Auditor's Annual Report for Welwyn Hatfield Borough Council

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Year-ended 31 March 2024

—

30 January 2025

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This report is addressed to Welwyn Hatfield Borough Council (WHBC). 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.

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Executive Summary

Executive Summary

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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 Welwyn Hatfield Borough Council (WHBC). 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 WHBC 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 WHBC 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 WHBC.

Value for money - We assess the arrangements in place for securing economy, efficiency and effectiveness (value for money) in WHBC'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 issued a disclaimed opinion on WHBC's accounts on XX February 2025. We have provided further details of the key risks we identified and our response on pages 8-10.
Narrative report	We did not identify any significant inconsistencies between the content of the narrative report and our knowledge of WHBC.
Value for money	We are required to give an opinion as to whether WHBC has appropriate arrangements in place to secure economy, efficiency, and effectiveness in the use of resources. Our opinion is that WHBC does have appropriate arrangements place. We identified no significant weaknesses in respect of arrangements to secure economy, efficiency, and effectiveness in the use of resources. Further details are set out on page 12.
Other powers	See overleaf.

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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, WHBC 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 WHBC is taking. We may also apply to the courts for a declaration that an item of expenditure WHBC has incurred is unlawful.

We have not applied to the courts this year.

Recommendations

We can make recommendations to WHBC. 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, WHBC 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, WHBC does not need to take any action, however should WHBC 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 WHBC 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, WHBC is required to stop the course of action for 21 days, consider the notice at a general meeting, and then notify us of the action it intends to take and why.

We have not issued an advisory notice this year.

In addition to these powers, we can make performance improvement observations to make suggestions to the WHBC as a result of our findings. Where we raise observations we report these to management and the Audit Committee. WHBC is not required to take any action to these, however it is good practice to do so and we have included any responses that WHBC has given us.

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Audit of the financial statements

Audit of the financial statements

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

- Give a true and fair view of the financial position of WHBC as at 31 March 2024 and of its 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 WHBC 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 have issued a disclaimed opinion on WHBC financial statements on XX February 2024. [Specific wording to be inserted following opinion consultation].

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

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

Audit of the financial statements

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

Significant financial statement audit risk	Procedures undertaken	Findings
Valuation of land and buildings 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 conducts a full valuation every five years of HRA assets. In between these five yearly valuations an annual desktop review is undertaken. With regards to general funds assets, a proportion of the assets are valued each year as part of a rolling programme whereby all assets will be valued at least once every 5 years Valuations are inherently judgmental and there is a risk of error that the assumptions are not appropriate or correctly applied. The value of the Council's Land & Buildings at 31 March 2024 was £1,186m. The last full revaluation of HRA assets took place 31 March 2021. The last full revaluation of general fund assets took place 1 April 2014, and through the rolling programme all assets have been valued within the last 5 years.	We have performed the following procedures designed to specifically address the significant risk associated with the assets revalued during 2023/24: • We critically assessed the independence, objectivity and expertise of the District Valuer (HRA assets) and Avison Young (General Fund assets), the valuers engaged to develop 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; and • We challenged the appropriateness of the valuation of dwellings on a sample basis with reference to available market data for comparable assets in a similar location.	We did not identify any material misstatements relating to this risk. However, note that testing was performed to gain assurance over the revalued portion of land and buildings only, as we do not have assurance over brought-forward land and buildings balances due to the disclaimer of opinion given for 2022/23. We considered the estimate, for the assets valued in 2023/24, to be balanced based on the procedures performed. We raised a recommendation relating to management's review of year end valuation reports to bring this review into compliance with international auditing standards. To meet the definition of a Management Review Control in line auditing standards, this review process must be documented and evidenced with a sufficient level of precision. This is a common finding in the Local Government sector as there is typically insufficient in-house valuation expertise to conduct a Management Review Control effectively. We confirmed that management undertakes an initial review of the valuation reports and challenges the District Valuer (HRA assets) and Avison Young (general fund assets) in respect of specific movements and adjustments to land and building values. However, management does not complete a formal review or approval of the assumptions made by the valuers and of all inputs that feed into the valuations of land and buildings carried out by the valuers.

Audit of the financial statements

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Significant financial statement audit risk	Procedures undertaken	Findings
Management override of controls • Professional standards require us to communicate the fraud risk from management override of controls as significant. • 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. • We have not identified any specific additional risks of management override relating to this audit.	Our audit methodology incorporates the risk of management override as a default significant risk. We have performed the following procedures designed to specifically address this significant risk: • Assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias; • Evaluated the selection and application of accounting policies; • In line with our methodology, evaluated the design and implementation of controls over journal entries and post closing adjustments; • Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates; • Assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the Council's normal course of business, or are otherwise unusual; and • We analysed all journals through the year using data and analytics and focused our testing on those with a higher risk.	We raised a recommendation with regards to segregation of duties in the posting of certain types of manual journals. For certain manual journal types, specifically those which do not go through a workflow, segregation of duties with regards to their posting is not enforced. There is a risk of manual journals without segregation of duties being posted that results in inappropriate or erroneous entries being posted to the ledger going undetected. Segregation of duties should be mandated for all manual journals. Where this cannot be enforced by the system, a process should be put in place to identify self-approved journals so that their appropriateness can be evaluated and approved retrospectively. We did not identify any material misstatements relating to this risk

Audit of the financial statements

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Significant financial statement audit risk	Procedures undertaken	Findings
Valuation of post retirement benefit obligations • 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. • 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. • We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme. • Also, recent changes to market conditions have meant that more Councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.	We have performed the following procedures designed to specifically address this significant risk: • Evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations; • Evaluated the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability; • 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 Group are 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 surplus to these assumptions; and • Assessed the level of surplus that should be recognised by the entity.	We did not identify any material misstatements relating to this risk. Evaluated the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability; We raised a recommendation relating to management review of the actuarial assumptions. Upon review of management's process and after discussions with management, we noted that there are no key controls in place around the assumptions. Although reviewed, management do not challenge the assumptions used or review the reasonableness of the calculations performed. We considered that the assumptions made in developing the estimate were balanced overall.

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Value for Money

Value for Money

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Introduction

We are required to consider whether WHBC 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 WHBC for the following criteria, as defined by the National Audit Office (NAO) in their Code of Audit Practice:

- **Financial sustainability**: How WHBC plans and manages its resources to ensure it can continue to deliver its services.
- **Governance:** How WHBC ensures that it makes informed decisions and properly manages its risks.
- **Improving economy, efficiency and effectiveness:** How WHBC 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 WHBC. 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?	No	No	No
Actual significant weakness identified?	No	No	No
2022-23 Findings *(Ernst & Young LLP)*	*No identified risks of significant weakness or actual significant weaknesses identified*		

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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

- Welwyn Hatfield Borough Council (WHBC) serves an area of central Hertfordshire with a population of around 120,000 residents. Key towns served by the Council are Hatfield and Welwyn Garden City.
- Expenditure in relation to services increased from £122m in 2022/23 to £138m in 2023/24. The General Fund balance remained broadly static in 2023/24, decreasing by £15k. This was a positive outcome compared with the original 2023/24 budget which showed a contribution from reserves of £617k.
- Within this movement, key variances were overspends on Housing Benefit versus the subsidy received from Central Government of £670k and reduced contribution by Leisure facilities of £663k, offset by better than expected interest and investment income due to increased interest rates coupled with higher investment values due to lower than expected capital spending (a £1,607k positive variance).
- The Council spent £7.2m on the purchase and development of affordable housing properties during the year and a further £15.4m on developments and improvements to the existing housing stock. The Housing Revenue Account (HRA) outturn was better than budgeted, with an actual contribution to reserves of £188k versus a budgeted contribution from reserves of £242k.
- WHBC is in the midst of a three-year (2022-25) transformation programme, coming after a previous programme covering 2020-22 achieved £600k of efficiencies and involved a senior management restructure.

Value for money arrangements

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Financial sustainability

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2023/24 budget to ensure that it is achievable and based on realistic assumptions;
- How the 2023/24 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the budget set for 2023/24 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the budget.

Summary of risk assessment

Budget setting and challenge of budget assumptions

There are several methods by which the Council ensures the process for setting the budget is both achievable and based on realistic assumptions. These include the involvement of stakeholders in the budget setting process, such as directors and budget holders, who receive directorate budgets in the August/September of the preceding year. Budget holders are engaged on a monthly basis by their finance business partner which provides opportunities for discussion. The directors and budget holders within the services take responsibility and ownership of their budgets and are asked to identify savings opportunities, growth cases and capital bids and any other changes to budgets that they require, with support from the Finance team. In addition, budget assumptions are challenged throughout the budget setting process by the Finance business partners, the Assistant Director (Finance), the Executive Director (Finance and Transformation), senior management team (SMT), Budget Task & Finish Group, Cabinet and others.

Challenge and review of final budget

The draft budget is presented to the Overview and Scrutiny Committee and Cabinet at separate meetings in January which provides an opportunity for budget assumptions are be challenged, ensuring sufficient scrutiny of the budget prior to approval. The budget is finally signed off at a meeting of the Full Council in February. While our discussions noted that challenge of the budget has taken place, this is not always evident from the minutes of the Full Council or other relevant forums.

Identification and delivery of efficiency savings

Detailed plans to deliver efficiencies are developed in the services/directorates, with support from the Finance team. These are then approved at senior leadership team (SLT) meetings before going forward to be included within the full budget approved by the Full Council. Specific efficiencies for the coming year (and future years if appropriate) are clearly identified and approved as part of the budget. The General Fund Savings Summary appendix to the budget sets out the service/directorate that the efficiencies sit within, the specific proposal, along with the proposed savings.

Performance is monitored through monthly budget monitoring via the SLT, and quarterly by the Cabinet. For example, the Budget Efficiency Savings appendix to the quarterly Revenue Budget Monitoring Report presented to the Cabinet sets out the service within which the efficiency sits (e.g. Finance and Transformation, or Place), the specific proposal, and the efficiency figure from the budget, the updated forecast of the figure to be achieved, and a RAG rating to highlight risk areas. Those which are higher risk are also documented in the narrative of the reports received by SLT and Cabinet. Should an efficiency proposal be falling behind the planned level of efficiency, it is up to the service/directorate to identify actions to address. After year end, the Cabinet receives the Revenue Outturn Report which sets out overall performance against the planned efficiencies. The report includes narrative on the key proposals that were not delivered and why, and a detailed appendix which sets out savings achieved for each efficiency proposal. This provides the Cabinet with adequate information and opportunity to challenge why certain efficiencies have not been delivered and how things can be done differently going forward.

Value for money arrangements

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Financial sustainability (continued)

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2023/24 budget to ensure that it is achievable and based on realistic assumptions;
- How the 2023/24 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the budget set for 2023/24 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the budget.

Summary of risk assessment

Consistency of financial and operational planning

The service directorates work together to create, review and approve the budget and therefore any requirements relating to, for example, workforce requirements will be flagged and incorporated during this process, ensuring consistency between the budget and workforce and operational plans. Operational plans such as the capital programme are also approved as part of the overall budget. Review of the minutes and papers of meetings at which other operational plans were presented, such as the Corporate Business Plan to Cabinet, demonstrates consideration of the budget and workforce implications. Review of plans, including the Transformation Strategy, has not identified any key changes such as capital investments, staffing changes or service redesign that have not been incorporated into the budget.

Identification and Management of financial sustainability risks

Appropriate risks are in place for assessing risks to financial sustainability. As per the Risk Management Framework and Risk Management Policy Statement and Strategy, the Council consider 'risk influencers' which are common drivers of risks, using the PESTLE model (Political, Environmental, Social, Technological, Legal and Economic). A formal annual risk identification exercise is also undertaken as part of action plan setting for the year, which identifies key strategic and operational risks associated with the delivery of the action plan and corporate commitments. A system is in place that ensures risk scores are reviewed, with the regularity of review based on the risk score. Regular and ongoing reviews of risks provide an opportunity for the risk scores to be challenged and evaluated in line with the Council’s risk policies.

Control measures are put in place to reduce the likelihood of the risks being realised. Existing controls and actions that are already in place and which address the risk are identified, and where there are no such existing controls and actions plans in place, these are developed and assigned an owner. All key controls and management measures are recorded on the Council Risk Register. The risk register, which include a Financial Sustainability risk, are presented to the Audit Committee quarterly and are sufficiently detailed and balanced to enable management to take informed decisions. Each risk includes a description of the risk, controls, and risk owner commentary. The Cabinet also receives the risk register. Attendance at the Audit Committee and review of minutes of the Cabinet demonstrate the opportunity for appropriate challenge actions around the risks, including the financial sustainability risk. Reporting on financial sustainability risks is sufficiently detailed and balanced to enable appropriate management and monitoring throughout the year. However, challenge around the completeness of risk reporting or the adequacy of actions formulated in response to risks is not always evident from the minutes of these meetings.

Our review of the 2024/25 MTFS, prepared and presented during 2023/24, includes a detailed commentary on the key financial risks likely to present challenges to the Council in the coming years. The Council has a clear sight of the budget gap that it will have to bridge in the coming years and is beginning to formulate programmes to deliver the necessary efficiencies over the MTFS period.

Value for money arrangements

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Financial sustainability (continued)

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2023/24 budget to ensure that it is achievable and based on realistic assumptions;
- How the 2023/24 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the budget set for 2023/24 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the budget.

Summary of risk assessment

Performance against budget

Performance against budget is monitored at Cabinet level, through the Revenue Budget Monitoring Report which is presented quarterly. The Review of the Medium-Term Financial Strategy paper received by Cabinet is another example of performance monitoring against budget. The Cabinet also receives the Performance Exception Report setting out performance against KPIs. There are also monthly meetings of the senior leadership team (SLT), and quarterly meetings of the Performance Clinic, who monitor performance against KPIs.

For 2023/24, performance against budget from both a General Fund and Housing Revenue Account (HRA) perspective was positive. For the General Fund, there was a contribution from reserves of £15k, compared with the original 2023/24 budget which showed a contribution from reserves of £617k.

Within this movement, key variances were overspends on Housing Benefit versus the subsidy received from Central Government of £670k and reduced contribution by Leisure facilities of £663k, offset by better than expected interest and investment income due to increased interest rates coupled with higher investment values due to lower than expected capital spending (a £1,607k positive variance). Therefore, while the Council has benefitted from the wider economic environment in respect of interest rates, there are clearly residual cost pressures evident through 2023/24 which continue to require careful management in 2024/25.

Regarding the HRA, the Council spent £7.2m in 2023/24 on the purchase and development of affordable housing properties during the year and a further £15.4m on developments and improvements to existing housing stock. The Housing Revenue Account (HRA) outturn was better than budgeted, with an actual contribution to reserves of £188k versus a budgeted contribution *from* reserves of £242k.

As with many local authorities, the Council has seen pressures around central funding alongside increased demand for services and the impact of inflation. As a result, by 2026/27 the Council will be required to find a further £1.6m of General Fund savings on an annual basis. However, the Council has a good track record of delivering the savings required in recent periods, and there are no concerns during 2023/24 regarding the financial sustainability of the Council.

Conclusion

Based on the risk assessment procedures performed we have not identified any significant risks or significant weaknesses associated with the Council’s arrangements in respect of financial sustainability.

Value for money arrangements

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Governance

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2023/24 budget by the Council, including how financial risks were communicated;
- Processes for monitoring performance against budgets and taking actions in response to adverse variances;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Council ensures decisions receive appropriate scrutiny.

Summary of risk assessment

Identification, monitoring and management of risk

We consider the Council to have effective processes in place to identify, monitor and manage risk, underpinned by the Risk Management Framework and Risk Management Policy Statement and Strategy policies. To identify emerging risks, the Council considers 'risk influencers' which are common drivers of risks, using the PESTLE (Political, Economic, Social, Technological, Legal and Environmental) model. Once the risk influencers on the Council's objectives are understood, risks can be determined. Risks are categorised into strategic, operational and project. A formal annual risk identification exercise is also undertaken as part of action plan setting for the year, which identifies key strategic and operational risks associated with the delivery of the action plan and corporate commitments.

Risk registers are updated monthly with new, emerging, updated or closed risks. The SLT consider all strategic risks and serious (risk score of 10 or above) or severe (risk score of 15 or above) operational risks monthly, and the same are considered by Cabinet and the Audit Committee on a quarterly basis. This reporting was found to be sufficiently detailed to allow effective monitoring and management of these risks. We noted instances where the detail provided around actions in response to risks could be expanded to more clearly articulate the action being taken and its impact.

Anti-Fraud controls

There are various controls in place to prevent and detect fraud, including a range of monthly reconciliation and transaction controls that mandate segregation of duties. These controls are supported by a range of policies including the Anti-Fraud and Corruption Policy, Anti-Money Laundering Policy, Tenancy Fraud Policy, Whistleblowing Policy and Staff Code of Conduct.

The Council is a member of the Shared Anti-Fraud Service (SAFS) which is a partnership of councils from Hertfordshire and Bedfordshire, and SAFS Anti-Fraud Progress Reports are regularly presented to the Audit Committee. The internal audit programme operated by the Shared Internal Audit Service (SIAS) provides another opportunity to detect fraud. In addition, there are Fraud Prevention courses made available for staff to attend. Fraud and Corruption also features on the risk register presented to the Audit Committee and Cabinet as a strategic risk. Our evaluation indicates that the counter fraud and anti-corruption arrangements that have been developed and are maintained by the Council are in accordance with CIPFA's Code of practice on managing the risk of fraud and corruption.

Value for money arrangements

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Governance (continued)

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2023/24 budget by the Council, including how financial risks were communicated;
- Processes for monitoring performance against budgets and taking actions in response to adverse variances;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Council ensures decisions receive appropriate scrutiny.

Summary of risk assessment

Management of financial risks

Various budgetary reports that consider financial risks are presented to the Overview and Scrutiny Committee and Cabinet, including the draft budgets received in January prior to approval. The Cabinet also receives the risk register, which includes the Financial Sustainability risk. As per the Responsibility for Executive Function section of the Financial Regulations, the Cabinet is to review the budget and make a recommendation to the Full Council whether to approve. As per article 4 of the constitution, the Full Council is to approve the budget. This process was followed with the budget signed off at a meeting of the Full Council in February 2024.

The Council has processes in place to ensure that financial performance is monitored against budget that will allow it to be determined whether financial performance is in line with budget, providing the opportunity for actions to be identified where adverse variances occur. Financial performance is reported to budget holders who are sent budget monitoring reports each month and then engaged through a meeting with their Finance business partner. The information presented in these reports contains appropriate level of detail to enable budget holders to discharge their responsibilities. Any adverse variances will always be the priority for discussion at these meetings. Actions to be taken to correct adverse variances (where possible or relevant) are also discussed at budget holder meetings.

Finance business partners also meet with senior members of the Finance team each month to discuss budgets and spend in detail. There is thorough scrutiny of the financial position at these meetings, and queries and challenges are raised and referred to budget holders as appropriate. Any significant adverse variances are reported in the Revenue Budget Monitoring Report presented to the SLT monthly, and the Cabinet quarterly. We noted that there is no formal process in place for actions arising from these business holder meetings to be captured and tracked.

Monitoring compliance with laws and regulations

The SLT is responsible for monitoring compliance with laws and regulations. However, day-today compliance is aided by subject matter experts (SME) in each department who keep up to date with legislative changes via their external and internal networks and relationships. The Council has a comprehensive register of the laws and regulations it must comply with, and SMEs are currently performing a comprehensive review of all policies to ensure they are compliant.

The internal audit programme operated by SIAS provides an opportunity for monitoring compliance. The risk register presented to the Audit Committee and Cabinet includes risks which relate to compliance with laws and regulation, such as Employment Legislation and Corporate Health and Safety. The Council also has several relevant policies in place designed to enable the monitoring of laws and regulations to ensure compliance. These include the Anti-Fraud and Corruption Policy, Whistleblowing Policy and Staff Code of Conduct.

Value for money arrangements

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Governance (continued)

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2023/24 budget by the Council, including how financial risks were communicated;
- Processes for monitoring performance against budgets and taking actions in response to adverse variances;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Council ensures decisions receive appropriate scrutiny.

Summary of risk assessment

The Council has a conflicts of interest policy embedded within the Staff Code of Conduct, and related parties guidance documents for Councillors and senior officers. The Council maintains a public register of gifts and hospitality, to facilitate the monitoring of Councillor compliance with expected standards of behaviour.

The Financial Regulations detail the financial responsibilities of the Council. They are designed to ensure that the Council's financial transactions are carried out in accordance with the law and government policy. The Financial Regulations set out the financial limits that various committees and personnel can approve. For example, only the Cabinet can approve transactions above £100k. Within the Constitution there are documents which set out decision making responsibilities for executive and non-executive functions. Review of the Financial Regulations and the Constitution, has determined that there is an appropriate escalation framework for making key decisions. This escalation framework has been found to be based on financial limits and allows for decisions that are significant for non-financial reasons to be escalated to the Cabinet as necessary. The content that is required to be included in business cases and equivalent documents for key decisions demonstrates evidence of consideration of financial matters, quality and performance, and compliance with relevant legislation in areas such as equality and diversity.

External bodies' reports and other findings	2023-24
Control deficiencies reported in the Annual Governance Statement	None noted.
Head of Internal Audit Opinion	Substantial Assurance (Financial Systems) Reasonable Assurance (Non-Financial Systems)
Housing Ombudsman findings	No report published.
Social Housing Regulator	No regulatory notices published.
Care Quality Commission rating	No inspection reports published.

Conclusion

Based on the risk assessment procedures performed we have not identified any significant risks or significant weaknesses in the Council's governance arrangements.

Value for money arrangements

DRAFT

Improving economy, efficiency and effectiveness

In assessing whether there was a significant risk relating to improving economy, efficiency and effectiveness we reviewed:

- The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved;
- How the performance of services is monitored and actions identified in response to areas of poor performance;
- How the Council has engaged with other stakeholders and wider partners in development of the organisation;
- How the performance of those partnerships is monitored and reported; and
- The monitoring of outsourced services to verify that they are delivering expected standards.

Summary of risk assessment

Monitoring of costs and benchmarking

Costs are monitored against budgets as part of regular budget monitoring. Examples include the Revenue Budget Monitoring Report which is presented to the SLT and a comparable report presented to the Cabinet on a quarterly basis. Both reports provide an opportunity for cost performance to be monitored, and the commentary on variances allows for areas for improvement to be discussed.

Areas that are overspending are analysed and discussed to understand the causes and identify if improvements can be made. The Council uses external data and benchmarking to assess its cost base. The Council receives benchmarking reports from LG Futures, in 2023/24 these covered a variety of areas including Sales, Fees and Charges, Local Taxation, and Unit Costs.

Investment benchmarking information is also received from Arlingclose. Comparisons with other councils via benchmarking reports feeds into management discussions around potential areas for improvements, by identifying outliers. However, during 2023/24 there were no specific examples where benchmarking reports informed specific decision making.

Monitoring of performance

The Council produces a report quarterly for the Performance Clinic, whose membership consists of Cabinet members and SLT. The report contains financial and performance metrics as well as accompanying narrative to ensure users are informed and have a holistic view of performance. This reporting is used to monitor performance and inform decision making. Performance is also considered monthly at meetings of the SLT. In addition, the Cabinet receives a Performance Exception Report on a quarterly basis setting out those KPIs not being met. In addition to these forums (Performance Clinic, SLT and Cabinet) being an opportunity to discuss actions, the monthly meetings of the budget holders with the appropriate Finance business partner provides another opportunity to identify shortfalls in financial performance and identify actions to be taken in response.

Engagement with stakeholders and local partners

The Council participates in and contributes to wider groups such as the Hertfordshire Growth Board which brings together Welwyn and the other district and Borough Councils, the County Council, the Integrated Care Board (ICB), the Police and Crime Commissioner (PCC) and other stakeholders. Other examples include membership of the District Councils' Network (DCN) and Hertfordshire Police and Crime Panel. The Council's Transformation Strategy 2022-2025 acknowledges the need for partnership working as budgets become tighter. The Council also maintains a Community and Stakeholder Engagement Strategy which emerged from a recommendation of the Local Government Association (LGA) Peer Challenge in 2019 and includes a focus on identifying stakeholders and ensuring the views and needs of different stakeholder groups are considered important and taken into account.

Value for money arrangements

DRAFT

Improving economy, efficiency and effectiveness

In assessing whether there was a significant risk relating to improving economy, efficiency and effectiveness we reviewed:

- The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved;
- How the performance of services is monitored and actions identified in response to areas of poor performance;
- How the Council has engaged with other stakeholders and wider partners in development of the organisation;
- How the performance of those partnerships is monitored and reported; and
- The monitoring of outsourced services to verify that they are delivering expected standards.

Summary of risk assessment

Implementation of this strategy is evidenced by the Council's participation in a range of local partnerships such as the Community Inclusion Partnership Group, which is focussed on a joined-up and collaborative approach for statutory, voluntary and charitable organisations within the borough. As well as partnerships with other public sector bodies, the Council is involved in new build schemes with private sector partners. These projects are managed by the Regeneration and Economic Development Team, who have regular project meetings throughout the planning, build and launch process. Both external partners and internal stakeholders from the Housing function are involved at the appropriate stages.

A range of evidence was inspected that demonstrates partnership working including the minutes and attendance of various meetings (the Hertfordshire Growth Board etc.) Monitoring and reporting of performance in relation to these partnerships is the responsibility of the Cabinet.

Outsourced services

Outsourced services were found to be limited, with a Revenues and Benefits contract outsourced to Liberata (covering Council Tax, Housing Benefit, and Business Rates services) and the anti-fraud services through SAFS (administered by Hertfordshire County Council). Monitoring and reporting of performance in relation to the contracts is covered by methods such as the quarterly report to the Performance Clinic and the Performance Exception Report received by the Cabinet. This considers a range of KPIs such as the time taken to process new housing benefit / council tax benefit claims versus the applicable targets.

Conclusion

Based on the risk assessment procedures performed we have not identified any significant risk or significant weaknesses associated with the Council's arrangements for improving economy, efficiency and effectiveness.

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