



Auditor's Annual Report for North Hertfordshire District Council

Year-ended 31 March 2024

—

XX February 2025

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

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

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01

Executive Summary

North Hertfordshire District Council



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 North Hertfordshire District Council (the ‘Council’). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office and is required to be published by the Council alongside the annual report and accounts.

Our responsibilities

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



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



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



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



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

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

Findings

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

Accounts	<p>We issued a disclaimed opinion on the Council accounts on XX February 2024. The reason we disclaimed our opinion has been set out in greater detail on page 7.</p> <p>We have provided further details of the key risks we identified and our response on pages 8-9.</p>
Narrative Report	<p>We did not identify any significant inconsistencies between the content of the narrative report and our knowledge of the Council.</p>
Value for money	<p>We are required to give an opinion as to whether the Council has appropriate arrangements in place to secure economy, efficiency, and effectiveness in the use of resources.</p> <p>Our opinion is that the Council 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 X.</p>
Other powers	<p>See overleaf.</p>

Executive Summary



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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, the Council is required to consider it and to bring it to the attention of the public.

We have not issued a Public Interest Report this year.

Judicial review/Declaration by the courts

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

We have not applied to the courts this year.

Recommendations

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

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

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

We have not raised any other recommendations.

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 these; we report these to management and the Finance, Audit and Risk 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

North Hertfordshire District Council



Audit of the financial statements



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

Basis for disclaimer of opinion:

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 2024 by 28 February 2025 (the "Backstop Date").

We have been unable to obtain sufficient appropriate audit evidence over a number of areas of the financial statements as we have been unable to perform the procedures that we consider necessary to form our opinion on the financial statements ahead of the Backstop Date. These areas include, but were not limited to, Plant, Property and Equipment, Investment Properties, short-term deposits, debtors, long-term assets, liabilities, collection fund and housing benefits income and expenditure and reserves for the year ended 31 March 2024 in relation to the Authority.

In addition, we have been unable to obtain sufficient appropriate evidence over the disclosed comparative figures for the year ended 31 March 2023 due to the Backstop Date. Therefore, we were unable to determine whether any adjustments were necessary to the opening balances as at 1 April 2023 or whether there were any consequential effects on the Authority's income and expenditure for the year ended 31 March 2024.

Any adjustments from the above matters would have a consequential effect on the Authority's net assets and the split between usable reserves, including the unusable reserves as at 31 March 2024 and 31 March 2023, the Collection Fund and on its income and expenditure and cash flows for the years then ended.

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

Our audit opinion on the financial statements

We have issued a disclaimed opinion on the Council financial statements on XX February 2024.

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

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

Audit of the financial statements

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

Significant financial statement audit risk	Procedures undertaken	Findings
<p>Valuation of land and buildings</p> <p>Risk that the value for the land and building assets is materially over or under-estimated.</p>	<p>We have undertaken risk assessment and planning procedures over this balance only, in line with our intent to issue a disclaimed opinion, as noted on Page 7.</p>	<p>As noted, substantive response not undertaken.</p>
<p>Valuation of investment property</p> <p>Risk that the value for the investment property assets are materially over or under-estimated.</p>	<p>We have undertaken risk assessment and planning procedures over this balance only, in line with our intent to issue a disclaimed opinion, as noted on Page 7.</p>	<p>As noted, substantive response not undertaken.</p>
<p>Management override of controls</p> <p>Risk that the process around posting ledger transactions is utilised to manipulate accounting results.</p>	<p>We have undertaken risk assessment and planning procedures over this balance only, in line with our intent to issue a disclaimed opinion, as noted on Page 7.</p>	<p>As noted, substantive response not undertaken.</p>

Audit of the financial statements



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Significant financial statement audit risk	Procedures undertaken	Findings
<p>Valuation of post retirement benefit obligations</p> <p>Risk that the valuation for the post retirement benefit (pension) liability is materially under-estimated.</p>	<p>Evaluated the competency and objectivity of the actuaries to confirm their qualifications and the basis for their calculations;</p> <p>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;</p> <p>Agreed the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;</p> <p>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;</p> <p>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;</p> <p>Confirmed that the accounting treatment and entries applied by the Group are in line with IFRS and the CIPFA Code of Practice;</p> <p>Considered the adequacy of the Council’s disclosures in respect of the sensitivity of the deficit or surplus to these assumptions.</p>	<p>We identified two misstatements relating to; employer contributions recognised in the Plan Asset calculations; and the project period used to determine the defined benefit obligation. These have not been corrected by management. Updating this would lead to a reduction in the Net Pension surplus, however we did not consider this material.</p> <p>We raised a recommendation relating to management review of the actuarial report.</p> <p>We considered the estimate to be balanced based on the procedures performed.</p>

03

Value for Money

North Hertfordshire District Council

Value for Money



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Introduction

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



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



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



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

Approach

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

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

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

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

Summary of findings

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	13-14	15-16	17-18
Identified risks of significant weakness?	✘ No	✘ No	✓ Yes
Actual significant weakness identified?	✘ No	✘ No	✘ No
2022-23 Findings	No significant weakness identified	No significant weakness identified	Risk of significant weakness noted but did not materialise into significant weakness
Direction of travel	↔	↔	↔

Value for Money

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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.

Local context

The audit team note the following local factors identified which could have a potential impact on VFM:

- The Council is experiencing staffing shortages and difficulties in recruitment.
- The Council saw significant change in its membership because of the May 2024 elections
- The Council works with a number of external supplies to manage multiple contracts. While there are materially significant contracts around areas of significant spend (e.g. waste, street cleaning) we have drawn a focus on the leisure centres and shopping centre contracts due to circumstances identified in the year. Detailed contract management is vital to ensure the council is achieving value for money from these contracts.
- The Corporate Peer Challenge (CPC) has been completed post year end by the Local Government Association (LGA). This raised 10 recommendations to the Council around developing the golden thread, being clear to the team regarding priorities, promoting the place narrative, building leadership, creating an organisational plan that accounts for future challenges, resetting ways of working, improving the rigour and transparency of performance management, modernisation and project management . These recommendations all cover best practice to support the Council rather than fundamental recommendations.

There are no significant inspectorate findings to report, or matters arising from our media review to note.



Financial Sustainability



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

We have considered the following in our work:

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

- The Council has adhered to its governance processes for setting a balanced budget and regularly updating its Medium Term Financial Strategy (MTFS). The 23/24 budget and MTFS are underpinned by assumptions that we deemed reasonable and are well supported. The Council has a detailed process for setting its annual budget. Budget proposals go through the Leadership Team and Political Liaison Board, and then to informal budget workshops for comments and questions. A final draft budget went to Full Council for final approval at the end of February 2023. It is our view that this is a comprehensive process with appropriate challenge and review.
- In-year budget monitoring reports are completed on a quarterly basis for reporting to Finance, Audit and Risk Committee (FAR) and Cabinet, this ensures appropriate and timely scrutiny of budget vs. actual performance. It is noted from our procedures and inquiry that for any significant variances from budget to actual, there is detailed commentary included within these quarterly reports.
- We have looked at the reserve levels in both the current and the prior financial periods and note that there is consistency in the level of usable reserves, at £26,308k, with no movement against the prior year. This is a relatively strong reserves position overall, considering the size of the Council and the national context.
- Previous financial period budgets, have been set expecting a planned use of reserves but, due to underspends and prudent budget setting these have not been needed. The 23/24 budget included a planned use of previous Business Rate gains, and utilisation of some General Fund reserve. However, due to in year underspends (treasury returns) the Council have transferred historical Business Rate gains from the specific reserve to the General Fund reserve, and there has been no usage of the General Fund reserves. In 24/25 the plan is to use £1.7m of retained Business Rates, and over 5 years there is a plan to use £2.9m of General Fund reserves. That would still leave reserves at £10.6m which is £8m more than the recommended minimum level.
- Cost improvements were approved as part of the budget set at the end of February 2023. Efficiency requirements are identified and communicated in advance through the Leadership Team as part of the budget setting process. The quarterly monitoring reports look at overall financial position and the performance of specific efficiencies. We have looked at the updated targets set by the 2024-29 MTFS for each of the next five years, with a cumulative £3.1 million savings identified to be delivered to ensure the Council can achieve a fully balanced budget by 2028/29. This has been subsequently amended per the latest MTFS to an amount of £2.5m cumulative over 5 years to achieve a fully balanced budget by 2029/30.
- For 2024/25, the Council approved a net revenue budget of £19.898 million in February 2024.

Financial Sustainability

DRAFT

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

We have considered the following in our work:

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

- Year end borrowing was negligible, being a total of £353k (2022/23: £374k). This is in line with our understanding from our assessment and inquiry that the Council adopt a lower risk position in regard to spend and borrowing. While this could have the effect of placing limits on what the Council is able to achieve, it also reduces the financial risk to which the Council is exposed.
- The year end cash position was £3,311k, (2022/23: £11,690k), while short-term investments have increased to £42,733k (2022/23: £39,269k). The Council has a strong cash and investment position, and a healthy usable reserves position.
- The Council needs to continue to ensure it mitigates further unplanned use of reserve balances to support the revenue budget, by taking steps to ensure that any in-year overspends are minimised and future budget gaps are identified early with savings/efficiency schemes put in place, without compromising front line service delivery.
- The outcome of the capital plan vs budget is significantly below that forecast. The capital spend was forecasted downwards throughout the financial year by almost 50%.
- we have assessed performance against the capital programme for the year, and have noted from procedures performed that the actual spend was below forecast. Initial forecast spend was £8,516k (per the budget approved at Full Council in February 2023). This was revised at Q3 reporting to a forecast of £4,122k. Per the final Outturn actual spend was £2,409k against an initial budget of £8,516k. There are a myriad of factors behind the underspend, but the key drivers have been noted as i) identified cost savings and ii) underspend in the year where projects have moved to 24/25. It is acknowledged that the capital budget set in year, includes aspirational plans and is not reflective of capital projects that can always be realistically delivered in year. We found that the spend is tracked, monitored and adjusted through the quarterly review process. This tracking demonstrates that management and Those Charged With Governance can effectively monitor any movements and progress against the budget and adjust accordingly. As such we deem there to be effective control, and do not conclude that there is a significant risk.

Based on the work performed no significant risks, or significant weaknesses have been identified in regard to Financial Sustainability.

Governance



DRAFT

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

We have considered the following in our work:

- how the Council monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
 - how the Council approaches and carries out its annual budget setting process;
 - how the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
 - how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
 - how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.
- The Council's Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that decisions are efficient, transparent and accountable to local people. The Constitution of the Council defines the responsibilities and roles of members and management appropriately.
 - The Council published their draft 2023/24 financial statements for audit on 18 September 2024. This publication was not in accordance with the Audit and Accounts regulations. The accounts were advertised and held an inspection period for members of the public in line with these regulations. The delay in the production and publication of the draft accounts was due to constraints on resourcing due to multiple ongoing historical audits and the implementation of a new finance system. Appropriate notification was made, and therefore we do not find that there is a significant risk in this regard but have raised a recommendation in relation to his finding. The Council has not had any significant reorganisation within its Senior Management Team or Committee roles and responsibilities in year. The Council's Governance structures are in line with best practice. Our audit procedures have found senior management are well-informed of the purpose of their Service and the key challenges and roles of their services.
 - The Shared Internal Audit Service's (SIAS) have given reasonable assurance for 2023/24 over the adequacy and effectiveness of the Council's framework of governance, risk management and control. 3 audits received unqualified opinions and contributed to the overall assurance opinion.
 - The Council has an effective risk management process and a live risk register, which is used for managing and tracking risks. We found the key risks detailed within the risk register to be consistent with the findings of our Service Line Inquiries e.g. staffing shortages. The register is reviewed on a quarterly basis.
 - There has been a lower than desired uptake of Member Training. At the time of our procedures the uptake of essential Member training, was below the 50% threshold recommended. While the impact is predominantly in the post-year end period (after the May 2024 election), we also identified concerns regarding membership training completion rates prior to the May 2024 elections. . We have raised a recommendation to address this finding, however our audit procedures have observed continued appropriate scrutiny and challenge being raised by Members, as such we do not consider there to be a significant risk.

Governance



DRAFT

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

We have considered the following in our work:

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

- The Council has in place standardised policies which are circulated and accessible to staff members for example the Code of Conduct. We note that these policies are in line with our expectation. The Council maintains a register of interests of staff and members.
- The Council have demonstrated appropriate channels in regard to whistleblowing and fraud; we noted from review a historic case that the Council was able to effectively prosecute in the current year on the basis of the control processes in place, which demonstrated good governance in respect of effective counter-fraud processes.

There is no significant risk to report. However, we have raised recommendations in regard to the following:

- Developing a detailed work plan to ensure preparation of the draft accounts in line with the national timetable and monitoring progress against this plan; noted from discussion with management that the circumstances driving the delayed submission in current year (delivery to multiple statutory auditors and the implementation of a new finance system) were unique to 2023/24, and they do not anticipate there being a repeat of the delayed submission moving forward.
- that members be encouraged and reminded to complete training in a timely manner - the Council should consider factors which are driving lower uptake, whether they be messaging, reminders or the training itself or content delivery (e.g. is it engaging enough). Messaging around potential consequences for non-compliance should also be strengthened.

Improving economy, efficiency and effectiveness



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

We have considered the following in our work:

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

- The Council's projects and performance are monitored by the Overview and Scrutiny (O&S) Committee. The O&S Committee receives quarterly update reports on projects and an end of year report in June.
- The Council has a Delivery Plan Report which includes performance indicators that help to describe the outputs and outcomes achieved. The Council documents operational performance primarily through the Council Delivery Plan, which goes to the Scrutiny and Cabinet Committees for review. The Council Delivery Plan report includes progress reports and KPIs against key projects. This ensures that there is sufficient focus on those projects that have been determined to be important components of delivering the Council Plan. Other areas of performance that are monitored in this manner include the customer service centre, waste and recycling, planning and HR. Where comparable data is available then this will be used to identify who the Council can learn from across their peer group. Collation of performance data is supported by the Performance and Risk Officer.
- The Council's procurements are governed by the Council's Contract and Procurement Rules (part of the Council's Constitution). Compliance with these is monitored by Procurement/ Legal and the Contract Procurement Group. Section 20 of Constitution considers the Contract Procurement Rules. Each contract has a contract manager who is responsible for ensuring that the contracted service is delivered.
- We understand there to be a number of staffing shortages at the Council which can impact on the Council's ability to delivery projects on time and leading to a requirement to prioritise key services. Our risk assessment procedures found this to be a consistent concern across the Senior Management Team and a key risk on the Council's risk register. significant risk. The Council has pursued alternative approaches to address the difficulties experienced in recruitment e.g. apprenticeship and training schemes, secondment of staff, buying staff time from other Authorities within the area and agency. Two factors have been noted regarding the difficulties in recruitment and retention – a) salaries when compared to the nearby London local government market and b) salaries and prospects in the private sector. Given the pervasive nature of this messaging in our inquiries, we have noted a significant risk in this matter.
- During the financial year, the Council's Internal Audit team have highlighted issues identified in respect of the Council's lease management contract for the Churchgate shopping centre. There was a period of time with the Council was engaging a third party to manage the lease agreement, however there was not a signed contract in place. We have raised a recommendation in respect of the Council ensuring it has effective processes in place to ensure prompt review of contract delivery and signing.
- The Council's leisure centre provider, SLL (Stevenage Leisure Limited), was showing signs of financial difficulty and went into liquidation on 7 July 2024. This external event had the potential to expose the Council to a loss of resources and also a risk that leisure facilities would not be effectively delivered to the public. We therefore recognised a significant risk on this matter.

Improving economy, efficiency and effectiveness



DRAFT

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

We have considered the following in our work:

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

- The Council has one full-time procurement. The procurement officer supports teams in making sure that the correct processes are followed and provides expert procurement advice. Officers are expected to use the guidance published on the Intranet to ensure that procurement tenders are compliant with Council policy. The procurement officer will oversee more significant or complex procurements.
- The Council shares services across the Hertfordshire area where practical and appropriate to the needs of the Council. For example, the Internal Audit function and Anti-Fraud Service are both sourced from Hertfordshire County Council shared services.

Our risk assessment procedures have identified two significant risks which require further assessment. They are:

1. Maintenance of appropriate staffing levels within the Council, both through recruitment and retention.
2. Management of third party contracts to mitigate potential losses and potential loss of delivery.

We have raised a recommendation in regards to the following:

- that management implement effective contract management processes to ensure that contract delivery is monitored, and compliance matters (e.g. signing) are completed in a timely manner.

Significant Value for Money Risk

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1 Staffing Levels

Risk that value for money arrangements may contain a significant weakness linked to Improving Economy, Efficiency and Effectiveness

Significant Value for Money Risk

Significant risk in regard to the maintenance of appropriate staffing levels within the Council, both through recruitment and retention.

We understand there to be a number of staffing shortages at the Council which can impact on the Council's ability to delivery projects on time and leading to a requirement to prioritise key services. Our risk assessment procedures found this to be a consistent concern across the Senior Management Team and a key risk on the Council's risk register. significant risk. The Council has pursued alternative approaches to address the difficulties experienced in recruitment e.g. apprenticeship and training schemes, secondment of staff, buying staff time from other Authorities within the area and agency. Two factors have been noted regarding the difficulties in recruitment and retention – a) salaries when compared to the nearby London local government market and b) salaries and prospects in the private sector. Given the pervasive nature of this messaging in our inquiries, we have noted a significant risk in this matter.

Our response

Response

We have carried out further assessment of management's response to tracking and managing the risk in regard to staffing levels.

We have carried out further assessment of management's response to mitigate and address the risk in regard to staffing levels through alternative staffing sources.

Our findings

Reported overleaf.

Significant Value for Money Risk



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Staffing Levels

Risk that value for money arrangements may contain a significant weakness linked to Improving Economy, Efficiency and Effectiveness

Our findings

Findings

We have found that through appropriately monitoring and tracking the risk on the Corporate Risk Register, as item CDP42, management have been able to direct an appropriate response. All services are well aware of the risk, and across our service inquiries senior management have been very open in highlighting their concerns in this area.

We note that while the issue does cause some operational delivery issues for the Council, mitigating actions are being taken by the Council through the engagement of agency staffing, implementing apprenticeship schemes and seeking private sector secondments. We have not identified any statutory duties not to have been delivered in year. The issue is mitigated and managed in a way that ensures delivery of required services continues.

We have also assessed that where possible the Council will procure external funding for staffing requirements – e.g. funded consultancy positions being built into contract bids. Again, this is demonstrative of the mitigations management have put in place to manage shortages.

It has been noted in mitigation that there has been a low turnover in senior staff at the Council – the issue impacts on lower staff grades – and as such the level of risk from staff turnover is significantly reduced.

Conclusion

Based on the findings above we have not identified any significant weaknesses in arrangements.

Significant Value for Money Risk

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2

Leisure Contract Delivery and Return

Risk that value for money arrangements may contain a significant weakness linked to Improving Economy, Efficiency and Effectiveness

Significant Value for Money Risk

Management of third party contracts to mitigate potential losses and potential loss of delivery.

The Council's leisure centre provider, SLL (Stevenage Leisure Limited), was showing signs of financial difficulty and went into liquidation on 7 July 2024. This external event had the potential to expose the Council to a loss of resources and also a risk that leisure facilities would not be effectively delivered to the public. We therefore recognised a significant risk on this matter.

Our response

Response

We have carried out further assessment of management's response to managing the exit from the SLL Leisure contract, including mitigations put in place ahead of the entity going into liquidation.

We have also assessed the financial exposure from the exit process.

Our findings

Reported overleaf.

Significant Value for Money Risk

DRAFT



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Leisure Contract Delivery and Return

Risk that value for money arrangements may contain a significant weakness linked to Improving Economy, Efficiency and Effectiveness

Our findings

Findings

We have found that while SLL did not go into liquidation until after the contract period had ended (and Everyone Active had started operating the Council leisure facilities), albeit management were aware that SLL had already lost their two other larger contracts. Management therefore correctly identified that there was a going concern issue regarding SLL. This was factored into the contract monitoring control, and procurement decisions made. For the remainder of the contract duration with SLL, management mitigated any potential lack of service delivery through the setup of a Local Authority Company (LATCo) to continue operation of the facilities in the event of the contract becoming unviable. The contract continued to be under close scrutiny and contract management of delivery through to the end of the contract term, and subsequently regarding the recovery of debts.

While the Council continues to pursue recovery of outstanding debts from the company's creditors, the maximum potential exposure under the contract to the Council is immaterial. This position has been achieved through effective contract risk management by the Council. The contract was reviewed to ensure that the Council have the right to offset any amounts owed to SLL against amounts owed by SLL, which has been used to effectively reduce exposure. While the contract was ongoing it was effectively monitored and managed to ensure that only contractually due amounts were paid over.

We therefore are able to conclude that management have appropriately managed the risk around the contract exit, specifically through rigorous contract management to reduce financial exposure, and contingency planning to ensure continued delivery of service.

Conclusion

Based on the findings above we have not identified any significant weaknesses in arrangement.



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Document Classification: KPMG Public