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Audit Agenda

Wednesday 5 February 2020 at 7.30 pm

Conference Room 2 - The Forum

The Councillors listed below are requested to attend the above meeting, on the day and at the time and place stated, to consider the business set out in this agenda.

Membership

Councillor Birnie
Councillor Herbert Chapman (Chairman)
Councillor Mahmood
Councillor Silwal
Councillor Symington
Councillor Townsend

Substitute Members:
Councillors

For further information, please contact Corporate and Democratic Support or 01442 228209

AGENDA

3. MINUTES AND ACTIONS F_PR

To confirm the minutes of the previous meeting and consider the actions

5. EXTERNAL AUDIT - AUDIT PLAN UPDATE F_PR

6. STRATEGIC RISK REGISTER QTR 3 F_PR

DACORUM BOROUGH COUNCIL

AUDIT COMMITTEE MINUTES

20 November 2019

Present:

Councillors:	Chapman	
	Birnie	Silwal
	Elliot	So.Mahmood

Also Attended: Councillor Elliot, Portfolio Holder for Finance & Resources.

Officers:	J Deane	Corporate Director (Finance and Operations)
	N Howcutt	Assistant Director (Finance & Resources)
	F Jump	Group Manager (Financial Services)
	M Sells	Corporate & Democratic Support Officer

Others: S.Knowles Mazars

The meeting began at 7.30 pm

1. APOLOGIES FOR ABSENCE

There were no apologies received.

2. DECLARATIONS OF INTEREST

There were no Declarations of interest.

3. MINUTES AND ACTIONS (Agenda Item 3)

The Minutes of the previous meeting were delayed but will be circulated at a later date.

4. PUBLIC PARTICIPATION (Agenda Item 4)

There was no Public Participation

5. INTERNAL AUDIT PROGRESS REPORT.

Sarah Knowles provided the committee with an update on the progress of the Internal Audit

Since the last Audit committee meeting there have been 2 Final reports issued, 4 audits are currently in progress, the latest being the Capital programme which started last week. There are a further 4 audits with planned start dates.

Everything is currently on track with no issues.

6. INTERNAL AUDIT: SERVICE REPORT

Making Tax Digital

From the 1st October 2019 all tax returns need to be submitted digitally, as this is a significant change it was felt that extra assurances were required to ensure DBC were ready.

After a review of the practices and procedures it was felt that DBC were in a good position to proceed and everything was ready for the launch on October 1st.

Housing Benefit and Council Tax Support.

Good assurance were received for both system design and effective of quality controls.

7. STRATEGIC RISK REPORT

James Deane provided an update regarding the Strategic Risk Register.

The Committee are informed that the format of the report has now changed.

Councillor Birnie was surprised to see that Legal services was not on the list of areas under pressure. JD confirmed that it is definitely an area under pressure but after taking all the factors into account the decision was made to keep the service in house.

Councillor Chapman enquires if Salaries are an area that is looked into. JD confirms that they do compare salaries with other Local authorities in the areas they are struggling to recruit into, however DBC will never be able to compete with the private sector when it comes to salaries, things like flexibility, work life balance and working environment are all things that can be offered do make a package more attractive to potential candidates so these are the areas DBC can focus on.

8. REVIEW OF FINANCIAL REGULATIONS

Fiona Jump provided a report to the committee to update them on three key areas of change:

1: Supplementary Budgets
2: Financial System Authorisation levels
3: authorisation of non-land proposals

Councillor Birnie was surprised that the report had already been to the Finance and Rescores Committee, and when referring to the Minutes of that meeting he found no record of the discussion in the minutes. NH confirmed it had been presented to the committee and can only assume that as there were no questions raised for this item they had not been recorded in the minutes.

9. INTERNAL AUDIT WORK PROGRAMME

The new work programme for 2020 will be presented at the next Audit Committee.

<u>The meeting ended at 20:20</u>

Agenda Item 5

Housing Benefit Unit
Housing Delivery Division
DWP Business Finance & Housing Delivery Directorate
Room B120D
Warbeck House
Blackpool
Lancashire
FY2 0UZ

Grant Thornton UK LLP
110 Bishopsgate
London
EC2N 4AY

T +44 (0)207 383 5100

Section 151 Officer Dacorum Borough Council

28th November 2019

Dear Sirs

Housing Benefit (Subsidy) Assurance Process 2019 Module 6 DWP Reporting Framework Instruction (Applicable to England only) Reporting accountants' report for the Housing Benefit Subsidy claim form MPF720A, year ended 31 March 2019

This report is produced in accordance with the terms of our engagement letter with the Dacorum Borough Council dated 9 January 2019 and the standardised engagement terms in Appendix 2 of HBAP Module 1 2018/19 issued by the Department for Work and Pensions (DWP) for the purpose of reporting to the Section 151 Officer of Dacorum Borough Council and the DWP.

Our report is prepared solely for the confidential use of the Local Authority and the DWP and solely for the purpose of facilitating the claim for Housing Benefit Subsidy on original form MPF720A dated 30 April 2019.

This report should not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by the standardised engagement terms), without our prior written consent. Without assuming or accepting any responsibility or liability in respect of this report to any party other than the local authority and the DWP, we acknowledge that the local authority and/or the DWP may be required to disclose this report to parties demonstrating a statutory right to see it.

This report is designed to meet the agreed requirements of Local Authority and the DWP as described in the DWP HBAP reporting framework instruction 2018/19.

This report should not therefore be regarded as suitable to be used or relied by any other party for any purpose or in any context. Any party other than the Local Authority and the DWP which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so entirely at its own risk. To the fullest extent permitted by law, we accept no responsibility or liability in respect of our work or this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by the reliance of anyone other than the addressees on our work or this report.

Respective responsibilities of the Local Authority and the reporting accountant

We conducted our engagement in accordance with HBAP Modules 1 and 6 2018/19 issued by the DWP, which highlight the terms under which DWP has agreed to engage with reporting accountants.

The Section 151 Officer of the Local Authority has responsibilities under the Income-related Benefits (Subsidy to Authorities) Order 1998. The section 151 Officer is also responsible for ensuring that the Local Authority maintains accounting records which disclose with reasonable accuracy, at any time, the financial position of the Local Authority. It is also the Section 151 Officer's responsibility to extract relevant financial information from the Local Authority's accounting records, obtain relevant information held by any officer of the Local Authority and complete the attached form MPF720A in accordance with the relevant framework set out by the DWP.

Our approach

For the purpose of the HBAP engagement we have been provided with a signed copy of amended form MPF720A 2018/19 dated 21 November 2019 by the Section 151 Officer. The Section 151 Officer remains solely responsible for the completion of the MPF720A and is the signatory on the local authority's certificate on claim form MPF720A.

Our engagement was carried out in accordance with the DWP reporting framework instruction which has been prepared in accordance with the *International Standard on Related (ISRS) 4400, Engagement to perform agreed-upon-procedures regarding financial information*. The purpose of the engagement is to perform the specific test requirements determined by the DWP on the defined sample basis as set out in HBAP Modules of the HBAP reporting framework instruction on the Local Authority's amended form MPF720A dated 21 November 2019, and to report the results of those procedures to the Local Authority and the DWP.

The results of these are reported on in appendices A, B, C and D.

Inherent limitations

The procedures specified in DWP's HBAP Reporting framework instruction does not constitute an examination made in accordance with generally accepted auditing standards, the objective of which would be the expression of assurance on the contents of the local authority's claim for Housing Benefit subsidy on form MPF720A. Accordingly, we do not express such assurance. Had we performed additional procedures or had we performed an audit or review of the local authority's claim for Housing Benefit subsidy on form MPF720A in accordance with generally accepted auditing or review standards, other matters might have come to our attention that would have been reported to you. This report relates only to the Local Authority's form MPF720A and does not extend to any financial statements of the Local Authority, taken as a whole.

This engagement will not be treated as having any effect on our separate duties and responsibilities as the external auditor of the Local Authority's financial statements. Our audit work on the financial statements of the Local Authority is carried out in accordance with our statutory obligations and is subject to separate terms and conditions. Our audit report on the Local Authority's financial statements is made solely to the Local Authority's members, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work was undertaken so that we might state to the Local Authority's members 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 the Local Authority and the Local Authority's members, as a body, for our audit work, for our audit reports, or for the opinions we have formed in respect of that audit.

Summary of HBAP report

Summary of Initial Testing

In accordance with HBAP modules an initial sample of cases was completed for all general expenditure cells. We have re-performed a sample of the Local Authority's testing and confirm the tests we have carried out concur with the Local Authority's results:

Cell 011 Non HRA Rent Rebate Isolated Classification Error

1 claim had been manually adjusted to correct a classification error between Local Authority Overpayment Error and Eligible Overpayment Error. However the adjustment applied was less than required. As this was the only claim subject to manual adjustment it was possible to isolate the error and amend the claim accordingly.

Cell 055 HRA Rent Rebate Incorrect Application of Social Sector Size Criteria (SSSC) Deduction

Initial Testing of Cell 055 identified that the Local Authority has incorrectly applied the SSSC deduction to 1 claim resulting in an underpayment of benefit, this could cause an overpayment in another circumstance. The Authority identified a sub-population of claims where the SSSC deduction had been applied and as it was not possible to correctly establish the error for amendment additional testing of 40 of these cases was completed for the error.

Cell 094 Rent Allowance

No claims were found to be in error.

Completion of Modules

Completion of Module 2

Testing of the module 2 for correct uprating of system parameters identified no issues. This is detailed in Appendix B This is detailed in Appendix B.

Completion of module 5

We have completed the questionnaire for the appropriate software supplier and no issues were identified.

Summary of testing arising from Cumulative Assurance Knowledge and Experience

In line with the requirements of HBAP Modules we have undertaken CAKE testing based upon the preceding Qualification Letter. Where appropriate the Authority has completed testing of the sub populations for:

HRA Rent Rebates Cell 055 – Incorrect Calculation of Self Employed Income

HRA Rent Rebates Cell 072 – Incorrect Classification of Prior Year Eligible Overpayments

We have re-performed a sample of the Authority's testing and confirm the tests we have carried out concur with the Authority's results. These results are outlined in the appropriate appendix.

The CAKE tests returned further errors for 2018/19 and therefore cannot be closed.

Summary paragraph/ending of letter

For the amended form MPF720A dated 21 November 2019 for the year ended 31 March 2019 we have completed the specific test requirements detailed in the DWP reporting framework instruction HBAP and have identified the following results set out in Appendix A, B, C and D).

Firm of accountants – Grant Thornton UK LLP

Office - London

Contact details – Sarah Ironmonger

Sarah.L.Ironmonger @uk.gt.com

0207 865 2997

Signature...........Grant Thornton UKLLP..........

Date – 28th November 2019

Appendix A Exceptions/errors found

Error Type 3 – benefit overpaid or insufficient supporting information

Cell 055 Incorrect Calculation of Self Employed Income
Cell 055: HRA rent rebates total expenditure
Cell Total: £22,452,005
Cell Total £1,425,206 – sub population
Cell Population: 5,625 cases
Cell Population: 349 cases – sub population
Headline Cell: £22,452,005

In 2017/18 our testing identified that the Local Authority had incorrectly calculated self-employed income resulting in an overpayment of benefit. During our initial testing, no cases were identified where the assessment was based on self-employed and therefore no errors were identified.

However given the nature of the population and the errors found in the previous claim, an additional sample of 40 cases where an assessment in the subsidy period was based upon self-employed income was tested. This additional testing identified:

1 case (value: £5,452) which resulted in an overpayment of housing benefit to a total of £34 in 2018/19 due to miscalculating the claimant's self-employed income. The effect of this error was to overstate Cell 061 with a corresponding understatement of Cell 065; there is no effect on Cell 055.

3 cases (total value: £8,752) which had resulted in an underpayment of housing benefit to a total of £702 in 2018/19 due to miscalculating the claimants' self-employed income. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment (or nil impact) identified does not affect and has not, therefore, been classified as errors for subsidy extrapolation purposes.

Sample	Movement / brief note of error:	Original cell total: sub population (claims with earning)	Sample error:	Sample value:	Percentage error rate (to three decimal places)	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV X CT]
Initial sample – 0 cases	No errors identified in the initial sample	£1,425,206	£0	£0		
CAKE sample – 40 cases	Incorrect self-employed income calculation	£1,425,206	£34	£157,460		
Combined sample - 40 cases	**Overpayment of benefit due to incorrect self-employed income calculation – Cell 061 overstated and Cell 065 understated**	**£1,425,206**	**£34**	**£157,460**	**0.022%**	**£308**
Adjustment	Combined Cell 061 overstated	£1,425,206	£34	£157,460	0.022%	£308
Total corresponding adjustment	**Total understatement of Cell 065**					**£308**

Error Type 4 – expenditure misclassification. Where benefit expenditure has been misclassified

Cell 072 Incorrect Classification of Prior Year Eligible Overpayments
Cell Total: 309,215
Cell population 384
Headline Cell (Cell 55): £22,452,005

It was identified in the 2017/18 claim and reported in the qualification letter for that year that Cell 072 included prior year overpayments that should properly have been classified as Cell 070 LA error and administrative delay prior year eligible overpayments. Testing within the initial testing for 2018/19 included no cases within Cell 072 prior year eligible overpayments. Additional 40+ testing was undertaken on Cell 072 overpayments.

Additional Testing:

Testing of an additional random sample of 40 cases identified 1 case (total value £2,523) where the dates have been incorrectly applied and part of the prior year overpayment should have been classified in cell 072 (LA error prior year overpayments) not cell 072. Consequently, cell 072 is overstated and cell 070 is correspondingly understated there is no effect on cell 055.

The value of the error was £2.

Sample	Movement / brief note of error:	Original cell total: sub population (claims with earning)	Sample error:	Sample value:	Percentage error rate (to three decimal places)	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]
Initial sample - 0 cases	No errors identified in the initial sample.	£309,215	£0	£0		
Additional sample - 40 cases	Misclassification of prior year overpayment error as eligible overpayment	£309,215	£2	£28,833		
Combined sample 40 cases	**Overstatement of Cell 072 and understatement of Cell 070**	**£309,215**	**£2**	**£28,833**	**0.007%**	**£22**
Adjustment	Combined sample - Cell 072 prior year eligible overpayments is overstated.	£309,215	£2	£28,833	0.007%	£22
Total corresponding adjustment	**Total understatement of Cell 070**					**£22**

Appendix B Observations

Cell 055 Incorrect application of Social Sector Size Criteria (SSSC) Deduction
Cell 055 HRA rent rebates total expenditure
Cell Total: £22,452,005
Cell Total £12,270,349 – sub population
Cell Population: 5,625 cases
Cell Population: 2,749 cases – sub population

Initial testing included 5 cases (total value: £15,354) which included deductions for SSSC. Initial Testing showed 1 claim (value: £2,499) had the SSSC deduction incorrectly applied that resulted in an underpayment of £197. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment (or nil impact) identified does not affect and has not, therefore, been classified as errors for subsidy purposes and so has not been extrapolated.

As it was not possible to correctly establish the error for amendment additional testing of 40 cases was completed.

No further errors were identified in relation to SSSC deduction as a result of this testing.

Appendix C: Amendments to the claim form MPF720A

Error Type 4 – expenditure misclassification. Where benefit expenditure has been misclassified

Cell 26 Overpaid Non-HRA Rent Rebates Current Year LA Error and Administrative Delay

One claim in Cell 26 was identified as misclassified as LA error and administrative delay overpayments, prior to the production of the initial claim form via a manual adjustments report, (value of misclassification £45.63). This was correctly amended and included within cell 28, eligible overpayments, prior to completion of the final claim form.

Initial testing found that the misclassification adjustment had not been made in full. The full value of the misclassified overpayment was £57. As there was only one case in Cell 26 misclassified per the manual adjustment report an amendment of a further £12 is required to the claim form as Cell 26 is overstated by £12 and Cell 28 is understated by the same amount.

This is reflected in the amendment made to Form MPF720a dated 21 November 2019

Appendix D Additional issues

No additional issues to report.

Grant Thornton

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Grant Thornton UK LLP
110 Bishopsgate
London
EC2N 4AY

James Deane
Corporate Director
Dacorum Borough Council
The Forum
Marlowes
Hemel Hempstead
Hertfordshire
HP1 1DN

Dear James

Audit scope and additional work 2019/20

In recent conversations, including at Dacorum Borough Council's Audit Committee, we have discussed the increased regulatory focus facing all audit suppliers and the impact this will have on the scope of our work for 2019/20 and beyond. You will have also recently received a letter via email from Tony Crawley of PSAA explaining the changing regulatory landscape. In his letter, Mr Crawley highlights: "*significantly greater pressure on firms to deliver higher quality audits by requiring auditors to demonstrate greater professional scepticism when carrying out their work across all sectors – and this includes local audit. This has resulted in auditors needing to exercise greater challenge to the areas where management makes judgements or relies upon advisers, for example, in relation to estimates and related assumptions within the accounts. As a result, audit firms have updated their work programmes and reinforced their internal processes and will continue to do so to enable them to meet the current expectations*."

I promised I would set out in more detail the likely impact of this on our audit, and I am pleased to do in this letter. Should further matters arise during the course of the audit they could also have fee and timetable implications that we would need to address at that point.

Across all suppliers, and sectors (public and private), the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, as well as to undertake additional and more robust testing. There is a general 'raising of the quality bar' following a number of recent, high-profile company failures that have also been attributed to audit performance. Alongside the FRC, other key stakeholders including the Department for Business, Energy and Industrial Strategy (BEIS) have expressed concern about the quality of audit work and the need for improvement. The FRC has been clear to us that it expects audit quality in local audit to meet the same standards as in the corporate world and the current level of financial risk within local audit bodies supports this position.

As a firm, we are absolutely committed to meeting the expectations of the FRC and other key stakeholders with regard to audit quality and public sector financial reporting. To ensure the increased regulatory focus and expectations are fully met, we anticipate that, as first seen in 2018/19, we will need to commit more time in discharging our statutory responsibilities, which will necessitate an increase in costs. I set out below the implications of this for your Council's audit.

Increased challenge and depth of work – raising the quality bar

The FRC has raised the threshold of what it assesses as a good quality audit. The FRC currently uses a four-point scale to describe the quality of the files it reviews, as follows:

Score	Description
1 or 2a	Acceptable with Limited Improvements Required
2b	Improvements Required
3	Significant Improvements Required

Historically, the FRC's definition for 2b was 'acceptable but with improvements required' and, as such, both the Audit Commission and PSAA considered a '2b' to represent an acceptance level of audit quality for contract delivery purposes. The FRC has now set a 100% target for all audits (including local audits) to achieve a '2a'. Its threshold for achieving a '2a' is challenging and failure to achieve this level is reputationally damaging for individual engagement leads and their firm. Non-achievement of the standard can result in enforcement action, including fines and disqualification, by the FRC. Inevitably, we need to increase the managerial oversight to manage this risk. In addition, you should expect the audit team to exercise even greater challenge of management in areas that are complex, significant or highly judgmental. We will be required to undertake additional work in the following areas, amongst others:

- use of specialists
- information provided by the entity (IPE)
- journals
- management review of controls
- revenue
- accounting estimates
- financial resilience and going concern
- related parties and similar areas.

As part of our planning, we have also reflected on the level of materiality which is appropriate for your audit. As outlined above, the profile of local audit has increased considerably over the past year. The reviews led by Sir John Kingman, Sir Donald Brydon and Sir Tony Redmond are focusing attention on the work of auditors everywhere. Parliament, through the work of its Scrutiny Committees, has made clear its expectations that auditors will increase the quality of their work.

As a result, you may find the audit process for 2019/20 and beyond even more challenging than previous audits. This mirrors the changes we are seeing in the commercial sectors.

Property, plant and equipment (PPE or 'Fixed Assets')

The FRC has highlighted that auditors need to improve the quality of audit challenge on Property, Plant and Equipment (PPE) valuations across the sector. We will therefore increase the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations.

Pensions (IAS 19)

The FRC has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Specifically, for the following areas, we will increase the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting. Our planned additional procedures include:

- verification of the accuracy and completeness of the data provided to the actuary by both the admitted body and the administering authority.
- checking the value of the Pension Fund Assets at 31 March per the Council's financial statements against the share of assets in the Pension Fund statements
- review and assess whether the significant assumptions applied by the actuary are reasonable and are followed up on areas identified by either our review or PwC as outliers.

- ensuring that the instructions from the audit team to the Pension Fund auditor include enquiries in respect of service organisation reports as well as testing in respect of material level 3 pension assets (please note that this is outside the scope of PSAA's fee variation process).

Complex accounting issues and new accounting standards

You are required to respond effectively to new accounting standards and we must ensure our audit work in these new areas is robust. This year we will both be responding to the introduction of IFRS16. IFRS16 requires a leased asset, previously accounted for as an operating lease off balance sheet, to be recognised as a 'right of use' asset with a corresponding liability on the balance sheet from 1 April 2020. There is a requirement, under IAS8, to disclose the expected impact of this change in accounting treatment in the 2019/20 financial statements.

We know the Council has appreciated our responsiveness in the past and we would wish to continue to be able to do this in the future.

Impact on the audit and associated costs

You will note we did not raise additional fees across the sector as a whole in 2018/19 in respect of the additional work required in response to the implementation of IFRS9 and IFRS15. This was a goodwill decision we took in support of the strong relationship we have with the sector. However, the volume of additional work now being required, as set out above, means we are no longer able to sustain that position. This is an issue not just across public services but also in the private sector where fees are being increased by all of the major suppliers by more than 20%.

We benefit from effective and constructive working relationships which we have established during our engagement with you to date. This allows us to absorb some of the impact of these changes. Using our strong working knowledge of you and efficiencies that we are continuously seeking to implement as part of our focus on continued collaborative working with you, we have sought to contain the impact as much as possible to below the market average.

We have assessed the impact of the above as follows for 2019/20, with the comparative position for the two previous years shown. Please note these are subject to approval by PSAA in line with PSAA's normal process. Should other risks arise during the course of the audit which we have not envisaged, we may need to make a further adjustment to the fee.

Area	Cost £		
	2019/20	2018/19	2017/18
Scale fee	£56,480	£56,480	£73,350
Increased challenge and depth of work	£2,500	£0	£0
PPE	£1,750	£1,200	£0
Pensions	£1,750	£1,200	£0
New standards/ developments	£1,500	£1,600	£0
Total	**£63,980**	**£60,480**	**£73,350**

This would give a scale fee for the statutory accounts audit for 2019/20 of £63,980 plus VAT.

Please note that PSAA's arrangements require a separation of fees and remuneration, which means that Grant Thornton does not receive 100% of the current fees charged.

The additional work we are now planning across the whole of our portfolio will inevitably have an impact on the audit timetable and whether or not your audit can be delivered to appropriate quality standards by the 31 July 2020. Grant Thornton remains the largest trainer of CIPFA qualified accountants in the UK and is committed to continue to resource its local audits with suitably specialised and experienced staff but the pool of such staff is relatively finite in the short-term. I will be happy to explain the impact of the further work we are planning to undertake on our delivery timetable for your audit, which at this stage is planned to be delivered by 31 July 2020.

Future changes to audit scope

As I have previously mentioned in meetings and at the audit committee, the National Audit Office is currently consulting on revisions to the Code of Audit Practice and has also indicated its intention to consult on the accompanying Auditor Guidance Notes. This defines the scope of audit work in the public sector. The most significant change is in relation to the Value for Money arrangements. Rather than require auditors to focus on delivering an overall, binary, conclusion about whether or not proper arrangements were in place during the previous financial year, the draft Code requires auditors to issue a commentary on each of the criteria. This will allow auditors to tailor their commentaries to local circumstances. The Code proposes three specific criteria:

a) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;

b) Governance: how the body ensures that it makes informed decisions and properly manages its risks; and

c) 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.

Under each of these criteria, statutory guidance will set out the procedures that auditors will need to undertake. An initial review of arrangements will consist of mandatory procedures to be undertaken at every local public body plus any local risk-based work. The consultation closed on 22 November 2019. A new Code will be laid before Parliament in April 2020 and will apply from audits of local bodies' 2020/21 financial statements onwards.

Until the consultation is finalised and more details emerge of what is expected of auditors, it is difficult to cost the impact. However, as soon as the requirements are finalised and it is clear exactly what the expectations will be, I will share with you further thoughts on the potential impact on the audit and associated costs.

I hope this is helpful and allows you to plan accordingly for the 2019/20 audit. Should you wish to discuss this further, please do not hesitate to contact me. We will be sharing our detailed Audit Plan with you in due course. We look forward to working with you again this year,

Yours sincerely

Sarah Ironmonger

Engagement Lead and Key Audit Partner

For and on behalf of Grant Thornton UK LLP

Grant Thornton

External Audit Plan

Year ending 31 March 2020

Dacorum Borough Council

5 February 2020

Contents

Your key Grant Thornton team members are:

Sarah Ironmonger
Engagement Lead
T: +44 (0)207 865 2997
E: Sarah.L.Ironmonger@uk.gt.com

Amber Banister
Audit Manager
T: +44 (0)207 865 2021
E: Amber.J.Banister@uk.gt.com

1. Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Dacorum Borough Council ('the Authority') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out *in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Dacorum Borough Council. We draw your attention to both of these documents on the* PSAA website.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the :

- Authority financial statements that have been prepared by management with the oversight of those charged with governance (the Audit committee); and
- Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how you are fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of your business and is risk based.

Significant risks	Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as: • Revenue cycle includes fraudulent transactions (risk rebutted) • Valuation of land and buildings • Valuation of net pension fund liability • Management override of controls We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.
Materiality	We have determined planning materiality to be £3.2 million (PY £2.9 million) for the Authority, which equates to 2% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.2 million (PY £0.14 million).
Value for Money arrangements	Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks: • Financial sustainability in the medium term
Audit logistics	Our interim visit will take place in March and our final visit will take place in June and July. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A. Our fee for the audit will be £63,980 (PY: £56,480 plus additional £4,000 fee variation) for the Authority, subject to the Authority meeting our requirements set out on page 12.
Independence	We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

2. Key matters impacting our audit

Factors

The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents.

For 2019/20 to date your are experiencing challenging financial circumstances with the Q2 overall forecast for the General Fund outturn being a pressure of £126k against the agreed budget. This is due predominantly to overspends in commercial waste, fleet vehicle maintenance and reductions in planning and garage income. There is also slippage in the General Fund capital budget with £3.1 million being moved to the 2020/21 budget.

However the HRA is performing well with £433k underspends against budget for the quarter.

At a national level, the government continues its negotiation with the EU over Brexit, and future arrangements require further clarity. You will need to ensure that you are prepared for all outcomes, including in terms of any impact on contracts, on service delivery and on your support for local people and businesses.

Financial reporting and audit – raising the bar

The Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, and to undertake more robust testing as detailed in Appendix 1.

Our work in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved, with a corresponding increase in audit procedures. We have also identified an increase in the complexity of local government financial transactions which require greater audit scrutiny.

Implementation of IFRS 16 - Leases

The implementation of this standard is delayed until 1 April 2020 in the public sector when it will replace IAS 17 Leases. The current distinction between operating and finance leases is removed for lessees and all leases will be recognised on the balance sheet with lessees recorded as a right of use asset and a liability to make the lease payments.

You will need information and processes in place to enable you to comply with the requirements. There are disclosures requirements in the 2019/20 accounts about the impact of IFRS 16.

Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to material uncertainty about the going concern of the Authority and will review related disclosures in the financial statements.

- As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee, as set further in our Audit Plan, and is subject to both your and PSAA agreement.

- We will assess the adequacy of your disclosure about the financial impact of implementing IFRS 16 – Leases from 1 April 2020.

4. Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions (rebutted)	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Dacorum Borough Council, mean that all forms of fraud are seen as unacceptable	Therefore we do not consider this to be a significant risk for Dacorum Borough Council.
Management over-ride of controls	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. You face external scrutiny of your spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We will: • evaluate the design effectiveness of management controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals; • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings	You revalue your land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£1.2 billion in 2018/19) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in your financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used . We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.	We will: • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert • write to the valuer to confirm the basis on which the valuation was carried out; • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the valuer's report and the assumptions that underpin the valuation; • test revaluations made during the year to see if they had been input correctly into your asset register; • evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	Your pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£80 million in your balance sheet in 2018/19) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.	We will: • update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of Hertfordshire County Council Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

5. Other risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
International Financial Reporting Standard (IFRS) 16 Leases – (issued but not adopted)	The public sector will implement this standard from 1 April 2020. It will replace IAS 17 Leases, and the three interpretations that supported its application (IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases – Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease). Under the new standard the current distinction between operating and finance leases is removed for lessees and, subject to certain exceptions, lessees will recognise all leases on their balance sheet as a right of use asset and a liability to make the lease payments. In accordance with IAS 8 and paragraph 3.3.4.3 of the Code disclosures of the expected impact of IFRS 16 should be included in the Authority's 2019/20 financial statements. The Code adapts IFRS 16 and requires that the subsequent measurement of the right of use asset where the underlying asset is an item of property, plant and equipment is measured in accordance with section 4.1 of the Code.	We will: • Evaluate the processes the Authority has adopted to assess the impact of IFRS16 on its 2020/21 financial statements and whether the estimated impact on assets, liabilities and reserves has been disclosed in the 2019/20 financial statements; • Assess the completeness of the disclosures made by the Authority in its 2019/20 financial statements with reference to The Code and CIPFA/LASAAC Local Authority Leasing Briefings.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2020.

6. Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Authority
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions
- We consider our other duties under the Local Audit and Accountability Act 2014 (the Act) and the Code, as and when required, including:
    - Giving electors the opportunity to raise questions about your 2019/20 financial statements, consider and decide upon any objections received in relation to the 2019/20 financial statements
    - Issue of a report in the public interest or written recommendations to the Authority under section 24 of the Act, copied to the Secretary of State
    - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act or
    - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about your ability to continue as a going concern” (ISA (UK) 570). We will review management's assessment of the going concern assumption and material uncertainties, and evaluate the disclosures in the financial statements.

7. Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

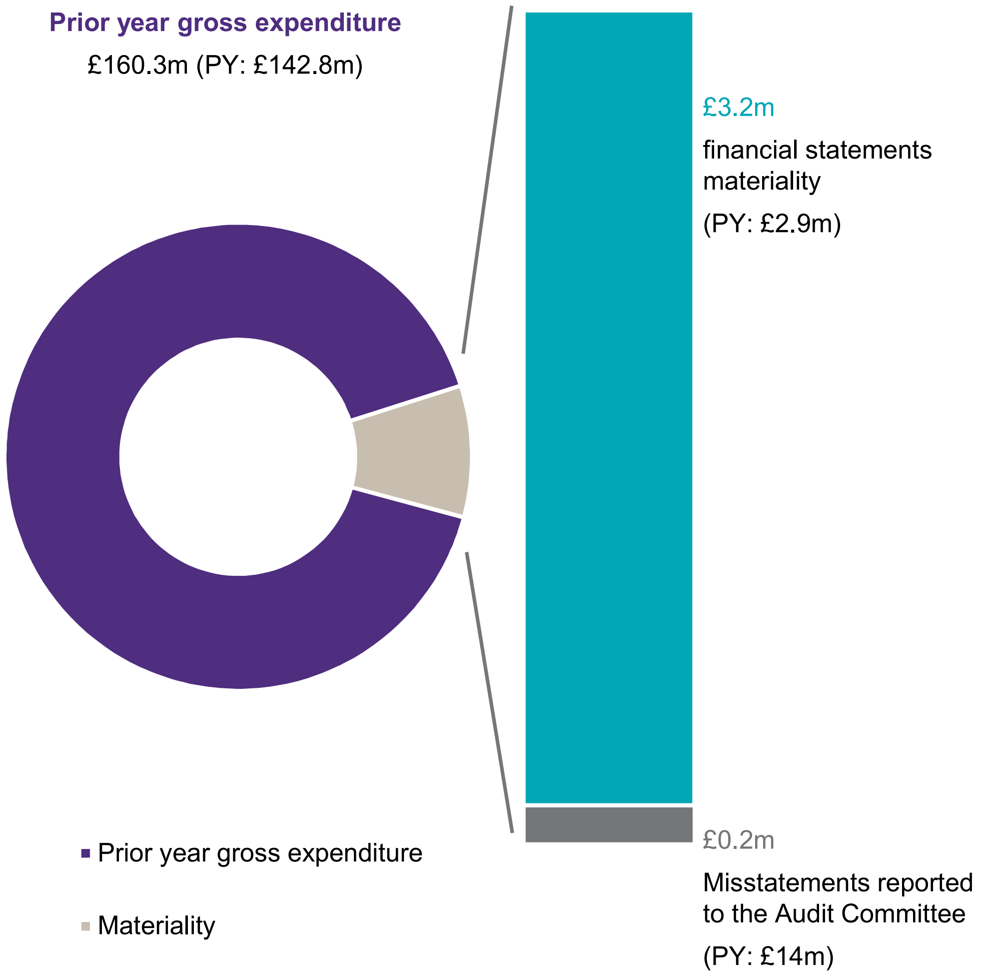
We have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £3.2 million (PY £2.9 million), which equates to 2% of your prior year gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £100k senior officer remuneration.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.2 million (PY £0.14 million).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.



8. Value for Money arrangements

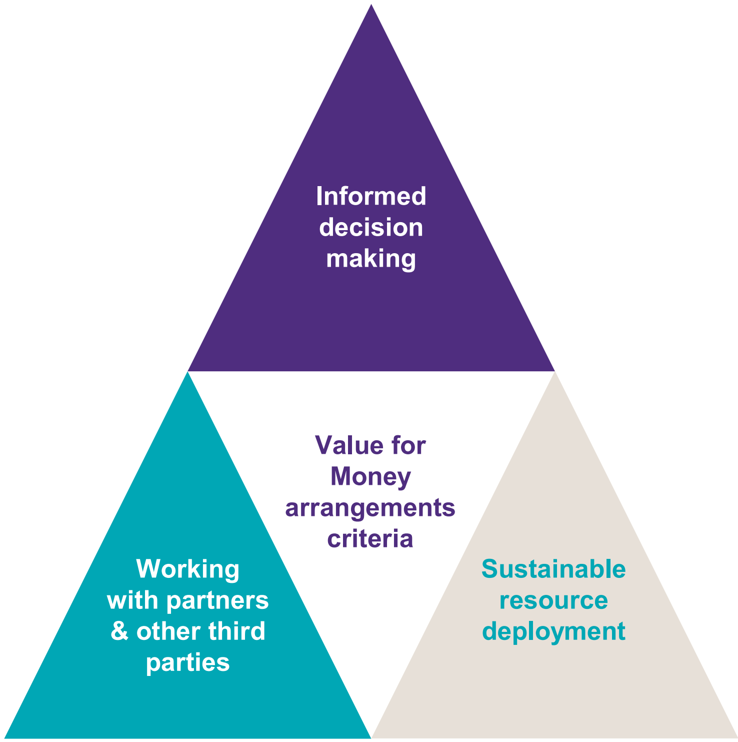
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:



Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Authority to deliver value for money.

Financial Sustainability in the Medium Term – Sustainable Resource Deployment

The overall Local Government sector has been facing a challenging financial outlook in recent years, which is to continue into 2019/20 and for the medium term. Further pressure is expected across the sector as a result of continued increasing demand for services and falling central government funding, factors which are also affecting Dacorum Borough Council.

At Q2 the overall forecast outturn for the general fund for 2019/20 is a £126,000 overspend against budget. The overspend is principally due to adverse variances within garage income, planning, fleet vehicle maintenance and commercial waste. The forecast overspend would result in a contribution from the General Fund reserve if it remained at year end.

You have set a medium term financial strategy for 2019/20 to 2023/24 however this incorporates some challenging assumptions such as delivering a four-year General Fund savings target of £2.9 million from 2020/21 as well as a savings requirement in 2019/20 of £0.889 million.

The current financial year, 2019/20, is the final year of a four-year funding settlement agreed with Central Government in 2016. There have been no indications from Central Government as to the level of funding that Dacorum or any other Local Authority can expect in 2021 and beyond. It is widely anticipated that the updated redistribution model will respond to pressures on adult social care which may lead to a less favourable settlement for district councils such as Dacorum. Your MTFS has therefore sought to plan for this economic risk with the assumption built in of working towards self sufficiency by 2022/23 and no government funding in the medium term, falling each year until 2022/23.

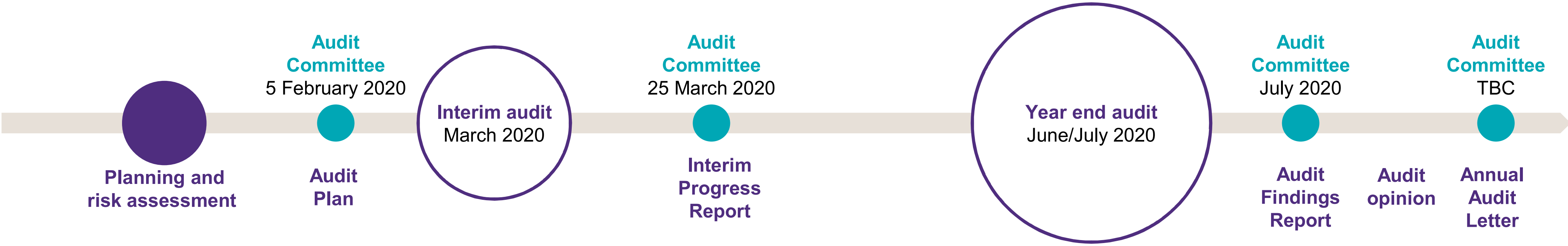
If the funding reductions are less than assumed, then your savings target will need to reduce. If the reductions are greater than assumed you have a balance of £900k in your Savings Efficiencies Reserve forecast for the end of 2020, which is held to provide a short-term relief and giving additional time to identify more sustainable savings initiatives. This would not be sufficient over the medium term, however.

All of the above indicate pressure and uncertainty in relation to resources in the medium term.

Planned Response

We will update our understanding of your financial arrangements including evaluating the robustness of your medium term financial plan and budgeting to ensure that resources are deployed to achieve planned and sustainable outcomes for local tax payers.

9. Audit logistics & team



Page 27

Sarah Ironmonger, Key Audit Partner

Amber Banister, Audit Manager

Client responsibilities

Where clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

10. Audit fees

Planned audit fees 2019/20

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing. Within the public sector, where the FRC has recently assumed responsibility for the inspection of local government audit, the regulator requires that all audits achieve a 2A (few improvements needed) rating.

Our work across the sector in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved. We have also identified an increase in the complexity of local government financial transactions. Combined with the FRC requirement that 100% of audits achieve a 2A rating this means that additional audit work is required. We have set out below the expected impact on our audit fee. The table overleaf provides more details about the areas where we will be undertaking further testing.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee for 2019/20 at the planning stage, as set out below and with further analysis overleaf, has been discussed with the Corporate Director of Finance and Operations and is subject to PSAA agreement.

(*£4,000 has yet to be approved by PSAA)

	Actual Fee 2017/18	Actual Fee 2018/19	Proposed fee 2019/20
Audit	£73,350	£60,480*	£63,980
Total audit fees (excluding VAT)	**£73,350**	**£60,480**	**£63,980**

Assumptions:
In setting the above fees, we have assumed that the Authority will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards:
In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with staff of appropriate skills, time and abilities to deliver an audit to the required professional standard.

Audit fee variations – Further analysis

Planned audit fees

The table below shows the planned variations to the original scale fee for 2019/20 based on our best estimate at the audit planning stage. Further issues identified during the course of the audit may incur additional fees. In agreement with PSAA (where applicable) we will be seeking approval to secure these additional fees for the remainder of the contract via a formal rebasing of your scale fee to reflect the increased level of audit work required to enable us to discharge our responsibilities. Should any further issues arise during the course of the audit that necessitate further audit work additional fees will be incurred, subject to PSAA approval.

Audit area	£	Rationale for fee variation
Scale fee	56,480	
Raising the bar	2,500	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity.
Pensions – valuation of net pension liabilities under International Auditing Standard (IAS) 19	1,750	We have increased the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting.
PPE Valuation – work of experts	1,750	We have therefore increased the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations.
IFRS 16	£1,500	Note that PSAA's original scale fee for this contract was set in March 2018, so any new developments since that time need to be priced in. One such change is the introduction and changes required to leases accounting as a result of IFRS 16. Therefore additional will be required for auditing IFRS16 implementation and corresponding disclosure required in 19/20 under IAS8.
Revised scale fee (to be approved by PSAA)	**63,980**	

11. Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council’s Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office’s Auditor Guidance Note 01 issued in December 2017 and PSAA’s Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. The following other services were identified.

Page 30

Service	£	Threats	Safeguards
Audit related:			
Certification of Housing capital receipts grant	10,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,500 in comparison to the total fee for the audit of £63,980 and in particular relative to Grant Thornton UK LLP’s turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of pooling housing capital receipts	TBC (£2,750 for 2018/19)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is approximately £2,750 in comparison to the total fee for the audit of £63,980 and in particular relative to Grant Thornton UK LLP’s turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related:			
N/A			

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Authority’s policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.
None of the services provided are subject to contingent fees
The firm is committed to improving our audit quality – please see our transparency report - https://www.grantthornton.ie/about/transparency-report/

Appendices

A. Audit Quality – national context

Appendix A: Audit Quality – national context

What has the FRC said about Audit Quality?

The Financial Reporting Council (FRC) publishes an annual Quality Inspection of our firm, alongside our competitors. The Annual Quality Review (AQR) monitors the quality of UK Public Interest Entity audits to promote continuous improvement in audit quality.

All of the major audit firms are subject to an annual review process in which the FRC inspects a small sample of audits performed from each of the firms to see if they fully conform to required standards.

The most recent report, published in July 2019, shows that the results of commercial audits taken across all the firms have worsened this year. The FRC has identified the need for auditors to:

- improve the extent and rigour of challenge of management in areas of judgement
- improve the consistency of audit teams' application of professional scepticism
- strengthen the effectiveness of the audit of revenue
- improve the audit of going concern
- improve the audit of the completeness and evaluation of prior year adjustments.

The FRC has also set all firms the target of achieving a grading of '2a' (limited improvements required) or better on all FTSE 350 audits. We have set ourselves the same target for public sector audits from 2019/20.

Other sector wide reviews

Alongside the FRC, other key stakeholders including the Department for Business, energy and Industrial Strategy (BEIS) have expressed concern about the quality of audit work and the need for improvement. A number of key reviews into the profession have been undertaken or are in progress. These include the review by Sir John Kingman of the Financial Reporting Council (Dec 2018), the review by the Competition and Markets authority of competition within the audit market, the ongoing review by Sir Donald Brydon of external audit, and specifically for public services, the Review by Sir Tony Redmond of local authority financial reporting and external audit. As a firm, we are contributing to all these reviews and keen to be at the forefront of developments and improvements in public audit.

What are we doing to address FRC findings?

In response to the FRC's findings, the firm is responding vigorously and with purpose. As part of our Audit Investment Programme (AIP), we are establishing a new Quality Board, commissioning an independent review of our audit function, and strengthening our senior leadership at the highest levels of the firm, for example through the appointment of Fiona Baldwin as Head of Audit. We are confident these investments will make a real difference.

We have also undertaken a root cause analysis and put in place processes to address the issues raised by the FRC. We have already implemented new training material that will reinforce the need for our engagement teams to challenge management and demonstrate how they have applied professional scepticism as part of the audit. Further guidance on auditing areas such as revenue has also been disseminated to all audit teams and we will continue to evolve our training and review processes on an ongoing basis.

What will be different in this audit?

We will continue working collaboratively with you to deliver the audit to the agreed timetable whilst improving our audit quality. In achieving this you may see, for example, an increased expectation for management to develop properly articulated papers for any new accounting standard, or unusual or complex transactions. In addition, you should expect engagement teams to exercise even greater challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. As a result you may find the audit process even more challenging than previous audits. These changes will give the audit committee – which has overall responsibility for governance - and senior management greater confidence that we have delivered a high quality audit and that the financial statements are not materially misstated. Even greater challenge of management will also enable us to provide greater insights into the quality of your finance function and internal control environment and provide those charged with governance confidence that a material misstatement due to fraud will have been detected.

We will still plan for a smooth audit and ensure this is completed to the timetable agreed. However, there may be instances where we may require additional time for both the audit work to be completed to the standard required and to ensure management have appropriate time to consider any matters raised. This may require us to agree with you a delay in signing the announcement and financial statements. To minimise this risk, we will keep you informed of progress and risks to the timetable as the audit progresses.

We are absolutely committed to delivering audit of the highest quality and we should be happy to provide further detail about our improvement plans should you require it.

grantthornton.co.uk

Agenda Item 6

BOROUGH COUNCIL

AGENDA ITEM:

SUMMARY

Report for:	**Audit Committee**
Date of meeting:	**5 February 2020**
PART:	**1**
If Part II, reason:	

Title of report:	**Strategic Risk Register Quarter 3 2019/20**
Contact:	Cllr Graeme Elliot, Portfolio Holder Finance & Resources James Deane, Corporate Director (Finance & Operations) Linda Dargue, Lead Officer, Insurance & Risk
Purpose of report:	To provide the quarter 3 update on the Strategic Risk Register for 2019/20.
Recommendations	That the content of this report is noted, that Committee seek further assurance where required and that Committee provide provide comments and feedback on the report for Cabinet to consider.
Corporate objectives:	All. Risk management is an essential part of ensuring that the Council meets all of its corporate objectives
Implications: 'Value For Money Implications'	Financial Incorporated within the report. Value for Money Risk management is closely linked to the Council's commitment to ensure that all resources are used efficiently and forms part of effective financial planning. The Council also needs to ensure that adequate provisions are in place to address anticipated risks but that these are no greater than necessary so that maximum resources are applied to services as required. To this end the Council sets minimum target working balances for both the general fund and HRA and at the date of this report these minimum balances are secured. Budget exercises for 2019/20 have ensured that the minimum balance requirements will also be met for the next financial year.

Risk Implications	Effective risk management is an important factor in all policymaking, planning and decision-making. Failure to manage risk effectively could have serious consequences for the Council leading to increased costs, wasted resources, prosecution and criticism under external assessments
Community Impact Assessment	The content of this report does not require a Community Impact Assessment to be undertaken. Project and policy proposals identified to mitigate the risks on the Strategic Risk Register will be subject to individual Community Impact Assessments. These will be reported to Members on an individual basis.
Health And Safety Implications	Not applicable
Consultees:	Chief Officer Group
Background papers:	Cabinet, October 2014, Agenda Item 10

Report

1. The revised Strategic Risk register showing the position at the end of Q3 2019/20 is attached at Appendix A.

2. There are no changes to the risk scores for this quarter, however the narrative has been reviewed and amended as appropriate to reflect the current position.

3. This iteration of the risk register, i.e. as at quarter 3, will be reported to Cabinet, and will include comments and suggestions as requested by the Audit Committee.

Quarter 3 Strategic Risk Report

Dec-2019

Summary

The over all risk score for each or the risks highlighted within this report are arrived at by multiplying the score given for the probabilty of the risk happening and the severity of the consequences of this risk.

The probability and severty are scored 1-4 relating to their severity as shown in the below table

The severity of the overal risk score can also be found in the below table

Risk Score	Probability	Severity
1	Low	Low
2	Medium	Medium
3	High	High
4	Severe	Severe

Overal Score	RAG
0 - 4	Green
6 - 10	Amber
12-16+	Red

Inherent Probability	Inherent Impact	Inherent Risk Score	Mitigated Probability	Mitigated Impact	Mitigated Risk Score
SR1 - Funding and income is not sufficient to deliver the Council's Corporate Objectives					James Deane
4	4	16	3	3	9
SR2 - The Council is unable to recruit and retain the staff required to progress as a Modern and Efficient Council					Sally Marshall
3	3	9	2	3	6
SR3 - Social media risk					Sally Marshall
3	3	9	2	3	6
SR4 - Cyber Attack					Sally Marshall
3	4	12	2	3	6
SR5 - The Council will be unable to ensure that sufficient good quality and affordable homes can be delivered, particularly for those most in need					Mark Gaynor
4	4	16	3	3	9
SR6 - That the Borough does not secure sufficient investment in essential infrastructure that is required for continued and improved economic performance and housing delivery that is sustainable and fit for the future					Mark Gaynor
4	4	16	3	3	9
SR7 - Uncertainty around Brexit negotiations could result in the Council facing additional demand for its services in the short- to medium-term					Sally Marshall
4	4	16	4	2	8

Risk Owner : James Deane   Porfolio holder : Graeme Elliot

SR1 - Funding and income is not sufficient to deliver the Council's Corporate Objectives

Quarterly Update

On 20 December 2019, the Secretary of State announced the Provisional Local Government Finance Settlement for 2020/21. As expected, this was a one-year settlement, with a potential multi-year deal not expected until the conclusion of Government's Fair Funding Review project currently scheduled for November 2020. In the short term, the funding for 20/21 was, as the Council forecast in its draft budget to December Joint OSC, effectively a roll forward of 19/20 funding and therefore requires no further modelling for next year's budget.

Members will be kept updated on any announcements made by Government about future funding arrangements, and the implications these have for the Council's Medium-Term Financial Strategy.

Inherent Impact	Inherent Probability	Inherent Risk Score
4	4	16
Mitigated Impact	Mitigated Probablity	Mitigated Risk Score
3	3	9

LabelImpactTitle

The Council is currently in the final year of a 4-year funding deal with MHCLG, which has provided relative certainty over the minimum level of funding the Council can expect until April 2020.

Government has stated that Revenue Support Grant will not continue beyond 2020 and that in future local authorities will be funded solely through the national redistribution of Business rates. The model for determining post 2020 funding levels will be based on assessment of need, and is currently being devised through the Government's Fair Funding Review. Government has recently announced that the outcome of the Fair Funding Review will be delayed until 2021 and that the Funding Settlement for 2020 will be a one-year deal, likely to be announced in late December.

As yet there is no certainty over the level of funding that Dacorum or any other authority can expect in the future. However, there is a strong belief across the sector that the new model will divert funding away from lower tier authorities in favour of those authorities with responsibility for the provision of social care.

There are two major elements of risk associated with the impending change in funding methodology. Firstly, the Council must ensure that it's in a position to adapt to significant funding reductions at short notice when the new model is announced in November 2020. Secondly, the longer term funding outcome of the new methodology may threaten the sustainability of the services the Council plans to deliver in support of its Corporate Priorities.

Controls to manage the risk

The Council's Medium Term Financial Strategy and the HRA Business Plan are controls that mitigate the likelihood of this risk crystallising through the effective modelling of the future financial environment. Sound financial planning maximises the opportunity for the Council to identify funding risks in advance, and therefore grants more time for it to plan to provide its services differently in order to continue delivering its corporate priorities. The Council’s sound financial planning processes, detailed below, have resulted in my reducing the inherent probability score from '4', Very Likely, to a residual probability score of '3', Likely.

The Council's Medium Term Financial Strategy (MTFS) details the financial implications of the Corporate Plan over a five-year period. It ensures that the Council is able to forecast likely income pressures in the medium-term, and optimise the balance between its financial resources and the delivery of its priorities. The MTFS is reviewed at least annually and is approved by Full Council, thereby providing the opportunity for Members to make informed amendments to the Corporate Plan on the basis of likely funding constraints. The current version (approved in July 2019) is accessible via the following link:

https://democracy.dacorum.gov.uk/documents/g2126/Public%20reports%20pack%2030th-Jul-2019%2019.30%20Cabinet.pdf?T=10

The Council's Housing Revenue Account (HRA) Business Plan maps planned income and expenditure over a thirty-year period. Government legislation that can affect the Council's delivery of social housing is incorporated within the plan and forms the basis for informed strategic decision-making.

By keeping the Corporate Plan and Communications Strategy under review the Council is able to mitigate the impact of this risk, should it occur, by keeping residents informed of the pressures faced by the Council, and consequently by managing aspiration and expectation (detail below). On this basis, I have reduced the Impact score from '4', Severe, to '3', High.

The Council reviews its Corporate Plan periodically to ensure that the vision for the borough remains relevant and realistic within the financial constraints outlined within the MTFS and the HRA plan. The aspirations of the Council and the community are managed through the Council's Communications Strategy both through social media, the local press and Digest.

Evidence the risk is being managed

The financial planning controls the Council has in place to mitigate this risk are audited annually by both Internal Auditors (Mazars) and External Auditors (Grant Thornton).

The most recent internal audits of the Council’s Core Financial Systems (including Budgetary Control) were undertaken in May 2019, and all areas received a FULL level of assurance, which is the highest possible.

The external auditors, Grant Thornton, most recently gave the following 'value for money' opinion within the 2018/19 year end audit of the Council: 'based on the work we performed to address the significant risks, we are satisfied that [the Council] has proper arrangements for securing economy, efficiency and effectiveness in its use of resources.'

These independent audit opinions provide assurance that the Council is effectively controlling the processes that will enable it to derive value for money from its available resources, and therefore to maximise the opportunity for delivering its corporate objectives. Both reports are available on the following link:
https://democracy.dacorum.gov.uk/documents/g2126/Public%20reports%20pack%2030th-Jul-2019%2019.30%20Cabinet.pdf?T=10

Risk Owner : Sally Marshall   Porfolio holder : Julie Banks

SR2 - The Council is unable to recruit and retain the staff required to progress as a Modern and Efficient Council

Quarterly Update

During this last quarter there have been a number of significant actions completed. In particular, the risk presented by the shortage of qualified Building Control professionals has been mitigated by the transfer of the service to the Hertfordshire Building Control partnership to provided additonal resilience for this service.
There has been some minor restructuring within Environmental Health which will enable the Council to pursue a new recruitment drive for EHOs.
The Recruitment website has been completed and will be launched during the National Apprenticeship week.

Inherent Impact	Inherent Probability	Inherent Risk Score
3	3	9
Mitigated Impact	Mitigated Probablity	Mitigated Risk Score
3	2	6

LabelImpactTitle

The Council continues to find it challenging to recruit and retain staff with the appropriate skills to deliver all of its services, particularly within professional areas.

This challenge has grown over recent years – as the economy has emerged from the worst of the recession, the private sector employment market has become relatively more buoyant due to the continued constraints on public sector funding. General competition with the private sector for skilled employees is exacerbated for Dacorum by its close proximity to the higher salaries of the London market.

This has resulted in the appointment of agency staff in some service areas in order to maintain service delivery. A reliance on agency staff can bring with it some risks:

• Statutory – staff shortages can put delivery of the Council's statutory services at risk, e.g. Environmental Health, Housing repairs and Fire safety;
• Resilience – any need for agency staff leaves the Council vulnerable to potential higher turnover and loss of knowledge which can affect continuity of service provision;
• Financial – the cost of agency staff is higher than for permanent staff, which can pressurise budgets in several areas across the Council.
- Staff Morale - could be affected in areas which are carrying vacancies, due to increased workload pressure and as a result of lack of team rapport

This challenge affects all public sector organisations within the region, and a solution is high on the agenda for county-wide working groups of which DBC is a member.

Controls to manage the risk

This challenge affects all public sector organisations within the region, and a solution is high on the agenda for county-wide working groups of which DBC is a member.
A programme of work has been developed to enhance our ability to recruit and retain staff:
- Terms and conditions were reviewed in 2017/18 to develop a range of benefits within the remuneration package
- Flexible working arrangements were implemented at the time of moving to the Forum which provided a modern and efficient working environment
-Enhanced and expanded Graduate/apprenticeship scheme to create up to 8 new posts within areas experiencing recruitment and retention difficulties, has been implemented which is supported by a planned approach to utilising the Council's apprenticeship levy to support some of the professional training costs
-Modernisation of the recruitment web pages including video clips has been completed and the launch will coincide with National Apprenticeship week.

Further measures currently being developed and implemented include:
- Creation of a DBC framework for a talent management programme and succession planning approach supported by the career development plans
- Implementation of more robust management information which will be enabled by the implementation of a new Human Resources technology system
- Streamling of recruitment campaigns and modernisation of recruitment web pages including video clips; further develop the use of social media platforms for recruitment.
- Hosting of recruitment days to generate interest in high volume recruitment service areas and retain CV's for future reference to fast track the filling of vacancies
- Establish DBC as employer of choice by presence at careers fairs, developing links with Schools, Colleges and Universities

Evidence the risk is being managed
A recruitment and retention Project Initiation Document has been prepared for CMT. The Chief Executive is the project sponsor and is holding regularly project management meetings. project updates are provided to Corporate Management Team, Performance Board and Finance & Resources Overview and Scrutiny Committee.

Risk Owner : Sally Marshall   Porfolio holder : Andrew Williams

SR3 - Social media risk

Quarterly Update

There has been no significant change to this risk during the last quarter

Inherent Impact	Inherent Probability	Inherent Risk Score
3	3	9
Mitigated Impact	Mitigated Probablity	Mitigated Risk Score
3	2	6

LabelImpactTitle

“Almost nine in ten (86%) of UK adults now have internet access at home, and this is highest among those aged under 55. Facebook continues to be the largest social network service in the UK. In April 2016, it attracted a digital audience of 38.9 million (more than three-quarters of active internet users). This was larger than that of LinkedIn (21.8 million) and Twitter (20.9 million)” (Ofcom report 2016).

By design, social media is widely accessible and offers users easy electronic communication of personal information and other content, such as news, videos and photos. With public participation and exchange of content so readily available, this introduces a certain level of risk.

The consequences of using social media include members of the public, pressure groups or employees using DBC social media accounts to raise negative, confidential, incorrect or abusive statements/campaigns aimed at damaging the reputation of DBC. Similarly, the risk of DBC not using social media will exclude a large proportion of residents and key demographic groups including younger residents and businesses.

Controls to manage the risk

The Council monitors and protects its social media presence through a Social Media Management Platform (Social SignIn). Social SignIn provides management options for automatic moderation of abusive messages and other risk mitigation tools.

All staff are required to read and signup to a range of policies including:

• Corporate Information Security Management Policy
• Corporate Information Technology Security Policy
• Data Protection Act Policy
• Freedom of Information Policy
• PSN/Government Connect (GSx) Acceptable Usage Policy
• Information Security Incident Procedure

Evidence the risk is being managed

An audit of DBC’s internal controls in strategy and governance, training and awareness, processes and technology, found that there is a sound system of internal control designed to achieve the system objectives. (Formally audited by Mazars in 2018).

Risk Owner : Sally Marshall   Porfolio holder : Andrew Williams

SR4 - Cyber Attack

Quarterly Update

Public Sector Network Compliance sign off has been achieved for 2020/21 during the last quarter.

Inherent Impact	Inherent Probability	Inherent Risk Score
4	3	12
Mitigated Impact	Mitigated Probablity	Mitigated Risk Score
3	2	6

LabelImpactTitle

At least 98 million cyber-attacks were carried out on local authorities between 2013 and 2017. 114 (29%) councils experienced at least one cyber security breach - between 2013 and 2017.

The Council's ICT team is aware that the council's network is the subject of attempted cyber-attacks on a daily basis from a range of sources, likely to include organised crime and state operators.

The potential consequences of a successful cyber-attack are extremely damaging to any organisation. In the public sector, cyber-attacks on NHS trusts have led to cancelled operations, including the WannaCry attack in 2017 that affected 45 NHS organisations. In 2016 Lincolnshire County Council were hit with a £1M demand following a ransomware infection.
Within Dacorum, a successful and extensive cyber-attack has the potential to impair the delivery of all services to its residents. Also any sucessful Cyber Attack could significantly impact the Council's reputation, as residents may loose confidence in the management of electronic records.

Controls to manage the risk

The Council monitors and protects against threats with particular attention to the following, in line with the Government's Cyber Essentials direction:

- Boundary firewalls and internet gateways
- Secure configuration
- Access control
- Malware protection
- Patch management

Evidence the risk is being managed

Adherence to National Cyber Security Centre (NCSC) Cyber Essentials (formally audited 2017); Public Sector Network (PSN) Compliance (including annual vulnerabilities assessment by approved cyber security consultancy)

Risk Owner : Mark Gaynor Porfolio holder : Margaret Griffiths

SR5 - The Council will be unable to ensure that sufficient good quality and affordable homes can be delivered, particularly for those most in need

Quarterly Update

The Council are liaising with Homes England to bid for Affordable Housing Grant for social rent which, if successful, will allow us to increase the output of new affordable homes.

Inherent Impact	Inherent Probability	Inherent Risk Score
4	4	16
Mitigated Impact	Mitigated Probablity	Mitigated Risk Score
3	3	9

LabelImpactTitle

Housing costs in Dacorum are already extremely high and among the highest in the country outside of London. The impact of this is that local people (and potential new residents) face considerable difficulties accessing decent and affordable homes. This has potential risks in increased homelessness, difficulties in attracting new business and inward investment and breakdown of family support networks if people have to move away or have to stay longer in parental homes than is desirable.

The causes for this are complex and varied, and some are outside of the Council's control, but include:

• The high cost of owner occupation due to location, local income levels, market shortage and increasing demand from people moving out from London. This can mean owner occupation is well beyond the reach of a large number of local people.
• The Private Rented Sector is not focused on providing homes of quality to those on low incomes with short 6 months tenancies and often in poor condition.
• The planning system does not have the levers to require new homes to be built and with respect of providing affordable homes the rented product – usually affordable rent at 80% of market rent - they are too expensive for those on low incomes.
• There are still cuts being made to the benefits systems and Universal Credit has seen a dramatic increase in the levels of rent arrears in those areas that have already had the full roll out. This will cause further difficulty for low income households to afford rent and would lead to still further homelessness.

The key risks this raises for the Council are:

• The supply of homes is unable to match demand
• An increase in the levels of homelessness resulting from landlords in private renting seeking to maximise their rents
• The impact of Universal Credit roll out leading to increased arrears, debt and homelessness
• A general risk that the construction industry may not have the capacity to meet the level of demand for development
• The HRA will not be able to access sufficient funds to fulfil the Council's programme of social rented housing

Controls to manage the risk
The Local Plan is currently under development and is likely to go out for public consultation in the summer of 2019. This will incorporate a very high level of housing growth and the plan needs to ensure that the sites are identified and are likely to be delivered in the timescales identified. There will be a strong affordable housing policy, building on the current one, which will require at least 35% affordable homes on every scheme above 10 units. The council is stengthening its expertise in Planning on robustly testing developers viability submissions. This will include no longer accepting developer arguments that the cost of land prevents or reduces the amount of affordable they can deliver – they should take account of the council's policy when agreeing the price. Ensuring good masterplanning of the larger sites emerging from the Local Plan will mean that they are more likely to be built out as planned and will be more attractive for potential buyers. The Private Housing Service in Housing, which includes Private Renting, has been reshaped and is geared up to the licensing of up to 900 Houses in Multiple Occupation and addressing issue of disrepair and harassment in the sector. It will work with and support landlords who are prepared to grant longer tenancies which will allow families more security and stability. There is already a new build council home programme of 370 new homes by 2022 that is just starting. The government has announced that the cap on the HRA borrowing will be ended in April 2019 and the programme will be further expanded. A full assessment of the capacity of the HRA to move to an output of around 100-200 new homes per year will be made in the very near future and will gear up for that level of delivery. This will help, though not solve, the shortage of affordable homes for rent. Housing Associations will be encouraged to include social rented homes at lower rent levels than affordable to be built as grant is now available from Homes England for this aim. The introduction of the Homeless Reduction Act has allowed the Council to be geared up to dealing with an increased number of homeless households with the initial aim of preventing the homelessness from happening. One important route will be working with those private landlords that have a desire to help those in housing need, and there are many, to be able to continue renting without losing income.

Evidence the risk is being managed
The process for setting out development delivered is through the Authority Monitoring Report. The agreed process for CIL will see an annual report setting out income due, achieved and expenditure made on agreed infrastructure. Regular reports are made as set out above in controls. Regular reports will also made to the Housing and Community Overview and Scrutiny Committee on new build council homes, homeliness performance, and Private Renting sector performance.

Risk Owner : Mark Gaynor Porfolio holder : Margaret Griffiths

SR6 - That the Borough does not secure sufficient investment in essential infrastructure that is required for continued and improved economic performance and housing delivery that is sustainable and fit for the future

Quarterly Update

The Council continues to work with the Herts Growth Board to ensure that key projects like the A414 and Hemel Garden Communities are included as part of a growth bid to government,

Inherent Impact	Inherent Probability	Inherent Risk Score
4	4	16
Mitigated Impact	Mitigated Probablity	Mitigated Risk Score
3	3	9

LabelImpactTitle

The provision of infrastructure such as schools, health, transport and other facilities is crucial to sustainability of the local community and economy. Its funding, however, is increasingly complex and difficult as central government moves away from direct provision and expects the development process and local partnerships to deliver it. The risk is, therefore, that new development at a scale not experienced in Dacorum sine the New Town development will not be matched with the infrastructure that a healthy and thriving community depends upon.

Failure to provide this infrastructure will have a number of damaging consequences:

- a reduction in the quality of life and opportunities for people in the Borough
- a serious constraint to economic growth with the impact on the prosperity of local people
- reduced financial contribution to service provision through Business Rates growth
- increased community opposition to new developments, particularly housing, on the grounds that existing infrastructure will not cope
- damage to the image of the area, worsening of community pride and social cohesion and reputational damage to the Council.

The provision of infrastructure such as schools, health, transport and other facilities is crucial to sustainability of the local community and economy. Its funding, however, is increasingly complex and difficult as central government moves away from direct provision and expects the development process and local partnerships to deliver it.

Controls to manage the risk
Infrastructure is provided through the development process (s106 and Community Infrastructure Levy) and elements of funding which comes from central government (increasingly through the LEP, bidding and HCC). The responsibility for some infrastructure elements is through privatised arrangements (utilities) or arms-length government agencies such as Network Rail. The ability of the Council to control these processes is limited. The Council is able to promote the quantum, nature and timing of growth making it more likely that the infrastructure will be delivered. It is also able to promote partnerships and use its asset base and influence to stimulate desired development. Current controls include: • Ensuring that the Local Plan (and its component elements such as site allocations, supporting policies and so on on) is up to date and sets out very clearly the requirements of proposed development. This promotes sustainable development by design, access and movement, materials. • Working with other South West Herts councils and HCC to make a case at national level for strategically important infrastructure • Bidding into government funding pots such as the Housing Infrastructure Fund where possible. • Use of masterplanning which supports what is required to be delivered to produce sustainability on larger sites and formalising as a Special Planning Document where appropriate to give it more 'teeth'. • The approved Council's Community Infrastructure Levy Policy and schedule (CIL) provides for the levels of contributions that must be made by developers and the purpose for which they will be spent. This also includes an element of CIL which can be spent by local communities and act to link growth directly with infrastructure provision that local people want. • Operating an 'open for business' approach to how the Council deals with potential development with a presumption of making acceptable development easier to deliver by proactive advice through the planning process. Allied to this is ensuring that the development management service is capable of achieving decision making within required time limits. • Stimulating required growth through the Council's own regeneration activity, including the Enterprise Zone making inward investment being more likely. • Increasing inward investment through initiatives such as Dacorum Look no Further, Ambassadors, direct provision of business advice and a supportive approach to new development. • Good market intelligence through regular liaison with local employers, landowners, developers, institutional investors and land agents regarding demand and expected assistance. • Partnership with the LEP as the main route for additional funding for infrastructure through influencing the Strategic Growth Plan (in which Hemel Hempstead and the M1 corridor is a priority) and bidding for resources for infrastructure (such as the £5M achieved for West Herts College) • Working to create key partnerships to bring forward development capable of funding major infrastructure such as Hemel Garden Communities with the Crown Estate, St Albans and City Council, HCC, the LEP and the Enterprise Zone.

Evidence the risk is being managed
These controls are exercised and reported within the following: • Regular reporting to the Growth and Infrastructure Group, CMT, Cabinet and Overview and Scrutiny Committee • Fortnightly reporting on key projects to CMT • Reporting to Performance Board before each Cabinet Meeting • A clear programme for the Local Development Framework and CIL Quarterly reporting to Overview and Scrutiny • Regular reporting to Cabinet • Adherence to the agreed performance and project management processes The process for setting out development delivered is through the Authority Monitoring Report. The agreed process for CIL will see an annual report setting out income due, income achieved and expenditure made on agreed infrastructure. Regular reports are made as set out above.

Risk Owner : Sally Marshall Porfolio holder : Andrew Williams

SR7 - Uncertainty around Brexit negotiations could result in the Council facing additional demand for its services in the short- to medium-term

Quarterly Update

This risk will be reviewed in detail during the next quarter following the UK exit from Europe on the 31st January, 2020 as athe UK enters a transition phase.

Inherent Impact	Inherent Probability	Inherent Risk Score
4	4	16
Mitigated Impact	Mitigated Probablity	Mitigated Risk Score
2	4	8

LabelImpactTitle

On 23 June 2016, the UK voted, through a referendum, to leave the EU. In March 2017, the Prime Minister invoked article 50 of the Lisbon Treaty, formally notifying the European Council of the UK's intention to leave. This provided a two-year negotiation period in which to agree future ties, with the UK exiting the EU on 29th March 2019.
The negotiations around Brexit continued. The risk of a ‘no-deal’ outcome has been removed following Parliments approval of the Brexit deal. The UK will exit Europe on 31st January and enter into a transitional phase. A review of the impact on services in the short-, medium-term will be undertaken. The position post transition poses a strategic risk to the Council primarily because there is lack of clarity over the outcome of the detailed trade discussions. In the absence of more detail, the Council is, in general terms, planning to ‘be prepared’.
In addition, there is the possibility that the Council may be required to carry out functions under its Civil Contingencies responsibilities.

Controls to manage the risk

The Chief Executive prepared a report to Members outlining the sector’s view on where the key Brexit risks currently lie.
The Corporate Management Team (CMT) has put Brexit negotiations as a standing item on its agenda. All service areas are represented at this meeting, and the majority of CMT members operate within county- and nation-wide professional groups. This means that the knowledge reach of the group is wide and varied, meaning that emerging issues are likely to be raised for discussion around impact as they arise.
CMT has also ensured that all service areas revisit their Business Continuity plans to ensure that they remain up-to-date and capable of mitigating known and emerging risks.
CMT also review and update the a Brexit risk register.
A member of Corporate Management Team - Assistant Director Neighbourhood Delivery has been nominated as the Council's Brexit Officer.
The Leader of the Council and the Chief Executive have taken part in webinars hosted by MHCLG with various Government departments in preparation for Brexit.

Evidence the risk is being managed

The subject of Brexit has been designated as a standing item on the CMT agenda. Members will be kept advised as more information becomes available.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

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