration of the risks associated with the delivery of objectives in order to provide strategic insight and facilitate prompt implementation of any necessary improvement plans.

Summary

We have not identified any significant weaknesses in the Council's arrangements. The Council has effective arrangements in place for using financial and performance information to make informed decisions for improving the way it manages and delivers services and working with partnerships effectively.

Recommendations

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Value for money: other recommendations

The recommendations we made in this and the previous year are set out below, together with progress and actions taken by the Authority in 2024/25 to address them. Our detailed commentary is set out in this Auditor's Annual Report. All recommendations were 'other' recommendations. Given the limited amount of time between our previous report and this report, it would be unreasonable to expect all recommendations would have been addressed in the five-month window. Notwithstanding this, management has been proactive in responding to the recommendations and commissioned an external report to support their implementation.

Observation	Criteria	Other recommendation
Capital programme The capital budget was underspent in the financial year by 9.3m, mirroring a similar underspend of £7.5m in the prior year. This slippage indicates potential weaknesses in the capital planning arrangements, resulting in a reprofiling of large project spend carried forward into the 2025/25 financial year.	Financial sustainability	1. The Council should ensure it understands the reason for this slippage in the capital programme, including understanding whether the slippage is due to poor capital planning or poor implementation arrangements, and implement actions to strength capital programme and budget forecasting and implementing

Value for money: other recommendations

Observation	Criteria	Other recommendation
Financial resilience and local government reorganisation With local government reorganisation planned to take place in just over two years, Members should ensure their plans are in the best interests of the new council(s) and the residents of the reorganised area, and do not undermine or diminish the benefits or savings anticipated as a result of unitarization.	Financial sustainability	2. With local government reorganisation planned to take place in just over two years, Members should ensure their plans are in the best interests of the new council(s) and the residents of the reorganised area, and do not undermine or diminish the benefits or savings anticipated as a result of unitarization. Members will need to ensure that their current decisions take into account, as far as possible, the needs of the future unitary body and ensure that, on transition, the Council's financial resilience is as strong as possible to ensure the emerging organisation commences its life on a robust financial footing. 3. Members should consider whether there are further actions that could strengthen the position to ensure the new unitary body commences its life in as strong a position as possible to support the residents and businesses of the unitary area. 4. Members, and in particular audit committee members, will need to be satisfied that where earmarked reserves are being utilised, they are being utilised for their intended purpose and that reserve balances remain at an appropriate and prudent level, as well as be satisfied that balanced budgets continue to be set up to and including the Council's final period of account, in line with the statutory duties placed on key staff

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Value for money: other recommendations

Observation	Criteria	Other recommendation
Income strip: embedded derivative An embedded derivative may exist where the Council, under the terms of the scheme, may be able to reduce its overall liability with additional payments. International Financial Reporting Standards require that this is accounted for within the financial statements. As the accounts have been disclaimed for the previous 4 years, auditors have not been able to express a view on the appropriateness of the current accounting treatment in this respect.	Financial sustainability	5. The Council should consider whether the Wimbledon income strip scheme contains an embedded derivative – and, if so, whether the derivative is closely associated – and account for this within the financial statements accordingly.
Income strip: expected interest rate (EIR) The EIR impacts the overall size of the financial liability payable to the investor in terms of the net present value (NPV). As the accounts have been disclaimed for the previous 4 years, auditors have not been able to express a view on the appropriateness of the current accounting treatment in this respect.	Financial sustainability	6. The Council should ensure the Effective Interest Rate (EIR), and thus the net present value (NPV) of the liability for the scheme, remains appropriate given the scheme's performance, and ensure this is reflected in the financial statements accordingly.

Value for money: other recommendations

Observation	Criteria	Other recommendation
Preparation of financial statements The Council issued their 2024/25 draft financial statements by the statutory reporting date of 30 June 2025. However, the Council subsequently amended and revised these statements and re-issued them on 30 September 2025. In updating their accounts, management has made changes, in the comparators, to figures in the prior year audited accounts. This includes changes in the level of MRP charged and in the closing general fund balance. These changes are not material and thus should not have been amended in the prior year comparators. Moreover, changes should not be made retrospectively to MRP as this is a breach of legal and regulatory requirements.	Governance	7. The Council should ensure the accounts it produces on 30 June each year are its final draft statements and, importantly, should ensure it does not amend figures in the prior year accounts comparators unless a material error has been identified in line with International Accounting Standard 1 (IAS1).
Local government reorganisation: capacity and skills The next few years will be ones of significant change and uncertainty. Councils will need to consider the risk of the loss of key individuals and corporate memory in the lead-up to and transition into the new unitary authority. Transition and reorganisation on this scale will require significant management time to ensure the benefits are identified and plans are in place to realise them post-transition. It may also require experience and skill-sets outside of the 'business as usual' skills and experience in place at the Council. It will be important for the Council to assess the skills it has in place, identify any gaps and take steps to mitigate those gaps to reduce risks arising during or post transition. Plans and arrangements for reorganisation will utilise increasing capacity of senior officers and this may divert attention from the realisation of savings plans or make the achievement of previously planned savings less likely. Such risks will need to be incorporated into updated medium term financial plans.	Governance	8. The Council should assess the skills and capacity it has in place to support local government reorganisation, identify any gaps and take steps to mitigate those gaps to reduce risks arising during or post transition.

Value for money: follow up of prior recommendations

Observation previously reported	Criteria	Recommendation previously made	Auditor update 2024/25
Income strip: IFRS16 This new standard may impact on current year costs and recognition, which could impact the in-year reported financial position of the Council.	Financial sustainability	The Council should consider the impact of IFRS16 on the Wimbledon income strip scheme, as this standard comes into force from the 2024/25 year of account for the Council.	The Council has considered the impact of IFRS16 on the income strip in the 2024/25 draft financial statements **Recommendation closed**
Minimum Revenue Provision Indicators of prudence can be seen by comparing the MRP against the capital financing requirement (CFR) and the total borrowings held by the Council. A level of MRP which is lower than 2% of the CFR and 3% of total borrowings indicates increased financial risk in the medium to long term. In 2023/24, the MRP as a percentage of the CFR is 1.13%, while MRP as a percentage of borrowings stands at 5.16%. This suggests a higher risk that the MRP may be insufficient to ensure long-term financial resilience.	Financial sustainability	Management should review the minimum revenue provision (MRP) in future years to ensure the annual MRP adjustment is adequate and prudent, considering the Council's CFR and borrowing levels, and ensure longer term financial risks are contained.	The Council has reviewed and updated their MRP in line with statutory guidance and is currently over the expected 2% of the opening CFR. **Recommendation closed**

AZETS

AUDIT COMMITTEE – 27 NOVEMBER 2025

PART I – DELEGATED

FINANCIAL AND BUDGETARY RISKS
(DoF)

Summary

1.1 This report advises the Committee on the latest position in respect of the evaluation of financial risks facing the Council for discussion and any recommendations or comments they wish to make.

Details

2.1 In December 2024, the Government announced that consultation on the Fair Funding Review would take place during 2025/26 with the implementation date set for 2026/27. Early forecast models of funding by LG Futures and Pixel show varying impacts on Three Rivers District Council but taking a prudent view will allow a measured approach to the budget for 2026/27 and the medium term. The Local Government Settlement, which will detail the funding Three Rivers will receive, is not due until just before Christmas.

2.2 The pay award for 2025/26 was settled at 3.2%, which was above the 2% pay award that was allowed for as part of the 2025/26 budget, however there is sufficient funding in the contingency for the variance.

Options and Reasons for Recommendations

3.1 The recommendations allow the Committee to review the financial risks faced by the Council and record any comments it wishes to make in respect of individual risks.

Policy/Budget Reference and Implications

4.1 The recommendations in this report are within the Council's agreed policy and budgets.

Financial, Legal, Equal Opportunities, Staffing, Environmental, Community Safety, Public Health, Customer Services Centre, Communications & Website, Risk Management and Health & Safety Implications

5.1 None specific.

Recommendation

6.1 That the Committee review the risk register and make any comments it wishes to make against individual risks.

Report prepared by: Michelle Howell, Interim Head of Finance

Data Quality

Data sources: Budget Monitoring Reports & Budget setting report (Liberal Democrat)

Data checked by: Head of Finance.

Data rating:

1	**Poor**	
2	**Sufficient**	

3	**High**	√

APPENDICES / ATTACHMENTS

Appendix 1 - Financial Risk Register

Date risk added to register	Risk ref	Risk owner	Category	Risk description	Comment	Likelihood score (inherent)	Impact score (inherent)	Inherent risk score	Risk controls	Risk control owners	Likelihood score (residual)	Impact score (residual)	Residual risk score	Risk direction	Action plan	Action plan owners	Action plan completion dates
Sep-15	FIN07	Director of Finance	Strategic	The Medium term financial position worsens.	The Council has set its budget for 2025/26 and beyond. The budget is balanced for 2025/26 but the Medium Term Financial Plan is showing a total gap of £1.7M for years 2&3. This is due to taking a view of the impact of the Government's 'Fair Funding' reform and the business rate reset. Early forecast by LGFutures and Pixel show varying impacts on Three Rivers but taking a prudent view balances will allow a	3	3	9	The Council maintains a healthy level of balances and continues to actively monitor its budgets, taking action in year where necessary. Currently the Council is benefitting from a high level of interest income due to higher than anticipated interest rates and high levels of cash balances.	Head of Finance	3	2	6	↓	Regular budget monitoring reports to committees; Budgetary and Financial Risk Register reviewed and updated as part of the budget monitoring process; identification of budgetary pressure when reviewing the medium term financial plan during the budget setting process which includes a risk assessment for the prudent level of general balances and an assessment of financial resilience with reference to the CIPFA Financial resilience index.	Heads of Service/ Head of Finance	Continuous
Apr-06	FIN08	Director of Finance	Budgetary	The pay award exceeds estimates included in the MTFP resulting in unplanned and unsustainable use of reserves.	The Council's 3 year Medium term Financial Strategy includes forecast pay awards for the next three years. 2% has been allowed for 2025/26 as part of the budget and the pay award was agreed at 3.2% however there was no bottom loading so there is sufficient funding in the contingency.	2	3	6	The pay award is covered by the contingency within the budget. Maintain reserves to guard against risk. Early identification of new pressures through Budget Monitoring.	Head of Finance	3	2	6	↓	The Council's 3 year Medium term Financial Strategy includes forecast pay awards for the next three years. The Council maintains reserves to guard against risk including setting a prudent minimum level for general balances. Early identification of new pressures through Budget Monitoring enable the Council to take steps to bring the budget back into balance.	Head of Finance	Continuous
Apr-06	FIN09	Director of Finance	Budgetary	Other inflationary increases exceed estimates included in the MTFP resulting in unplanned and unsustainable use of reserves.	Other than contractual agreements, budgets are cash limited where possible and budget managers are expected to manage increases within existing budgets.	2	3	6	Monitor future inflation projections. Actively manage budgets to contain inflation. Maintain reserves.	Service Heads/Head of Finance	2	2	4	→	Monitor future inflation projections. Actively manage budgets and contracts to contain inflation. The Council maintains reserves to guard against risk including setting a prudent minimum level for general balances. Early identification of new pressures through Budget Monitoring enable the Council to take steps to bring the budget back into balance.	Head of Finance	Continuous
Jan-15	FIN10	Director of Finance	Budgetary	Interest rates increase or decrease resulting in significant variations in estimated interest income (investments) or interest expense (borrowing)	The Council remains cash positive so is experiencing a short term benefit from higher interest rates. Over the longer term rates are expected to come down allowing the Council to borrow for future capital projects.	3	2	6	The Council has a Treasury Management Strategy which is reviewed annually. The Council is looking to lend out over a longer period to maximised the benefit from temporary higher rates.	Head of Finance	3	2	6	→	The Audit Committee receives two reports per year on Treasury Management activity and interest income and expenditure is moniored through the Budget Monitoring Report.	PIB	Continuous

Date risk added to register	Risk ref	Risk owner	Category	Risk description	Comment	Likelihood score (inherent)	Impact score (inherent)	Inherent risk score	Risk controls	Risk control owners	Likelihood score (residual)	Impact score (residual)	Residual risk score	Risk direction	Action plan	Action plan owners	Action plan completion dates
Apr-06	FIN11	Director of Finance	Budgetary	Inaccurate estimates of fees and charges income and / or estimates of cost of delivering chargeable services result in budgetary pressure.	A budget pressure is created due to income shortfalls or increased expenditure	3	2	6	Budget levels realistically set and closely scrutinised	Service Heads/ Head of Finance	2	2	4	➡	Fees and charges, including and surplus or loss are monitored through budget monitoring with key income streams reported to CMT.	Service Heads	Continuous
Apr-06	FIN12	Director of Finance	Budgetary	The Council loses the ability to recover VAT as a result of exceeding the partial expemption threshold resulting in budgetary pressure.	If the council's expenditure on functions for which it receives income that is exempt for VAT purposes exceeds 5% of its total vatable expenditure, then the Council may lose its ability	2	4	8	VAT Planning and opt to tax on schemes. VAT advisers employed.	Head of Finance	1	4	4	➡	Partial Exemption Review is undertaken annually with support provided by the Council'sexternal tax advisors, PS Tax. The Council continue to opt to tax land where appropriate.	Head of Finance	Continuous
Dec-13	FIN13	Director of Finance	Budgetary	The estimated cost reductions and additional income gains set out in the MTFP are not achieved resulting in an unplanned and unsustainable use of reserves.	Minimal savings identified and included in the budget will be monitored as part of the budget monitoring process. See fees and charges above. MTFS agreed for next three years.	2	3	6	Service Heads to take responsibility for achieving savings. Budget monitoring to highlight any issues to allow corrective action to be taken.	Service Heads/Head of Finance	2	2	4	➡	Budget process to clearly identify savings to be achieved and ensure clarity over responsibility over delivery. Savings to be challenged.	Head of Finance	Continuous
Apr-06	FIN14	Director of Finance	Budgetary	The Council is faced with potential litigation and other employment related risks.	Thurrock has recently issued proceedings against 23 members of APSE. Whilst the Council is not one of these three it is an APSE member and may be drawn in at a later date. A stay of litigation has been issued by the court whilst separate activity takes place to resolve.	2	3	6	Council procedures are adhered to. These will be reviewed in respect of member orgainsation and advice issued.	Solicitor to the Council	2	2	4	⬇	Adherence to council procedures to be monitored and procedures maintained.	Solicitor to the Council	ongoing

Date risk added to register	Risk ref	Risk owner	Category	Risk description	Comment	Likelihood score (inherent)	Impact score (inherent)	Inherent risk score	Risk controls	Risk control owners	Likelihood score (residual)	Impact score (residual)	Residual risk score	Risk direction	Action plan	Action plan owners	Action plan completion dates
Dec-13	FIN18	Director of Finance	Budgetary	Business Rates Retention fluctuates impacting on the amount of funding received by the Council.	Pooling has been announced for 2025/26 and the Council is part of the Hertfordshire bid. The VOA has amended the Warner Bros rates valuation which negates the appeal risk. Business Rate reset has been announced for 2026/27	2	4	8	Maintain reserves against risk.	Head of Finance	2	2	4	⬇	Hertfordshire CFOs continue to work with LG Futures to maximise revenue from the business rate pool for 2025/26. The scale of appeals is still unknown but this is likley to become clearer over the next 24 months as transitional relief reduces for businesses impacted by the increases in rateable value.	Director of Finance	Continuous
Jul-16	FIN20	Director of Finance	Budgetary	Failure of ICT systems	The Council's integrated Financial Management System (FMS) is held on an ICT platform. If this were to fail then potentially there will be a loss of functionality occurring during any downtime. BCPs have recently been updated.	3	2	6	System migrated to latest version. Payments system updated.	Head of Finance	1	2	2	➡	Monitor reliability	Head of Finance	Continuous
Mar-18	FIN21	Director of Finance	Budgetary	Property Investment	The Property Investment Board manage its property portfolio in order to secure additional income to support its general fund.	2	3	6	Portfolio to be actively managed to maintain income levels. Income to be reviewed regularly when MTFP is updated.	Head of Property Services	1	3	3	➡	PIB to assume responsibility for ongoing oversight.	Head of Property Services	Continuous
Sep-18	FIN23	Director of Finance	Budgetary	Commercial Investment	The Council has limited options to further improve self sustainability through commercial investment .	3	2	6	Oversight mechanisms put in place to ensure oversight by PIB.	Head of Finance	2	2	4	➡	Monitor new developments. Investments overseen by the cross party Shareholder and Commercial Ventures Panel.	Head of Property Services	Continuous
Nov-19	FIN 24	Director of Finance	Service	Loss of Key Personnel	As the Council becomes more complex in its financial arrangements, key skills become more important.	3	4	12	Improve depth of skills and knowledge. Bring in temporary additional resources as necessary.	Head of Finance	1	3	3	➡	The Finance team is currently fully staffed and an interim Head of Finance has been appointed to cover the period either side of the departure of the current Head of Finance. All staff have an annual Personal Development Review which	Chief Executive/ Director of Finance	Continuous

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AUDIT COMMITTEE – 25 September 2025

PART I – DELEGATED

1 Summary

1.1 This report sets out the Audit Committee's latest Work Programme to enable the Committee to make updates as required.

2. Details

2.1 The Audit Committee meets five times per financial year between 1 April and 31 March. The work programme is presented at each meeting of the Committee to enable any changes to be made and to provide Members with updated information on future meetings.

2.2 The work programme includes a rolling annual training programme which is delivered prior to each committee. The following topics form the programme:

- Role of the Audit Committee
- Statement of Accounts
- Treasury Management
- Internal Audit
- Risk Management

2.3 Additional 'deep dive' training is arranged for members of the committee ahead of approval of the audited Statement of Accounts.

2.4 The following items are standing items on the agenda and are presented at each meeting of the Committee:

- Internal Audit Report – SIAS Audit Client Manager
- Financial and Budgetary Risks – Head of Finance
- Committee Work Programme

2.5 The programme of ad hoc reports scheduled to be presented to this Committee in the next 12 months is shown in the table below:

<table>
<tr><th colspan="3">Financial Year 2024/25</th></tr>
<tr><th>Date</th><th>Report</th><th>Officer Responsible</th></tr>
<tr><td>27 November 2025</td><td>TRAINING: Treasury Management

• Treasury Management Mid- Year Report 2025/26
• Draft Capital Strategy and Treasury Management Strategy Statement 2026/27
• External Auditor Plan 2025/26

• Standing Items</td><td>Director of Finance

Director of Finance

Director of Finance

External Auditors</td></tr>
<tr><th colspan="3">Financial Year 2025/26</th></tr>
<tr><td>24 March 2026</td><td>TRAINING: Internal Audit

• SIAS Internal Audit Plan

• Accounting Policies 2025/26

• Risk Management Framework

• Standing Items</td><td>Client Audit Manager

Client Audit Manager

Director of Finance

Emergency Planning and Risk Manager</td></tr>
<tr><td>28 May 2026</td><td>TRAINING: Statement of Accounts

• Treasury Management Annual Report 2024/25
• SIAS Annual Assurance Statement & Internal Audit Annual Report
• Approval of the draft Statement of Accounts 2024/25 and Annual Governance Statement

• Standing Items</td><td>Director of Finance

Director of Finance

Client Audit Manager

Director of Finance</td></tr>
</table>

23 July 2026	TRAINING: Role of the Audit Committee • Fraud Annual Report • SIAS Board Annual Report • Standing Items	Director of Finance Fraud Manager Client Audit Manager

3 Options/Reasons for Recommendation

3.1 The recommendation allows the Committee to determine its work programme.

4 Policy/Budget Implications

4.1 The recommendations in this report are within the Council's agreed policy and budgets.

5 Financial, Legal, Equal Opportunities, Staffing, Environmental, Community Safety, Customer Services Centre, Website and Risk Management Implications

5.1 None specific.

6 Recommendation

6.1 That the Committee consider and makes necessary changes to its Work Programme.

Background Papers

Reports and minutes – Audit Committee

Report prepared by: Alison Scott – Director of Finance