



Auditor's Annual Report for Dacorum Borough Council

DRAFT

Year-ended 31 March 2024

February 2025

Contents



Key Contacts

Christopher Paisley

Director

Christopher.Paisley@kpmg.co.uk

Sofie Kockelbergh

Senior Manager

Sofie.Kockelbergh@kpmg.co.uk

Marshal Ngwarai

Assistant Manager

Marshal.Ngwarai@kpmg.co.uk

This report is addressed to Dacorum Borough Council (the Council). We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

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

	Page
01 Executive Summary	3
02 Audit of the Financial Statements	6
03 Value for Money	12
a) Financial Sustainability	
b) Governance	
c) Improving economy, efficiency and effectiveness	

01

Executive Summary



Executive Summary



Purpose of the Auditor's Annual Report

This Auditor's Annual Report provides a summary of the findings and key issues arising from our 2023-24 audit of Dacorum Borough Council (the 'Council'). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office and is required to be published by the Council alongside the annual report and accounts.

Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. In line with this we provide conclusions on the following matters:



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



Narrative report - We assess whether the narrative report is consistent with our knowledge of the Council.



Value for money - We assess the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the Council's use of resources and provide a summary of our findings in the commentary in this report. We are required to report if we have identified any significant weaknesses as a result of this work.



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

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

Findings

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

Accounts	We expect to issue an unqualified opinion on the Council accounts. This means that we believe the accounts give a true and fair view of the financial performance and position of the Council. We have provided further details of the key risks we identified and our response on pages 6 – 11.
Narrative report	We did not identify any significant inconsistencies between the content of the narrative report and our knowledge of the Council.
Value for money	We are required to give an opinion as to whether the Council has appropriate arrangements in place to secure economy, efficiency, and effectiveness in the use of resources.
Other powers	See overleaf.

Executive Summary



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

Public interest reports

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

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

We have not issued a Public Interest Report this year

Judicial review / Declaration by the courts

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

We have not applied to the courts this year.

Recommendations

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

1. We can make a statutory recommendation under Schedule 7 of the Local Audit and Accountability Act. If we do this, the Council must consider the matter at a general meeting and notify us of the action it intends to take (if any). We also send a copy of this recommendation to the relevant Secretary of State.
2. We can also make other recommendations. If we do this, the Council does not need to take any action, however should the Council provide us with a response, we will include it within this report.

We made no recommendations under Schedule 7 of the Local Audit and Accountability Act

Advisory notice

We may issue an advisory notice if we believe that the Council has, or is about to, incur an unlawful item of expenditure or has, or is about to, take a course of action which may result in a significant loss or deficiency.

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

We have not issued an advisory notice this year.

02

Audit of the financial statements



Audit of the financial statements



KPMG provides an independent opinion on whether the Council's financial statements:

- Give a true and fair view of the financial position of the Council as at 31 March 2024 and of the Council's income and expenditure for the year then ended; and
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

We conduct our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. We also fulfil our ethical responsibilities under, and ensure we are independent of the Council in accordance with, UK ethical requirements including the FRC Ethical Standard. We are required to ensure that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Our audit opinion on the financial statements

We expect to issue an unqualified opinion on the Council financial statements.

The full audit report will be included in the Council's Annual Report and Accounts for 2023/24 which can be obtained from the Council's website.

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

Audit of the financial statements



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

Significant financial statement audit risk	Procedures undertaken	Findings
<p>Valuation of land and buildings</p> <p>The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. The last full revaluation was performed as at 31st January 2020.</p> <p>This creates a risk that the carrying value of assets not revalued in year differs materially from the year end fair value.</p> <p>The value of the Council's Land & Buildings at 31 March 2024 was £145.8m.</p> <p>The Council undertakes an annual valuation of the housing properties within the HRA. The value of Council Dwellings at 31 March 2024 was £1,191m.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> We critically assessed the independence, objectivity and expertise of Wilks Head & Eve, the valuers used in developing the valuation of the Council's properties at 31 March 2024. We inspected the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code. We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information. We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used. We challenged the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We challenged key assumptions within the valuation as part of our judgement. We agreed the calculations performed of the movements in value of land and buildings and verified that these have been accurately accounted for in line with the requirements of the CIPFA Code. Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation. 	<p>We identified no material misstatements</p> <p>We considered the estimate to be balanced.</p>

Audit of the financial statements



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

Significant financial statement audit risk	Procedures undertaken	Findings
<p>Valuation of investment properties</p> <p>The Code defines an investment property as one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property. At 31 March 2024 the Council had investment property with a total value of £64.1m. While the majority of the properties are individually not material in value, there is significant estimation uncertainty within the reported balance.</p> <p>There is a risk that investment properties are not being held at fair value, as is required by the Code. At each reporting period, the valuation of the investment property must reflect market conditions. Significant judgement is required to assess fair value and management experts are often engaged to undertake the valuations.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> • We critically assessed the independence, objectivity and expertise of Wilks Head & Eve, the valuers used in developing the valuation of the Council's investment property at 31 March 2024. • We inspected the instructions issued to the valuers to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code. • We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information. • We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used. • We challenged the appropriateness of the valuation; including any material movements from the previous revaluations. We challenge key assumptions within the valuation as part of our judgement. • We agreed the calculations performed of the movements and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code. • We utilised our own valuation specialists to review the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology used. • Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation 	<p>Our testing identified one asset where the value of the land was outside of the observed range when compared to available comparable evidence. This represented an understatement of £1,754k. We identified no further misstatements.</p> <p>Assumptions applied were found to be cautious due to the value applied to the sampled land asset being below our observed range.</p>

Audit of the financial statements



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

Significant financial statement audit risk	Procedures undertaken	Findings
<p>Valuation of post retirement benefit obligations</p> <p>The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year on year movements.</p> <p>We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme</p> <p>Also, recent changes to market conditions have meant that more Council are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> • Evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations; • Performed inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets; • Agreed the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation; • Challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data; • Confirmed that the accounting treatment and entries applied by the Council were in line with IFRS and the CIPFA Code of Practice; • Considered the adequacy of the Council's disclosures in respect of the sensitivity of the deficit to these assumptions; and • Where applicable, assessed the level of surplus that should be recognised by the Council. 	<p>We identified two non-material misstatements in relation to:</p> <ul style="list-style-type: none"> • The return on planned assets • The effect of the minimum funding contribution <p>Assumptions applied were found to be balanced.</p>

Audit of the financial statements



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

Significant financial statement audit risk	Procedures undertaken	Findings
<p>Management override of controls</p> <p>Professional standards require us to communicate the fraud risk from management override of controls as significant.</p> <p>Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We have not identified any specific additional risks of management override relating to this audit.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> • Our testing of journal entries and other adjustments meeting our high-risk criteria identified no indicators of management override of controls. • We evaluated accounting estimates, including the consideration of the valuation of land and building, investment properties and post retirement benefit obligations. We did not identify any indicators of management bias. • Our procedures did not identify any significant unusual transactions. 	<p>We have not identified any material misstatements relating to this risk.</p>

03

Value for Money



Value for Money



Introduction

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



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



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



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

Approach

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

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

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

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We make performance improvement observations where we identify opportunities to improve in areas where we have not identified any weaknesses.

Summary of findings

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	14	17	20
Identified risks of significant weakness?	x No	x No	x No
Actual significant weakness identified?	x No	x No	x No
2022-23 Findings	No significant weakness identified	No significant weakness identified	No significant weakness identified
Direction of travel	↔	↔	↔

Value for Money

National context

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

Financial performance

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

Some councils have initiated innovative plans to raise new funds, such as through increasing commercial activity. Examples have included purchasing commercial assets such as shops and offices with a view to generate rental income, others have set up novel joint ventures to deliver regeneration schemes. Some have questioned whether commercialisation activities open councils to excessive risk or could be a poor use of taxpayer monies.

Some councils have issued what are known as “section 114” notices, in this instance a declaration that they cannot generate sufficient resources to meet the costs they need to incur. In some instances, this has resulted in a need for exceptional financial support from central government (such as approval to sell council buildings to meet costs) and severe cutbacks to services.

Housing Revenue Account (HRA)

Councils which operate a HRA are required by law to prevent the account running into deficit, and must operate it independently of the main operations of the Council. HRAs have experienced financial pressure over the past few years on account of high inflation rates increasing the cost of operating housing, whilst central government cap rent increases at or below the rate of inflation.

Following tragic deaths in housing estates in Kensington and Rochdale, there has been increased focus on the safety of social homes. Landlords are required to take remedial action to ensure homes are compliant with fire safety legislation and new regulations to improve building safety more generally. These regulations have increased the costs faced by landlords, caused loss of income where properties were void for repairs, and increased the risk of regulatory action should improvements not be made.

Local context

The Council published unaudited financial statements on their website on 31 May 2024 in line with the statutory deadline.

The Council reported a £19.8m surplus in the Council's total comprehensive income and expenditure for the year ended 31 March 2024. The Council faced a number of financial pressures during 2023/24, including ongoing cost inflation, as well as the staff pay award. However, in the General Fund the Council delivered an overall surplus on the provision of services of £2.4m, a favourable variance against budget of £5.7m. This enabled a contribution to earmarked reserves of £8.2m while maintaining the target general fund working balance of £2.5m.

Total reserves reduced by £69m (5.5%) as at 31 March 2024 compared to 31 March 2023. The majority of this movement was in unusable reserves, relating principally to movements on the valuation of property, plant and equipment and LGPS pensions. Usable reserves reduced by a small amount (£2.0m) during the year.

Housing strategy

The Council delivered a small surplus on its Housing Revenue Account for 2023/24 of £165k. The Council's Corporate Plan commits to ensuring the delivery 400 new Council homes, let at a social rent, by 2025. The Council revised its Housing Strategy in November 2023 to support this. As at July 2024, 251 developments had been completed.

The Council may experience additional financial pressures relating to its new homes commitments in the coming years due to the New Homes Bonus scheme, in its present form, coming to an end. The Government has indicated that a replacement scheme will be established to support housing growth, however details of this are yet to be confirmed. 2025-26 payments under the scheme have been confirmed, but beyond this there is uncertainty about the level of financial support that individual Councils will receive.

No key decisions were made during 2023/24. Key decision are defined as decisions which (a) result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budget for the service or function to which the decision relates; or (b) to be significant in terms of its effects on people living or working in an area comprising two or more wards in the Borough.

Financial Sustainability



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

We have considered the following in our work:

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

Budget setting

The Council's budget setting process is underpinned by the overarching budgeting and budgetary control process, captured within the Council's financial regulations, included in the Council's Constitution. For the 2023/24, the Council began the budget setting process in October 2022, in sufficient time prior to the beginning of the financial year in question.

Officers presented the Council's Medium Term Financial Strategy (MTFS) to the Cabinet in October 2022; this included the Financial Planning Framework for 2023/24 and sought to set the strategy for setting a balanced budget for 2023/24, and subsequent financial years. Our review of the MTFS confirmed that it was created in conjunction with relevant stakeholders such as budget holders, Dacorum Borough Council residents and local businesses. The MTFS is produced to align with the Council's overarching Corporate Plan, which runs to 2025 and includes the Council's six strategic priorities. This ensures there is consistency between the Council's financial plans and overarching objectives surrounding workforce, housing and other operational plans.

The MTFS included a savings requirement of £1.8m for 2023/24, in line with the Council's four-year savings plan. Savings included within the MTFS were identified by budget holders through the development of Service plans, which incorporated key corporate priorities, in consultation with the Senior Leadership Team (SLT) and portfolio holders. As at October 2022 all savings for 2023/24 had been identified.

In December 2022 the Draft 2023/24 Budget Proposal was presented to the Finance and Resources Overview and Scrutiny Committee, supplementing the MTFS. The draft budget proposal included the budget requirements to achieve a balanced position in 2023/23, including key assumptions such as a 2.9% increase in council tax and an inclusion of an average pay settlement of 4%. As the budget setting process progressed, changes were made to the initial budget presented in December 2022 and a refreshed budget was presented to the Finance and Resources Overview and Scrutiny Committee in February 2023. Review of the minutes of this committee confirmed that appropriate scrutiny was exercised with respect to the budget by those charged with governance.

The final budget was presented to the Cabinet in February 2023. Minutes of this meeting confirmed that the budget was reviewed, scrutinised and approved by the Cabinet, with recommendation made to the Council for its approval. The budget was approved by the Council on the 28 February 2023, ahead of the beginning of the 2023/24 financial year.

Budget monitoring

Budget holders are initially responsible for the monitoring of their own budgets, with each budget holder being a member of the Senior or Corporate Leadership Team. Each budget holder is supported by a member of the Council's finance team in producing financial forecasts.

Financial Sustainability

Budget monitoring (continued)

These forecasts are submitted to the Senior Leadership team, the Strategic Planning and Environment Overview and Scrutiny Committee, the Finance and Resources Overview and Scrutiny Committee, Cabinet and full Council via the Quarterly Financial Performance Report, in line with the Council’s financial monitoring calendar. The calendar is created at the start of each financial year and details the timeline of each monthly budget monitoring cycle. The Council have created a template agenda for each monitoring meeting to ensure consistency in discussions across different budget areas.

The quarterly reports reviewed detailed the Council’s financial performance, including variances between the budget and forecast position by scrutiny committee areas and spend type. Additionally, the reports included an easily digestible executive summary that highlighted key additional cost pressures and any offsetting savings to enable informed decision making by those charged with governance.

In the intervening months between formal quarterly reporting, specific risk related budget reviews were presented to the SLT.

The Council has numerous risks relating to financial sustainability and financial performance within its Strategic Risk Register. These include the risk around ‘Financial Resilience’. These risks are presented to the Audit Committee on a quarterly basis via the Risk Management Progress Report. Our review of the Risk Register confirmed that sufficient information was included to enable informed decision making. We have provided commentary on the Council’s risk management processes in the following section of this risk assessment.

Budget outturn

The Council has a history of maintaining the General Fund balance at the target level of £2.5m as shown in the graph to the right. Usable reserves were bolstered during the pandemic and to date have been maintained at a similar level, helping to ensure that the Council remains financially resilient.

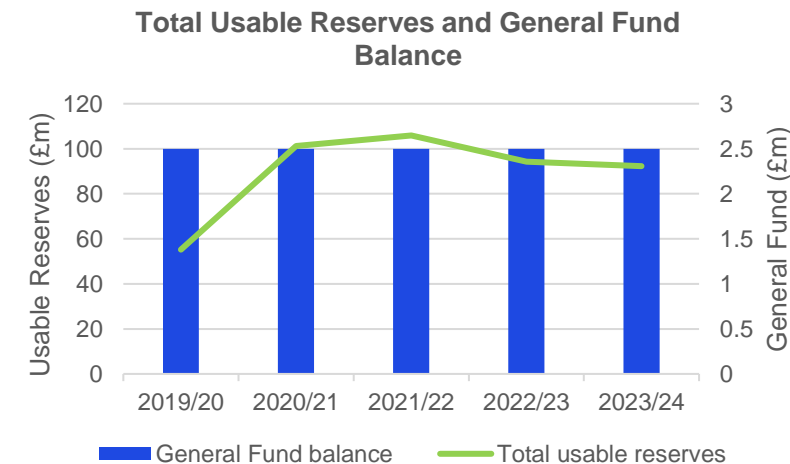
The Council planned a balanced 2023/24 budget within the final MTFS, with no in-year use of General Fund Reserves. The Council achieved its budgeted position, with no drawdowns made from the General Fund reserves.

The Council presented its 24/25 medium term financial strategy to the Cabinet in October 2024. This included a four year General Fund savings requirement of £2.5m. In addition to the savings requirement it included income assumptions should as a 2.99% annual increase in Council tax to ensure a breakeven position.

Conclusion

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

Key financial and performance metrics:	2023-24	2022-23
Actual surplus/(deficit), excluding HRA	(£4.1m)	(£13.7m)
Planned HRA surplus/(deficit)	(£0.2m)	£0
Actual HRA surplus/(deficit)	£0.1m	(£3.3m)
Usable reserves	£92.3m	£94.3m
Year-end long term borrowings	£331.1m	£334.8m
Year-end cash position	£40.6m	£11.6m



Governance



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

We have considered the following in our work:

- how the Council monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Council approaches and carries out its annual budget setting process;
- how the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.

Risk management

The Council assessed and managed risks through its Risk Management Policy and Guide to Risk Management procedures during the financial period. Strategic risks are those which may threaten the achievement of the Council's strategic priorities.

The Council has created a culture in which employees are responsible for identifying, assessing, measuring, monitoring and reporting and escalating significant risks associated with their functions or activities, which feed into directorate and strategic risks. However, operational risks are formally identified as part of the annual service planning process, at which point these operational risks will be directly linked to a strategic risk. Once risks are identified, they will be added to the Council's risk management software, InPhase.

The Council calculate risk scores by multiplying the potential impact by the potential likelihood of the risk. The Council use a 4x4 matrix scoring system, which produces a range of scores from 1 to 16. To ensure consistency across risk areas, the Council have developed a scoring methodology that underpins the calculation. This methodology also provides detailed descriptions of what would constitute each risk score.

It is the role of the Corporate Leadership Team (CLT) to review and challenge operational risks. Once confirmed, risks are added to the operational risk register, which follows the same scoring methodology and format as the strategic risk register.

Strategic risks are monitored via the Strategic Risk Register report, which is presented to the Cabinet, SLT, and Audit Committee each quarter. The risk report provides the following information against each risk to enable informed decision making: Inherent Score, Mitigated Score, Target Score, Controls and Assurances, and Evidence of the risk being managed. The Strategic Risk Register report is supplemented by exception reporting of the risk management process, which is produced from the InPhase system.

We note that the Council typically performs annual Deep Dives to specific Strategic risks, in order to highlight risk performance, controls and mitigations which are then reported to the Audit Committee. However, no deep dive took place in 2023/24.

Operational risks are monitored on a quarterly basis by portfolio holders using the Performance board, produced by the InPhase system. This reporting follows the same structure as the Strategic Risk Register report.

Budget setting and approval

The final budget was presented to the Cabinet in February 2023; minutes of this meeting confirmed that the budget was reviewed, scrutinised and approved by the Cabinet, with recommendation made to the Council for its approval. The budget was approved by the Council on the 28 February 2023, ahead of the beginning of the 2023/24 financial year. We have provided further commentary on the Council's budget setting and monitoring process in the preceding section of this report.

Governance



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

We have considered the following in our work:

- how the Council monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Council approaches and carries out its annual budget setting process;
- how the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.

Counter fraud

The Council's counter fraud and anti-corruption arrangements are underpinned by its financial regulations, '*Preventing and detecting fraud and corruption*'. This policy is supplemented by the various anti-fraud arrangements within the Council's Code of Conduct, such as details of Council employees' responsibilities surrounding whistleblowing. The Council have a dedicated antifraud hotline and email address, as well as employing a dedicated Corporate Anti-Fraud Manager.

We note that as part of their quarterly reporting, the Council's internal audit providers, TIAA, provide commentary over whether any fraud or irregularities have been brought to their attention. No such frauds or irregularities were reported by TIAA in 2023/24.

Compliance with laws and regulations and standards and behaviour

Compliance with laws and regulations and the monitoring of this is one of the functions of the Council, and is included within the Council's Constitution. The Constitution is approved by the full Council annually. Additionally, included within the Constitution is the role of the Monitoring Officer. The Monitoring Officer's role is to report to the full Council or to the Cabinet in relation to an Executive function if he or she considers that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to maladministration. No such reports were made in 2023/24. The responsibilities of the Audit Committee, within the Constitution, also highlight that it is the Committees' role to ensure the Council's compliance with relevant legislation and its own and other published policies, standards and controls.

The Council's Code of Conduct documents the responsibilities of Council employees and processes regarding conflicts of interest, gifts and hospitality. In addition to this, the Council's processes in place to monitor officer compliance are included within a separate disciplinary policy for statutory officers which works in conjunction with the Council's Code of Conduct. This document ensures officers, including the Monitoring Officer, are held to account.

Decision making process

The Council's decision making processes are derived from the Council's Financial Regulations, included within the Council's Constitution. The Financial regulations provide a framework for managing the financial affairs of the Council to support effective decision making.

Governance



Decision making process (continued)

The Council is responsible for the key decisions of the authority. Where applicable, decision making will be delegated to relevant Committees, as documented within Article 12 of the Council's constitution 'Decision Making'. The Governance arrangements implemented by the Council supports appropriate scrutiny of any key decision. For example, the role of the scrutiny committee includes but is not limited to review and/or scrutiny of decisions made or actions taken, in connection with the discharge of any of the Council's functions; and exercising the right to call-in for reconsideration decisions made but not yet implemented by the Cabinet.

The Financial Regulations are supported by the Procurement and Commissioning Standing order and Scheme of Delegation, which details the authorisation of payments to be made to staff, contractors and suppliers; the collection of income; and placing of orders including variations.

A key step in the decision making process is the preparation and review of business cases for each decision. To facilitate this, the Council has a proforma business case document. This ensures consistency in how decisions are made and includes information such as key benefits, key risks and alignment to the Council's strategic objectives.

We note that no key decisions were made by the Cabinet/Council in year, however key service level decisions were made. We reviewed the approval of the Safe Homes and Commercial Housing Contracts, a decision made by the Strategic Director of Housing and Property Service to approve the award of a contract for the Supply of Heating and Ventilation Services and Installations for Housing Assets for a 7 year period, with the option to extend for a further 3 years.

We noted that the decision was documented using the proforma 'Office Holder Decision Sheet' and included an estimated cost for the services of between £3.8m and £4.2m per annum. The Officer holder decision sheet demonstrated review by various officers, the Monitoring Officer and the S151 officer as well as the Commercial Board. This was then approved by the Strategic Director of Housing and Property Services on 15 December 2023, in line with the Scheme of Delegation.

Conclusion

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

	2023-24	2022-23
Control deficiencies reported in the Annual Governance Statement	None	None
Head of Internal Audit Opinion	Reasonable assurance	Reasonable assurance
Regulator of Social Housing grading	N/A	N/A
Local Government Ombudsman findings	N/A	N/A
Housing Ombudsman findings	N/A	N/A

Improving economy, efficiency and effectiveness



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

We have considered the following in our work:

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

Corporate plan and performance reporting

The Council implemented a five year Corporate Plan in 2025 to run to 2025. The plan is underpinned by the Council's strategic priorities for local residents and communities, which include 'Ensuring economic growth and prosperity' and 'Ensuring efficient, effective and modern service delivery'. Performance against the Corporate Plan is reported annually via the Council's Annual Report. This details the Council's in-year achievements against the plan and further activities for the year ahead.

Corporate plan success is supported by operational performance reporting. Operational performance is monitored by the individual Scrutiny Committees, with each have its own performance monitoring remit. For example, the Housing and Community Overview and Scrutiny Committee oversee the performance of the Council's housing strategy. Each Scrutiny Committee received performance reporting on a quarterly basis, which includes Key Performance Indicators (KPIs). The appendix includes KPI performance for all months within the quarter, and includes a 'direction of travel' indicator for each KPI. Where KPIs are not being met the measure is highlighted in red; where the council is overperforming the measure is highlighted in green. This ensures that reported performance can be quickly and easily analysed, facilitating informed decision making. Each KPI includes commentary which details the reason for KPIs not being met and any actions to remediate this.

Partnership work

To monitor working arrangement of partnership arrangement, either prospective or ongoing, the Council is an established member of a number of joint partnership committees. One such example is the Hertfordshire Climate Change and Sustainability Partnership which seeks to identify joint working programmes on environmental, climate change and wider sustainability issues.

This allows the Council to have greater oversight and influence of policy decisions within the local community.

The Council have actively explored better ways of working with partners and third sector bodies. An example of this is the Future Neighbourhoods pilot in which the Council works alongside the third sector entities within Hertfordshire to identify and support areas of deprivation and vulnerable communities.

Improving economy, efficiency and effectiveness



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

We have considered the following in our work:

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

Outsourced services

The majority of key council services are delivered in-house, with the exception being Leisure services. This is provided by Everyone Active. A review of the leisure quarterly contract report confirmed that performance is appropriately reported to those charged with governance.

Conclusion

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



kpmg.com/uk

© 2025 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Public