



Auditor's Annual Report for St Albans City and District Council

Year-ended 31 March 2025

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27 February 2026

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Our audit report is made solely to the members of St Albans City and District Council (the Council), as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Council, as a body, those matters we are required to state to them in an auditor's report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Council and the members of Council, as a body, for our audit work, for our auditor's report, for this Auditor's Annual Report, or for the opinions we have formed.

External auditors do not act as a substitute for the Council's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

01

Executive Summary



Executive Summary



Purpose of the Auditor’s Annual Report

This Auditor’s Annual Report provides a summary of the findings and key issues arising from our 2024-25 audit of St Albans City and District Council (the ‘Council’). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office (the ‘Code of Audit Practice’) and is required to be published by the Council alongside the annual report and accounts. This Auditor’s Annual Report supersedes the version dated 26 February 2026, because we have now issued our report in relation to the financial statements.

Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014 (the Act). Our responsibilities under the Act, the Code of Audit Practice and International Standards on Auditing (UK) (‘ISAs (UK)’) include the following:



Financial Statements - To provide an opinion as to whether the financial statements give a true and fair view of the financial position of the Council and of its income and expenditure during the year and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2024/25 (‘the CIPFA Code’).



Other information (such as the Narrative Report) - To consider, whether based on our audit work, the other information in the Statement of Accounts is materially misstated or inconsistent with the financial statements or our audit knowledge of the Council.



Value for money - To report if we have identified any significant weaknesses in the arrangements that have been made by the Council to secure economy, efficiency and effectiveness in its use of resources. We are also required to provide a summary of our findings in the commentary in this report.



Other powers - We may exercise other powers we have under the Act. These 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.

In addition to the above, we respond to any valid objections received from electors.

Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities.

Financial statements	<p>We issued a disclaimer of opinion on the Council’s financial statements on 27 February 2026. This is because we were unable to obtain sufficient appropriate audit evidence over the financial statements as we have been unable to perform the procedures that we consider necessary to form our opinion on the accounts. Further details are set out on page 7.</p> <p>We have provided further details of the key risks we identified and our response on pages 8 to 10.</p>
Other information	<p>Whilst in our opinion the content of the other information is consistent with the financial statements, we are unable to determine whether there are material misstatements in the other information.</p>
Value for money	<p>We identified one significant weakness in respect of the arrangements the Council has put in place to secure economy, efficiency, and effectiveness in the use of its resources. Further details are set out on page 11.</p>
Whole of Government Accounts	<p>We are required to perform procedures and report to the National Audit Office in respect of the Council’s consolidation return to HM Treasury in order to prepare the Whole of Government Accounts.</p> <p>As the National Audit Office has not yet informed us that we are not required to perform any further procedures, we are unable to confirm that we have concluded our work in this area.</p>
Other powers	<p>See overleaf.</p>

Executive Summary



There are several actions we can take as part of our wider powers under the Act:

Public interest reports

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 Council 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.

Judicial review/Declaration by the courts

We may apply to the courts for a judicial review in relation to an action the Council is taking. We may also apply to the courts for a declaration that an item of expenditure the Council has incurred is unlawful.

We have not applied to the courts.

Recommendations

We can make recommendations to the Council. These fall into two categories:

1. We can make a statutory recommendation under Schedule 7 of the Act. If we do this, the Council 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.
2. We can also make other recommendations. If we do this, the Council does not need to take any action, however should the Council provide us with a response, we will include it within this report.

We made no/ recommendations under Schedule 7 of the Act.

We have raised one other recommendation relating to a significant VFM weakness. For further details see pages 20-21.

Advisory notice

We may issue an advisory notice if we believe that 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 Council is required to stop the course of action for 21 days, consider the notice at a general meeting, and then notify us of the action it intends to take and why.

We have not issued an advisory notice this year.

In addition to these powers, we can make performance improvement observations to make helpful suggestions to the Council. Where we raise observations we report these to management and the Audit and Governance Committee. The Council is not required to take any action to these, however it is good practice to do so and we have included any responses that the Council has given us.

02

Audit of the financial statements



Audit of the financial statements



Our responsibility is to conduct an audit of the financial statements in accordance with the Local Audit and Accountability Act 2014, Code of Audit Practice and ISAs (UK) and to issue an auditor’s report.

However, due to the significance of the matters described below, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Council financial statements.

We have fulfilled our ethical responsibilities under, and are independent of the council in accordance with, UK ethical requirements including the FRC Ethical Standard.

Our disclaimer of opinion on the Council’s financial statements

We issued a disclaimer of opinion on the Council’s financial statements on 27 February 2026. We therefore do not express an opinion on the financial statements. The reason for our disclaimer of opinion is as follows:

The Accounts and Audit (Amendment) Regulations 2024 (the “Amendment Regulations”) require the Council to publish its financial statements and our opinion thereon for the year ended 31 March 2025 by 27 February 2026 (the “Backstop Date”).

We have been unable to obtain sufficient appropriate audit evidence over a number of areas of the financial statements as we have been unable to perform the procedures that we consider necessary to form our opinion on the financial statements ahead of the Backstop Date. These areas include, but were not limited to, the carrying amount of property, plant and equipment and investment properties, short term debtors, short term creditors, income from business rates, housing revenue account income and the balance of, and movements in, usable and unusable reserves for the year ended 31 March 2025.

In addition, we have been unable to obtain sufficient appropriate evidence over a number of areas of the financial statements in relation to the disclosed comparative figures the Council for the year ended 31 March 2024 due to the Backstop Date. These areas include, but were not limited to, those listed above, the carrying amount of heritage assets, employee benefit expenses and the net assets as at 1 April 2023. As a result, we were unable to determine whether any adjustments were necessary to the amounts recorded in relation to these areas as at 31 March 2024, or whether there were any effects on the Council’s income and expenditure for the years ended 31 March 2024 and 2025.

Any adjustments from the above matters would have a consequential effect on the Council’s net assets and the split between usable reserves, including the Housing Revenue Account, and unusable reserves as at 31 March 2024 and 31 March 2025, the Collection Fund and on its income and expenditure and cash flows for the years then ended.

We disclaimed our audit opinion on the financial statements for the year ended 31 March 2024 regarding this same limitation.

Further information on our audit of the Council’s financial statements is set out overleaf.

Audit of the financial statements



The table below summarises the key financial statement audit risks that we identified as part of our risk assessment and how we responded to these through our audit.

Significant financial statement audit risk	Our procedures	Our findings
<p>Valuation of land and buildings</p> <p>The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a five-year cycle.</p> <p>Valuations are inherently judgmental and there is a risk of error that the assumptions are not appropriate or correctly applied.</p> <p>The net book value of the Council's operational Land & Buildings at 31 March 2024 was £222.3m.</p> <p>The net book value of Council Dwellings at 31 March 2024 was £647.4m. The Council has adopted a five-year rolling programme for the revaluation of housing properties with the HRA with indexation being applied in the intervening years and 100% of beacon properties being revalued in year six.</p>	<p>We have performed the following procedures designed to specifically address the significant risk associated with the valuation:</p> <ul style="list-style-type: none"> • We critically assessed the independence, objectivity and expertise of CBRE, the valuers used in developing the valuation of the Council's properties at 31 March 2025; • We inspected the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code; and • We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used. • We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information; • Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation. 	<p>While we are disclaiming our audit opinion, we are still required to identify our audit findings based on the work performed. We have identified the following audit findings.</p> <p>Based on the testing performed to date, we did not identify any material misstatements relating to this area. However, note that testing was performed to gain assurance over the revalued portion of land and buildings only, as we do not have assurance over brought-forward land and buildings balances due to the disclaimer of opinion given for 2023/24.</p> <p>Auditing standards require us to report that the design and implementation of the management review control relating to this area is ineffective in line with the ISA definition. The ISAs acknowledge that it is difficult for management to design controls that address subjectivity and estimation uncertainty in a manner that effectively prevents, or detects and corrects, material misstatements. Therefore, we did not raise any recommendations relating to this risk.</p> <p>However, we reiterate one control deficiency raised in the prior year, around the Beacon grouping of council dwellings properties.</p> <p>We considered the estimate, for the assets valued in 2024/25, to be balanced based on the procedures performed.</p>

Audit of the financial statements



Significant financial statement audit risk	Our procedures	Our findings
<p>Valuation of post retirement benefit obligations</p> <p>The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year-on-year movements.</p> <p>We have identified this in relation to the following pension scheme membership: Local Government Pension Scheme – Hertfordshire Pension Fund.</p> <p>Also, recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.</p>	<p>We have performed the following procedures designed to specifically address this significant risk:</p> <ul style="list-style-type: none"> • We evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations; • Evaluated the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability; • We performed inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets; • We agreed the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation; • We challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data; • We confirmed that the accounting treatment and entries applied by the Council are in line with IFRS and the CIPFA Code of Practice; • We assessed the level of deficit that should be recognised by the entity; and • We considered the adequacy of the Council's disclosures in respect of the sensitivity of the deficit or surplus to the assumptions 	<p>While we are disclaiming our audit opinion, we are still required to identify our audit findings based on the work performed. We have identified the following audit findings.</p> <p>Auditing standards require us to report that the design and implementation of the management review control relating to this area is ineffective in line with the ISA definition. The ISAs acknowledge that it is difficult for management to design controls that address subjectivity and estimation uncertainty in a manner that effectively prevents, or detects and corrects, material misstatements. Therefore, we did not raise any recommendations relating to this risk.</p> <p>We considered the estimate, for the post retirement benefit obligations in 2024/25, to be balanced based on the procedures performed.</p> <p>We were able to complete all planned work in respect of this significant audit risk. Based on the testing performed, we have not identified any material misstatements relating to this area.</p>

Audit of the financial statements



Significant financial statement audit risk	Our procedures	Our findings
<p>Management override of controls</p> <p>Professional standards require us to communicate the fraud risk from management override of controls as significant.</p> <p>Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We have not identified any specific additional risks of management override relating to this audit.</p>	<p>Our audit methodology incorporates the risk of management override as a default significant risk. We have performed the following procedures designed to specifically address this significant risk:</p> <ul style="list-style-type: none"> • In line with our methodology, evaluated the design and implementation of controls over journal entries and post closing adjustments. • We analysed all journals through the year and focus our testing on those with a higher risk. • Assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias. • Evaluate the selection and application of accounting policies. • Assess the business rationale and the appropriateness of the accounting for significant transactions that are outside the Council's normal course of business or are otherwise unusual. 	<p>While we are disclaiming our audit opinion, we are still required to identify our audit findings based on the work performed. We have identified the following audit findings.</p> <p>Based on the testing performed, we did not identify any material misstatements relating to this area.</p> <p>Per the Auditing Standards, we have assessed the design of implementation of controls in place over the Council's General Ledger system, Integra. We identified that specific users of the general ledger have the ability to post and approve journals and there is no preventative control in place which prevents users posting and approving the same journal.</p> <p>Our testing in 2024/25 did not identify any journals which had not been subject to secondary review, however the design of the internal controls surrounding journal entries could allow this to take place. There is therefore a risk of manual journals without segregation of duties being posted that result in inappropriate or erroneous entries being posted to the ledger, and that this would be undetected. We have therefore reiterated the recommendation raised in the prior year, that management implements a fully documented retrospective review of any journals posted and approved by the same user.</p>

03

Value for Money



Value for Money



Introduction

We are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or ‘value for money’. We consider whether there are sufficient arrangements in place for the Council for the following criteria, as defined by the Code of Audit Practice:



Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services.



Governance: How the Council ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

We do not act as a substitute for the Council’s own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. We are also not required to consider whether all aspects of the Council’s arrangements are operating effectively, or whether the Council has achieved value for money during the year.

Approach

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor’s Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council.

Summary of findings

Our work in relation to value for money is complete.

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	14	17	22
Identified risks of significant weakness?	✗ No	✓ Yes	✗ No
Actual significant weakness identified?	✗ No	✓ Yes	✗ No
2023-24 Findings	No significant risks identified	Significant weakness identified	No significant risks identified
Direction of travel	↔	↔	↔

Value for Money

National context

We use issues affecting Councils nationally to set the scene for our work. We assess if the issues below apply to this Council.

Local Government Reorganisation

The Government has announced proposals to restructure local government throughout England. County and District councils (and, in some cases, existing Unitary authorities) will be abolished and replaced with new, larger Unitary authorities, which will (in many cases) work together with peers in a regional or sub-regional Combined Authority. Authorities which are unaffected by these proposals may still see changes in local police and fire authorities and in the Councils they already work in collaboration with.

Restructuring has, in some cases, resulted in differing views on how services should be provided in their regions – with little consensus on how previously separate organisations will be knitted together. Councils will need to ensure that investment decisions are in the long-term interest of their regions, and that appropriate governance is in place to support decision making.

Financial performance

Over recent years, Councils have been expected to do more with less. Central government grants have been reduced, and the nature of central government support has become more uncertain in timing and amount. This has caused Councils to cut services and change the way that services are delivered in order to remain financially viable.

Whilst the Government has indicated an intention to restore multi-year funding settlements, giving Councils greater certainty and ability to make longer-term investment decisions, the Government has also proposed linking grant funding to deprivation. For some authorities this presents a significant funding opportunity, whereas for others this reinforces existing financial sustainability concerns and creates new financial planning uncertainties.

Housing

Landlords, including Councils, are required to take action to ensure homes are compliant with fire safety legislation and new regulations to improve building safety. These regulations have increased the costs faced by landlords, caused loss of income where properties were void for repairs, and increased the risk of regulatory action should improvements not be made. The Regulator of Social Housing has also raised frequent concerns regarding the ability of Councils to comply with their consumer standards, in particular around treating tenants fairly and ensuring homes are safe. This has increased the cost of compliance, whilst housing budgets remain under significant financial strain. At the same time, Councils are also experiencing significant financial pressure in temporary accommodation budgets, due to high demands on services and difficulty in obtaining suitable accommodation.

Local context

Background

St Albans City and District Council is a non-metropolitan district in Hertfordshire. The Council provides district-level services to a population of around 148,200 residents. There are close working relationships between the Council, Hertfordshire County Council, local parish councils and the other nine district councils within the County.

Financial performance

In 2024/25, the Council reported a surplus on provision of services of £21.4m. The Council had total reserves of £708.5m as at 31 March 2025 which was split between total usable reserves of £38.4m and total unusable reserves of £670.1m. Total usable reserves were bolstered during 2024/25 by £7.9m, although this reflects an increase in HRA reserves of £5.1m, with reductions in other usable reserves including a reduction in the Earmarked General Fund balance from £5.9m to £4.1m.

The Council are required by law to prevent the Housing Revenue Account running into deficit. As at 31 March 2025, the Housing Revenue Account is in a surplus position of £3.1m and the earmarked Housing Revenue Account is in a surplus position of £14.5m.

St Albans City and District Council have not issued and does not anticipate issuing a Section 114 notice.

Local Government Reorganisation

The Council has been actively engaged in the Local Government Reorganisation programme, which has placed considerable demands on officer time and attention alongside core service delivery. Despite these pressures, the Council has worked collaboratively with neighbouring district authorities and Hertfordshire County Council to develop and refine viable structural models for future governance. This joint effort has involved regular strategic meetings, shared workstreams across legal, finance, and governance functions, and a coordinated approach to workforce planning.

The last formal submission to MHCLG was scheduled for the end of November 2025, with a decision from central government anticipated in the second half of 2026.

The Council continues to manage the risks associated proactively, including staff retention, service continuity, and stakeholder engagement, while recognising the opportunities for improved efficiency and local accountability.



Financial Sustainability



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

We have considered the following in our work:

- How the Council ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- 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 other plans such as workforce, capital, investment, and other operational planning 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, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Budget setting and monitoring

- The Council has a legal requirement to set a balanced budget before the start of each financial year. The draft 2024/25 budget went to the Strategy & Resources Committee on 8 February 2024 for scrutiny and the final budget was approved by the Council at the meeting on 28 February 2024. The budget considers key financial pressures such as inflation on pay awards, costs and fees.
- Within the 24/25 budget for the General Fund, the Council budgeted total expenditure of £44.2m which consisted of £20.9m of non-staff costs including £0.9m of one-off items, £19.2m of staff costs and £4.2m of minimum revenue provision and interest on borrowings. The Council budgeted total income of £41.9m which consisted of £16.1m of fees and charges income, £2.9m of commercial rents, £3.5m of recharges for service delivery and recycling income, £15.8m of taxation income and £3.5m of grants income. This resulted in a budget gap of £2.4m which became the Council's efficiency requirement for the year.
- Within the 24/25 budget for the Housing Revenue Account, the Council budgeted total expenditure of £32.9m which consisted of HRA related expenditure of £15.3m, loans of £6.8m and depreciation and capital adjustment of £10.7m. The Council budgeted total income of £34.7m which consisted of £32.7m of rental income and £0.1m of HRA investment income. This resulted in a budget surplus of £1.9m.
- The development of plans for achieving efficiencies is completed by Finance Business Partners and Service Managers who propose alternative income generation, cost savings or service reduction proposals for closing the budget gap. These proposals are presented to the Senior Leadership Team and Lead Councillors and agreed at "Budget Challenge Meetings" to close the budget gap. Budget Papers are then produced for Service Committees, detailing the year's budget to allow scrutiny and to agree proposed budget assumptions and budget savings. The budget gap was planned to be bridged by General Fund savings of £2.5m in 2024/25 and HRA savings of £0.1m in 2024/25. This included capital expenditure of £0.5m.
- The Council produces monthly finance reports which are reviewed by finance business partners and service managers to assess the spend to date against the budget and the forecast outturn for the financial year, along with commentary to explain material changes or variance. This report is then presented to the Chief Executive and Strategic Directors to provide an opportunity to resolve adverse variances. These monthly finance reports are used to develop the quarterly performance and budget reports, which are presented to the Strategy and Resources Committee on a quarterly basis. This provides further opportunity to scrutinise the Council's performance against budget.
- Finance reviews the savings plan to ensure it is sustainable and that the assumptions underpinning this are reasonable. Underlying assumptions for cost savings / additional income are discussed with service managers and lead Councillors, using prior performance as a guide. Wider considerations besides simply financial implications, such as impact on quality of service, are taken into account in decision making

Financial Sustainability



Budget setting and monitoring (cont'd)

- These quarterly performance and budget reports also detail the Council's performance against key performance indicators and progress on the Council's strategic and statutory priorities as set out in the Council Plan 2024 – 2029.
- The Council uses benchmarking against performance of other local authority districts in the region. This data is compared against the Council's performance and is initially reported to the relevant service and scrutiny committee. This reporting is then included in the quarterly performance and budget reports which are presented to the Strategy and Resources Committee. The benchmarking results are scrutinised by the Committee and any areas of improvement are identified.

Financial performance

- The 2024/25 year-end performance against budget for the General Fund was an overspend of £0.5m. This was largely attributable to shortfall on commercial rental income, planning fee income shortfall and reduced benefit reclaims, partially offset by release of contingency budget and lower leisure contract utility costs. For the Housing Revenue Account, there was a surplus of £1.9m, in line with budget. Adverse budget variances within the Housing Revenue Account have arisen due to increased expenditure associated with preparing temporary accommodation units for incoming tenants and higher-than-anticipated boiler repair costs. In addition, revised rental income in certain locations have contributed to the overall variance. These pressures have been mitigated through vacancy-related savings and efficiencies identified within the repairs and maintenance budget.
- The Council holds investment properties with a combined value of £5.7m. All these investment properties are held in compliance with the Prudential code. The governance arrangements in place to manage these investments are within the remit of the Council; the Council reviews and approves the Treasury Management Strategy Statement which assists in ensuring compliance with the requirements of the Prudential Code.
- The Council had total reserves of £708.5m as at 31 March 2025, which was split between total usable reserves of £38.4m and total unusable reserves of £670.1m.

Key financial and performance metrics:	2024-25	2023-24
Budgeted net spend (before applying funding)	(17.8)	(17.1)
Actual surplus/(deficit) on provision of services, excluding HRA	(24.5)	(3.3)
Planned HRA surplus/(deficit)	1.9	2.1
Actual HRA surplus/(deficit)	3.1	0.7
Usable reserves	38.4	30.5
Gross debt compared to the capital financing requirement	0.81: 1	0.87: 1
Year-end borrowings	202.8	233.1
Year-end cash position	14.0	7.6

HRA: Housing Revenue Account, a ring-fenced fund relating to social housing

Gross debt compared to the capital financing requirement: Authorities are expected to have less debt than the capital financing requirement (i.e. a ratio of under 1 : 1) except in the short term, else borrowing levels may not be considered prudent.

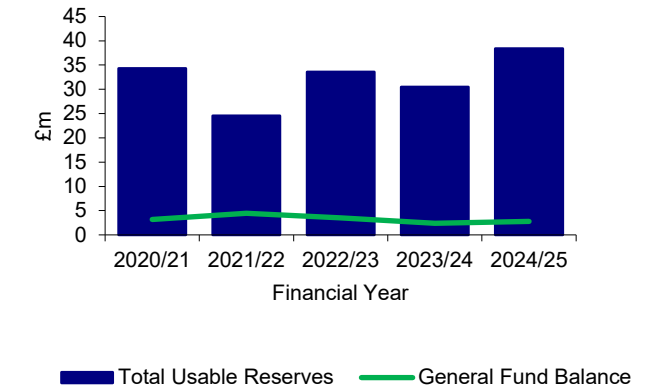
Financial Sustainability



Financial performance (cont'd)

- The Council has a history of maintaining the General Fund balance at a broadly consistent level of around £3-5m as shown in the graph to the right. Usable reserves including reserves earmarked for specific revenue and capital projects have been bolstered in the last financial year, as shown in the graph. Maintaining healthy General Fund and wider usable reserves balances helps to ensure that the Council remains financially resilient.
- During the 2024/25 financial year, the Council recognised two substantial asset impairments relating to Jubilee Square and Telford Court. The impairment of Jubilee Square, totalling approximately £9.5m, reflected a reassessment of the commercial valuation of the site, which had been impacted by delays in tenant occupation and broader changes in market forces post-Covid. Although the development was delivered largely on budget, and since the end of 2024/25 the Council has managed to secure key tenants, the valuation at year-end was based on conservative rental yield assumptions prior to full occupancy. This resulted in the reported impairment. The second impairment concerned Telford Court, the Council's sole high-rise residential block, which was deemed no longer viable for refurbishment due to extensive fire safety upgrade requirements following national regulatory changes. The Council has opted to decommission the site and transfer it to a registered housing provider for redevelopment, resulting in a write-down of its carrying value. Both impairments were carefully considered and reflect strategic decisions aimed at long-term service improvement and financial sustainability.
- For 2025/26, the Council has set a budget for the General Fund of £18.1m. As at 30 September 2025, the forecast budget general fund variance at the year end was a £1.7m adverse variance, with pressures in particular around homelessness and the cost of temporary accommodation, in common with many other authorities. The forecast outturn for the HRA was a net deficit of £6.2m, in line with budget.

General Fund Balance and Total Usable Reserves (£m)



Risk assessment conclusion

Based on the risk assessment procedures performed we have not identified a significant risk or weakness associated with financial sustainability

Governance



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

We have considered the following in our work:

- how the Council monitors and assesses risk and how the body 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; and
- how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Council members' behaviour.

- In 2021, the Council moved from a Leader and Cabinet executive arrangements for governance to a Committee form of governance arrangements. This form of governance enables most decisions on Council functions to be dealt with by politically balanced Committees, subject to the general oversight of the Council with no individual member of the Council having decision-making powers.
- The Council's governance structure is headed by the Full Council which is made up of all 56 elected Councillors. The Council is supported by four Service and Scrutiny Committees (Strategy & Resources, Public Realm, Housing & Inclusion, and Planning Policy & Climate). The Council is also supported by a number of Scrutiny and Regulatory Committees (Audit & Governance, Standards, Development Management, Licensing & Regulatory and Constitution).
- The Council has well-documented and effective processes in place to identify, monitor and manage risk. This is underpinned by the Council's Risk Management Strategy and Policy which is an integrated framework that supports the Council in the effective management of risk and opportunity.
- The Council's risk management defines the strategic and operational risks; assigns appropriate roles, accountabilities and responsibilities of individuals and the Council and sub-committees; and provides a clear and consistent approach for identifying, assessing and recording risk.
- The Council maintains an Anti-Fraud, Bribery and Corruption strategy. This strategy's purpose is to support the Council's 2024-29 Council Plan. In particular, the strategy sets out the aims and long-term vision of the Council's Anti-Fraud, Bribery and Corruption framework and details the Council's arrangement on the prevention and detection of fraud.
- The internal audit programme is operated by a shared service (St Albans, Broxbourne, Epping Forest and Harlow) which provides an important tool for monitoring compliance. The risk register presented to the Audit and Governance Committee includes risks which relate to compliance with laws and regulation, such as Employment Legislation and Corporate Health and Safety. The Council also has several relevant policies in place designed to enable the monitoring of laws and regulations, to ensure compliance.
- The Council's annual budget setting process begins with Finance updating the high level five-year plan model with the latest inflation forecasts, government grant assumptions, Council Tax numbers and any other known changes for the General Fund. A similar update is performed for the HRA 30-year business plan.
- Finance will determine whether there is a budget gap between the expected income and expenditure and, if so, Finance Business Partners and Service Managers will propose alternative income generation, cost savings or service reductions for bridging the budget gap.

Governance



- Budget Proposals are presented to the Senior Leadership Team and Lead Councillors and recommended at “Budget Challenge” meetings to be presented to the relevant Service and Scrutiny Committee to close the budget gap. Budget Papers produced for Service Committees detail the following year’s budget to enable scrutiny and to agree proposed budget assumptions and budget savings, with the final approval of the proposed balanced budget at the Council meeting before the start of the relevant financial year.
- The Council has a Code of Conduct for Councillors, a Code of Conduct for Officers and a Whistleblowing Policy which are published on the Council’s website. The Code of Conduct defines the standards of behaviour for councillors and all employees. All councillors and employees are made aware of the relevant code of conduct at the beginning of their appointment or employment. The Whistleblowing Policy provides staff with an assurance that the Council will respond to all concerns raised. The policy details a step-by-step process as well as providing contacts for internal and external advice.
- The Council publishes its Contract Procedures Rules and the Standing Financial Regulations on its website. The Council requires that all written contracts will have clauses inserted requiring the contractor to comply with the Council’s Equal Opportunity Employment Policy and Equality Policy; requiring the contractor to provide a Health and Safety Policy; requiring the contractor to consider initiatives to ensure the Council’s commitment to environmental sustainability; requiring compliance with the Data Protection Act 2018 or any legislation in relation to Data Protection; and requiring the contractor to demonstrate they comply with the Modern Slavery Act 2015.
- There are four Service & Scrutiny Committees (Strategy & Resources, Public Realm, Housing & Inclusion, and Planning Policy & Climate) and the Council’s other decision-making committees are responsible for taking decisions delegated to them. Committees must make decisions which are in line with the Council’s overall policies and budget. If a committee wishes to make a decision which is outside the budget or policy framework and is not within the terms of the Council’s Financial Procedure Rules this must be referred to the Council to decide, via the Strategy & Resources Committee.
- The Council’s Finance Business Partners meet with the service managers monthly to discuss budgetary control; provision of relevant, accurate and timely management information; statutory financial reporting requirements; and corrective action to take where needed. This is included in the monthly report to the Senior Leadership Team. The report is discussed by the Senior Leadership Team each month to ensure mitigations can be put in place as early as possible, or to ensure offsetting underspends elsewhere are retained. Where budget overspends are unavoidable and cannot be offset by underspends elsewhere, the contingency budget will be applied.

	2024-25	2023-24
Control deficiencies reported by the Council in its Annual Governance Statement	No significant deficiencies. Six key improvement/ review areas identified (reiterated from 2023-24)	No significant deficiencies. Six key improvement/ review areas identified.
Head of Internal Audit Opinion	Adequate and effective.	Adequate and effective.
Local Government Ombudsman findings	No significant findings from the annual report published.	No significant findings from the annual report published.
Regulator of Social Housing findings	No regulatory judgements/ enforcement notices issued. <i>Note there has been a recent inspection by the Regulator which is due to report later in 2025/26.</i>	No regulatory judgements/ enforcement notices issued.

Governance



- In January 2025 the Council approved its updated five-year strategy for providing safe, energy-efficient and cost-effective social housing. The Strategy sets out six key commitments to be delivered over the course of the period, to: provide and maintain quality homes compliant with all health and safety requirements; work with tenants to improve the delivery of the service, reduce costs and increase satisfaction; deliver an effective and efficient repairs service, responsive to customer needs; achieve financial efficiency by embracing technology and intelligent use of data; tackle climate change by reducing emissions from homes, working towards net-zero carbon by 2030; and produce a sustainable long-term financial investment plan to deliver the strategy, ensuring homes are fit for the future.
- Alongside this, the Council has developed an outline housing development plan for delivery of new social housing dwellings. A key enabler of this plan will be the wider Local Plan, which is currently undergoing final hearing sessions following Regulation 19 consultation, with a view to adopting this new Local Plan by the end of 2025/26. The Council has put in place appropriate governance arrangements during 2024/25 to further its aim of developing a robust Local Plan within this timescale.
- With respect to the Development Management aspect of Planning, the Council has successfully exited designation by the Planning Inspectorate in the Spring of 2025, following a period under special measures due to performance concerns relating to the speed of decisions for non-major applications, which at the time of designation had fallen below 70% of decisions within the agreed timeframe. By January 2025 this measure had improved markedly and performance for this month stood at 93.2%, with the overall 12-month rolling average rising above 70%, to 77.5%. This achievement reflects a concerted and strategic effort to address underlying issues, including staffing shortages, validation delays, and process inefficiencies. The Council implemented a multi-pronged improvement programme, which included recruiting additional planning officers, enhancing validation procedures, and investing in technology to streamline operations. Crucially, the Council engaged with the Planning Advisory Service to ensure external support and benchmarking against best practice. The turnaround was further supported by internal leadership and member engagement, with training and communication efforts aimed at fostering a shared understanding of planning responsibilities and performance implications. As a result, the Council demonstrated sustained improvement over two consecutive quarters, meeting the required thresholds and securing formal notification of removal from designation in late spring 2025. This outcome not only restores local control over planning decisions but also reinforces the Council's commitment to sustaining high levels of service performance in this area.

Significant Value for Money Risk



1 Compliance with statutory financial reporting deadlines

Risk that value for money arrangements may contain a significant weakness linked to governance.

Significant Value for Money Risk

Description

Due to the historic challenges placed on the Council's officers in attempting to conclude the accounts and audit processes for multiple financial years simultaneously (four years from 2020/21 through to 2023/24), in addition to staff resourcing and recruitment challenges, there is a risk that the Council does not have in place adequate governance arrangements to ensure compliance with its statutory financial reporting responsibilities.

Our response

Response

Through our audit we have evaluated the arrangements the Council has put in place to ensure compliance with its statutory financial reporting responsibilities.

Our findings

Findings

The Government has introduced measures to resolve the local government financial reporting and audit backlog. Amendments have been made to the Accounts and Audit Regulations and NAO's Code of Audit Practice which have allowed auditors to give disclaimed opinions over any open, incomplete audits up to the period ending 31 March 2023. These were required to be delivered by 13th December 2024. Those same amendments to the Accounts and Audit Regulations required the Council to publish its audited 2023/24 financial statements and accompanying information on or before 28 February 2025.

For St Albans City & District Council this resulted in a modified audit opinion for 2020/21 and disclaimed audit opinions for 2021/22 and 2022/23. Due to delays in finalising the draft Statement of Accounts for year ended 31 March 2024, associated with the delays in finalising the prior year accounts above, this publication deadline for the 2023/24 accounts of 28 February 2025 was not met. The Statement of Accounts, and audit report, were finalised on 12 May 2025.

The Council's unaudited, draft accounts for 2024/25 were published on the Council's website on 5th August 2025, failing to meet the requirement to publish draft annual Statement of Accounts by 30 June each year.

There has been, however, a significant improvement in the timetable for publishing the draft Statement of Accounts for 2024/25, and the completeness and presentation of that draft Statement in comparison with the prior year.

Conclusion

Based on the findings above we have determined that there is a significant weakness in governance arrangements for the timely preparation of a complete and accurate Statement of Accounts for 2024/25.

While we have identified marked improvement in the timeliness and quality of the draft Statement of Accounts for 2024/25, we have again made a recommendation as outlined on Page 21 around compliance with statutory financial reporting deadlines.

Value for Money: Recommendations



The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows:

#	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	<p>Preparation and Publication of the Statement of Accounts</p> <p>Under Regulation 9 of the Accounts and Audit Regulations 2015, the Council is required to publish its draft annual Statement of Accounts by 30 June each year.</p> <p>We recognise that the Council has faced significant challenges arising from the local government financial reporting and audit backlog. We further recognise that the preparation of the draft Statement of Accounts for 2024/25 was adversely affected by the delay to the finalisation of the 2023/24 Statement, which took place on 12 May 2025.</p> <p>While these factors contributed to delays in finalising the 2024/25 Statement of Accounts, we note that progress has been made. In particular, the Council successfully published the Statement of Accounts for 2024/25 on its website on 5 August 2025, demonstrating a commitment to improving timeliness and compliance. Notably, the draft was published just over seven weeks following the finalisation of the 2023/24 accounts, which demonstrates that a coordinated and concerted effort was made to produce the draft 2024/25 Statement as quickly as possible. In addition, we identified a marked improvement in the completeness and quality of presentation of the draft Statement for 2024/25 in comparison with previous years.</p> <p>Recommendation</p> <p>We note that management has taken action in response to the recommendation made in the prior year, including evaluating its Finance staffing resources and working to fill vacancies. However, given the delays to publication for 2024/25, we reiterate our recommendation raised previously, that the Council develops, and then monitors, a detailed action plan outlining how it expects to return to a financial reporting timetable that ensures a good quality set of draft accounts are published in line with the statutory deadline. Where required, the Authority should continue to invest in additional resources within the Finance team to ensure future compliance with statutory reporting deadlines.</p>	<p>We welcome the recognition of the substantial improvement in both the timeliness and the quality of the draft accounts, particularly given the challenges arising from the sector-wide audit backlog and the late finalisation of the 2023/24 Statement on 12 May 2025.</p> <p>In response to the recommendation reiterated this year, we have taken steps to strengthen our capacity and resilience within the Finance service. Additional resources have now been secured. Appointments have been made to the role of Deputy Section 151 Officer, we have recruited an interim with substantial experience of closing local authority accounts and producing Statement of Accounts (SOA), we have recruited and are in the process of recruiting to the vacant posts in the finance team and we will employ specialist to support the closing work for some sections of the SOA.</p> <p>We have developed a detailed and fully phased timetable to produce the 2025/26 Statement of Accounts. This includes internal milestones, regular progress checkpoints, and enhanced internal quality assurance processes. The progress against the timetable will be monitored closely throughout the year to ensure early identification and resolution of risks.</p> <p>Finance Team, June 2026</p>

Improving economy, efficiency and effectiveness



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

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Council evaluates the services it provides 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, in order 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.

- The identification of efficiency requirements are determined through the forecasting of expenditure and income for the upcoming financial year. This is done as part of the budget setting process. The development of plans for achieving efficiencies is completed by Finance Business Partners and Service Managers who propose alternative income generation, cost savings or service reductions for closing the budget gap. These proposals are presented to Senior Leadership Team and Lead Councillors and agreed at “Budget Challenge” Meetings to close the budget gap.
- The Budget Savings List is included as part of the approved Council budget. The Budget Savings List details the Lead Councillor, Service Committee, Service Area, Opportunity title, Opportunity type, One off investment (capital/revenue) and the scale of opportunity for the next three financial years.
- Monthly Finance Reports are produced for the Senior Leadership team, detailing changes in forecast outturn compared to the previous month and the expected full year outturn, along with a commentary to explain any material changes/variance.
- Where savings plans are falling behind budget, the Finance Business Partners and Service Managers will determine whether actions are required to accelerate delivery of savings. Additionally, they will identify opportunities for other favourable financial impacts that were hitherto uncertain and not included in the Service Manager’s forecast outturn, which may help remediate overall plans that are falling behind.
- The reporting of performance against the required efficiency target is done on a quarterly basis to the Strategy and Resources Committee via the Performance and Budget Summary. The summary provides an up-to-date analysis of the performance against budget, with commentary and actions to be taken where adverse variances arise.
- All KPI outcomes are considered by the relevant Service and Scrutiny Committee on a quarterly basis, where there are opportunities to identify services that are not meeting KPIs and to develop actions to address shortfalls. All papers are published on the website, and the meetings are open to the public in person or via webcast. Strategic decisions are made by these Service and Scrutiny Committees. Operational decisions are made by managers reporting through the Senior Leadership Team using the Council’s performance management processes. The Council’s Audit and Governance Committee also scrutinises performance.
- All three of the main Public Realm Contracts have Contract Monitoring and Management built into them. The Council regularly meets the relevant contractors to review performance and customer feedback. As part of these reviews both the contractor and the Council, together, agree solutions and new ways of working. If issues are not resolved all contracts have mechanisms for contractor default, which are used when appropriate.
- The Council has a Capital Projects Protocol, which states that officers should carry out initial investigations or feasibility studies for projects that will have a total budget at or above the value of £250,000, and that the outcome of this work should be reported to the relevant Service Committee. The report is in the form of a business case detailing the costs and benefits of the proposal, which the relevant Service Committee will use to consider whether the scheme is able to proceed.

Improving economy, efficiency and effectiveness



- Once all necessary approvals have been received a Project Manager will be appointed, who will be accountable for the financial performance and monitoring of the project against budget. Tender documentation will be prepared in conjunction with the Solicitor to the Council and tendering will proceed in accordance with the Contract Procedure Rules and all relevant procurement legislation. This will include details of progress including measurement against key milestones, any delays or exceptional circumstances and a financial appraisal, including the cost of variations. Projected costs will be measured against the amount approved for each component of the scheme. Monthly individual project board meetings are conducted, where progress against the original business case is analysed and reported. If any significant deviations from the original business case, major risks or requests for additional budget are identified, this would be reported to the Corporate Property Board and then onto the appropriate Service and Scrutiny Committee for further consideration.
- The Council is developing its People Strategy for 2026–2028, which will guide its approach to recruiting, retaining, rewarding, developing, and engaging its workforce during a period of significant organisational change. The strategy is designed to align staff with the Council's priorities and values, while preparing for the transition to a new unitary authority as part of Local Government Reorganisation, anticipated in April 2028. It aims to create a compelling vision for the next three to five years, ensuring that employees are supported through change and empowered to continue delivering high-quality services. Key considerations include benchmarking current performance, defining future aspirations, identifying enabling conditions, and establishing success measures. The strategy is being shaped through early engagement with elected members and will reflect the Council's commitment to workforce resilience, adaptability, and excellence in public service.
- The Council has a number of core outsourced services for Repairs, Voids and Maintenance, Waste Management and Cleansing, Leisure Management and Grounds Maintenance. For the Repairs, Voids and Maintenance service, there is a monthly operational core group meeting which reviews that month's performance including complaints, compliments, social value and assessment against KPIs. The key issue arising during 2024/25 related to the percentage of repairs completed within target, which was below the target of 95% for all quarters of 2024/25 (between 80 and 87%). This was primarily due to an historic backlog of repairs jobs, for which an improvement plan was enacted jointly by the Council and its third party provider. Recent data suggests that the backlog has largely been cleared and performance has improved, with performance for 2025/26 expected to be close to or exceeding the target of 95%.
- Additionally, there is a quarterly Strategic Core Group meeting which reviews current performance and assesses future strategic decisions, which will shape the service and associated partnerships. For the Waste Management and Cleansing service, there are monthly performance management team meetings to review performance and monthly budgetary control meetings between the Service Manager and the Finance Business Partner. Furthermore, there are weekly meetings between the waste contract manager and operations manager to review operational issues. For the Leisure Management and Grounds Maintenance services, there are quarterly strategic meetings and monthly contract meetings to review performance and monthly budgetary control meetings between the Service Manager and the Finance Business Partner. There were no outsourced services where there has been significant financial loss during 2024/25, or failure to deliver efficiencies or performance improvements expected.
- For capital projects, a monthly progress meeting is held where the contractor goes through their monthly performance reports, latest programme and any relevant commercial matters e.g. variations to contract scope. Outside of these meetings, the Clerk of Works will visit the sites regularly to check on the quality and progress of the works, which is recorded in the Clerk of Works' reports. The costs on the project are primarily monitored by Cost Consultants. Towards the end of each month the contractor will produce a valuation of the works completed to date. The Cost Consultant will then visit the site to certify and confirm what has been claimed for. Any additional claims for variations and works outside the current contract must be certified by the Cost Consultant before being instructed by the agent for processing on behalf of the Project Manager.

Improving economy, efficiency and effectiveness



- The Council continues to face significant and escalating pressures in relation to homelessness and the provision of temporary accommodation. At the time of preparing this report, more than 230 households are in temporary accommodation, with more than 80 placed in hotel/B&B settings, an arrangement that is both financially unsustainable and undesirable from an operational and service quality perspective. This challenge has been compounded by limited housing supply and rising demand, prompting the Council to initiate a comprehensive action plan aimed at reducing reliance on costly hotel placements. Measures include redesignating HRA properties, reopening previously vacated units, and exploring alternative accommodation models such as nightly lets. The Council has also engaged with central government through MHCLG to refine its approach, ensuring alignment with best practice and statutory obligations. Despite these efforts, homelessness remains the principal driver of the projected budget overspend for 2025/26, underscoring the urgency of sustained intervention and strategic resource allocation.

Risk assessment conclusion

Based on the risk assessment procedures performed we have not identified a significant risk or weakness associated with improving economy, efficiency and effectiveness



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