



# Auditor's Annual Report for Welwyn Hatfield Borough Council

Year-ended 31 March 2025

25 January 2026

**FINAL**

# Contents



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	Page
<b>01 Executive Summary</b>	3
<b>02 Audit of the Financial Statements</b>	6
<b>03 Value for Money</b>	11
a) Financial Sustainability	
b) Governance	
c) Improving economy, efficiency and effectiveness	

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

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

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

**01**

# **Executive Summary**



# Executive Summary



## Purpose of the Auditor’s Annual Report

This Auditor’s Annual Report provides a summary of the findings and key issues arising from our 2024-25 audit of Welwyn Hatfield 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 (the ‘Code of Audit Practice’) 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 (the Act). Our responsibilities under the Act, the Code of Audit Practice and International Standards on Auditing (UK) (‘ISAs (UK)’) include the following:



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



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



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



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

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

## Findings

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

<b>Financial statements and other information</b>	<p>We issued a disclaimer of opinion on the Council’s financial statements on 25 February 2026. This is because we were unable to obtain sufficient appropriate audit evidence over the financial statements. Further details are set out on page 7.</p> <p>We have provided further details of the key risks we identified and our response on pages 8 – 11.</p>
<b>Other information</b>	<p>Whilst in our opinion the content of the other information is consistent with the financial statements, we were unable to determine whether there are material misstatements in the other information.</p>
<b>Value for money</b>	<p>We identified no significant weaknesses in respect of the arrangements the Council has put in place to secure economy, efficiency, and effectiveness in the use of its resources. Further details are set out on page 13.</p>
<b>Whole of Government Accounts</b>	<p>We are required to perform procedures and report to the National Audit Office in respect of the Council’s consolidation return to HM Treasury in order to prepare the Whole of Government Accounts.</p> <p>As the National Audit Office has not yet informed us that we are not required to perform any further procedures, we are unable to confirm that we have concluded our work in this area.</p>
<b>Other powers</b>	<p>See overleaf.</p>

# Executive Summary



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

## Public interest reports

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

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

**We have not issued a Public Interest Report this year**

## Judicial review/Declaration by the courts

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

**We have not applied to the courts**

## Recommendations

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

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

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

**Please see the ISA 260 Report for other recommendations raised.**

## Advisory notice

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

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

**We have not issued an advisory notice this year.**

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

**02**

# **Audit of the Financial Statements**



# Audit of the financial statements



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

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

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

## **Our disclaimer of opinion on the WHBC financial statements**

We issued a disclaimer of opinion on the WHBC’s financial statements on 25 February 2026. What this means is that we do not express an opinion on the financial statements. The Accounts and Audit (Amendment) Regulations 2024 (the “Amendment Regulations”) require the Authority to publish its financial statements and our opinion thereon for the year ended 31 March 2025 by 27 February 2026 (the “Backstop Date”). We have been unable to obtain sufficient appropriate audit evidence over a number of areas of the financial statements as we have been unable to perform the procedures that we consider necessary to form our opinion on the financial statements ahead of the Backstop Date.

The full audit report is included in WHBC’s Statement of Accounts 2024/25, which can be obtained from the Council’s website.

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

# Audit of the financial statements: Council

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.

## Valuation of Land & Buildings

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The Council conducts a full valuation every five years of housing revenue account (HRA) assets. In between these five yearly valuations an annual desktop review is undertaken. With regards to general fund assets (GF), 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.

This creates a risk that the carrying value of assets not revalued in year differs materially from the year end current value. A further risk is presented for those assets that are revalued in the year, which involves significant judgement and estimation on behalf of Lambert Smith Hampton (HRA assets) and Wilks Head & Eve (GF assets).

The value of the Council's Council Dwellings (HRA assets) and Other Land & Buildings (GF assets) at 31 March 2025 was £1,080m and £151.2m, respectively.

### Our procedures

We have performed the following procedures designed to specifically address the significant risk associated with the valuation:

- We critically assessed the independence, objectivity and expertise of Lambert Smith Hampton, the valuer used in developing the valuation of the Council Dwelling's at 31 March 2025 and Wilks, Head & Eve, the valuer used in developing the valuation of the Council's other land and buildings at 31 March 2025;
- We inspected the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code;
- 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; and
- Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

### Our findings

We did not identify any audit misstatements as a result of the procedures performed. We considered that the assumptions adopted for the valuation of both Council Dwellings and Other Land and Buildings were balanced / neutral and did not identify any indications of management bias within the valuations.



# Audit of the financial statements: Council (continued)



## 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 procedures

Our audit methodology incorporates the risk of management override as a default significant risk. In response to this risk, we:

- 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 and focused our testing on those with a higher risk, such as journals that do not display segregation of duties.

## Our findings

We have evaluated the selection and application of accounting policies over relevant accounts and we have not identified any reportable issues.

Auditing standards require us to consider and report accordingly on the design and implementation of controls in place which respond to the significant risks identified. We confirmed that as the Council's General Ledger system does not enforce segregation of duties and as such the design and implementation of controls over journal entries and post-closing adjustments were deemed to not be effective. However, our analysis of journal entries posted during 2024/25 did not identify any self-approved journals.

We have not identified any inappropriate methods or underlying assumptions used to prepare accounting estimates in our work completed. We evaluated accounting estimates, including the valuation of land and buildings and the defined benefit pension liability, and did not identify any indicators of management bias.

We identified 12 journal entries and other adjustments meeting our high-risk criteria – our examination did not identify un-authorised, unsupported or inappropriate entries.

Our procedures did not identify any significant unusual transactions.

# Audit of the financial statements: Council (continued)



## 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.

## Our procedures

We performed the following procedures :

- 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;
- Agreed the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;
- 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;
- 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 deficit or surplus to these assumptions;
- Assessed the level of surplus that should be recognised by the Council; and
- Assessed the impact of a new triennial valuation model and/or any special events, where applicable.

## Our findings

We completed our planned procedures and did not identify any material misstatements relating to this area. The significant assumptions used in the calculation were found to be neutral / balanced overall.

**03**

# **Value for Money**

# Value for Money



## Introduction

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



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



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



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

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

## Approach

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

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

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

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

## Summary of findings

Our work in relation to value for money is complete.

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
<b>Commentary page reference</b>	9	12	16
<b>Identified risks of significant weakness?</b>	x No	x No	x No
<b>Actual significant weakness identified?</b>	x No	x No	x No
<b>2023-24 Findings</b>	No significant risks identified	No significant risks identified	No significant risks identified
<b>Direction of travel</b>	↔	↔	↔

# Value for Money



## National context

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

### Local Government Reorganisation

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

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

### Financial performance

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

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

## Local context

- Welwyn Hatfield Borough Council (WHBC) serves an area of central Hertfordshire with a population of around 122,000 residents. Key towns served by the Council are Hatfield and Welwyn Garden City.
- The Council's overall expenditure decreased from £158m in 2023/24 to £140m in 2024/25, and overall income increased from £136m in 2023/24 to £151m in 2024/25. The surplus/(deficit) on the provision of services increased from a deficit of (£22m) in 2023/24 to a surplus of £11m in 2024/25.
- The General Fund balance increased from £7m in 2023/24 to £8m in 2024/25, and Total Council Reserves increased from £944m to £983m.
- The Council has been in the midst of a three-year (2022-25) transformation programme to improve services featuring five key aspects; i) Customer Experience and Channel Shift; ii) Technology and Automation; iii) Culture and Workforce; iv) Project Management and Service Improvement; and v) Data and Performance.
- Local Government Reorganisation (LGR) will impact how councils are structured and what services they deliver. Hertfordshire has a two-tier system of local government at present and is made up of 11 councils which includes one county council and 10 district and borough councils. The 11 councils in Hertfordshire are currently working together to develop proposals that must be submitted to the Government by 28 November 2025. At present, three options are being considered, which would involve the existing bodies in Hertfordshire forming either two, three or four new legal entities.
- The Head of Internal Audit Opinion for 2024/25 was of "*Reasonable Assurance - There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited*".

# 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:

- The processes for setting the 2024/25 budget to ensure that it is achievable and based on realistic assumptions;
- How the 2024/25 budget was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the budget set for 2024/25 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.

### *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 the 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 to 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 management team (SMT) 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 SMT, 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.

# Financial Sustainability (cont.)



## *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 frequency 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.

*This was raised as a performance improvement observation (PIO) in 2023/24 and remains relevant for 2024/25 and was raised in the 2024/25 VFM risk assessment as part of our final audit plan. Please note that a PIO does not indicate the presence of a VFM significant risk or a significant weakness, and no significant risk/weakness in relation to financial sustainability was identified in either 2023/24 or 2024/25.*

We have reviewed the 2024/25 MTFS which 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.

## *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 management team (SMT), and quarterly meetings of the Performance Clinic, who monitor performance against KPIs.

For 2024/25, we have reviewed the Q3 Revenue Monitoring Report which details performance against budget from both General Fund (GF) and Housing Revenue Account (HRA) perspective. There is a forecast adverse variance on the GF net controllable income and expenditure of £1.5m, leaving a net contribution from the GF Reserve of £0.3m, which is an increase in the planned use of balances by £0.3m. The forecast closing balance on the Housing Revenue Account is £3.2m, which is broadly in line with the budget.

# Financial Sustainability (cont.)



Key variances within the GF include housing benefit pressures increasing, overspends on temporary accommodation due to demand and lower rental income and crematorium income received in year.

Key variances within HRA include overspends on water and council tax charges, increased damp and mould costs, increased compensation and legal fees due from disrepair cases.

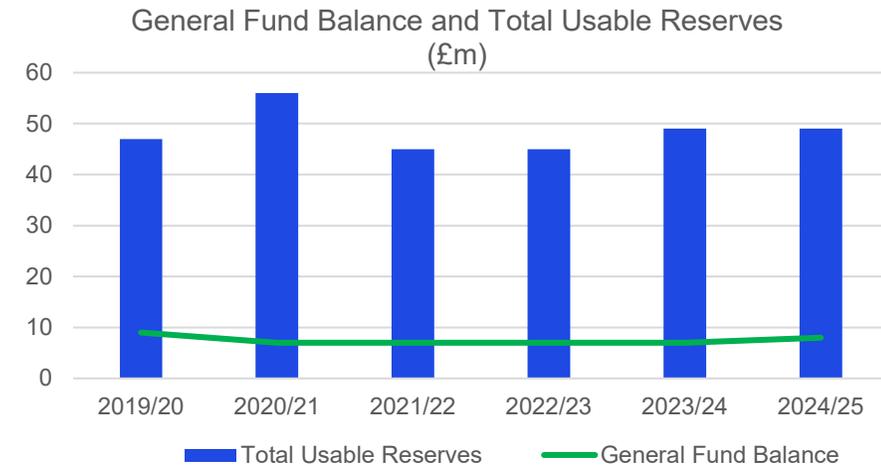
The Council has a history of maintaining the General Fund balance at a broadly consistent level of around £3-5m as shown in the graph to the right. Usable reserves including reserves earmarked for specific revenue and capital projects have been bolstered in the last financial year, as shown in the graph. Maintaining healthy General Fund and wider usable reserves balances helps to ensure that the Council remains financially resilient.

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 2024/25 regarding the financial sustainability of the Council.

## Risk assessment conclusion

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

Key financial and performance metrics:	2024-25 (£'000)	2023-24 (£'000)
Planned surplus/(deficit) excluding HRA	(9)	(617)
Actual surplus/(deficit) excluding HRA	1,295	(15)
Planned HRA surplus/(deficit)	324	242
Actual HRA surplus/(deficit)	429	182
Usable reserves	48,812	48,511
Year-end cash and cash position	796	105
Year-end short-term investments position	14,282	14,361



# Governance



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

We have considered the following in our work:

- Processes for the identification, monitoring and management of risk;
- The design of the governance structures in place at the Council;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2024/25 financial plan by the Council, including how financial risks were communicated;
- 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.

### *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 SMT considers 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.

*This was raised as a performance improvement observation (PIO) in 2023/24 and remains relevant for 2024/25 and was raised in the 2024/25 VFM risk assessment as part of our final audit plan. Please note that a PIO does not indicate the presence of a VFM significant risk or a significant weakness, and no significant risk/weakness in relation to governance was identified in either 2023/24 or 2024/25.*

The governance structure is appropriate to enable informed decisions to be made and performance to be scrutinised.

### *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.

# Governance (cont.)



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. Fraud Prevention courses are made available for staff to attend, and the Council have various relevant policies including anti bribery, anti-fraud and corruption and anti money laundering policies.

## *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 SMT 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.

*This was raised as a performance improvement observation (PIO) in 2023/24 and remains relevant for 2024/25 and was raised in the 2024/25 VFM risk assessment as part of our final audit plan. Please note that a PIO does not indicate the presence of a VFM significant risk or a significant weakness, and no significant risk/weakness in relation to governance was identified in either 2023/24 or 2024/25.*

## *Monitoring compliance with laws and regulations*

The SMT is responsible for monitoring compliance with laws and regulations. However, day-to-day 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.

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.

# Governance (cont.)

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.

We have inspected reports published by external bodies as part of our planning and risk assessment procedures. See table to the right, which does not indicate any significant risks relating to governance arrangements.

## Risk assessment conclusion

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

External bodies' reports and other findings	2024-25
<b>Control deficiencies reported in the Annual Governance Statement</b>	None noted
<b>Head of Internal Audit Opinion</b>	Substantial Assurance (Financial Systems) Reasonable Assurance (Non-Financial Systems)
<b>Housing Ombudsman findings</b>	No adverse findings
<b>Social Housing Regulator</b>	No regulatory noticed published
<b>Care Quality Commission rating</b>	No inspection reports published.



# 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:

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

### *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 which are overspending will be analysed and discussed to understand reasons and see 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 2024/25 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 can potentially feed into management discussions around potential areas for improvements, by identifying outliers. However, during 2024/25 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 SMT. 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 WHBC 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), Hertfordshire Police and Crime Panel and Hertfordshire and West Essex Integrated Care System (ICS). 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.

# Improving economy, efficiency and effectiveness (cont.)



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 to demonstrate partnership working including the minutes and attendance of various meetings. Monitoring and reporting of performance in relation to these partnerships is the responsibility of the Cabinet.

## *Outsourced services*

The Council outsources a number of services including but not limited to waste services, grounds maintenance, IT support, repairs and maintenance, the revenues and benefits service and anti-fraud services. Discussions with the audited entity has identified that there have been no significant financial loss or failure to deliver efficiencies or performance improvements as expected from outsourcing arrangements.

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, in the case of the Revenues and Benefits contract, the time taken to process new housing benefit / council tax benefit claims versus the applicable targets.

## **Risk assessment conclusion**

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



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