



Audit Committee Agenda

7.30pm, Tuesday 17 June 2014

Bulbourne Room, Civic Centre, Hemel Hempstead

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

Adshead	Harris
Doole	Taylor (Chairman)
Douris	W Wyatt-Lowe
Elliot	

Substitute Members: Councillors Anderson, N Hollinghurst, Marshall, McKay and Townsend.

For further information, please contact Jim Doyle on Tel: 01442 228222, Email: jim.doyle@dacorum.gov.uk Information about the Council can be found on our website: www.dacorum.gov.uk

PART I

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1. APOLOGIES FOR ABSENCE

To receive any apologies for absence.

2. DECLARATIONS OF INTEREST

To receive any declarations of interest

A member with a disclosable pecuniary interest or a personal interest in a matter who attends a meeting of the authority at which the matter is considered -

(i) must disclose the interest at the start of the meeting or when the interest becomes apparent

and, if the interest is a disclosable pecuniary interest, or a personal interest which is also prejudicial

(ii) may not participate in any discussion or vote on the matter (and must withdraw to the public seating area) unless they have been granted a dispensation.

A member who discloses at a meeting a disclosable pecuniary interest which is not registered in the Members' Register of Interests, or is not the subject of a pending notification, must notify the Monitoring Officer of the interest within 28 days of the disclosure.

Disclosable pecuniary interests, personal and prejudicial interests are defined in Part 2 of the Code of Conduct For Members

[If a member is in any doubt as to whether they have an interest which should be declared they should seek the advice of the Monitoring Officer before the start of the meeting]

3. MINUTES AND ACTIONS

To confirm the minutes of the meeting held on 30 April 2014 and consider the actions. (previously circulated).

4. PUBLIC PARTICIPATION

An opportunity for members of the public to make statements and ask questions in accordance with the rules as to Public Participation

5. INTERNAL AUDIT REPORT

- Human Resources

See accompanying booklet

6. INTERNAL AUDIT PROGRESS REPORT

See accompanying booklet

7. INTERNAL AUDIT ANNUAL REPORT 2013/14

See accompanying booklet



AGENDA ITEM: 8

SUMMARY

Report for:	AUDIT COMMITTEE
Date of meeting:	17 June 2014
PART:	I
If Part II, reason:	

Title of report:	Final Outturn 2013/14
Contact:	Cllr Nicholas Tiley, Portfolio Holder for Finance and Resources Martin Hone, Corporate Director (Finance and Operations)
Purpose of report:	The purpose of this report is to present the Council's Statement of Accounts for 2013/14.
Recommendations:	It is recommended that Members of the Audit Committee: <ul style="list-style-type: none"> a) Review the financial out-turn position for 2013/14; b) Approve movements on earmarked reserves; and c) Review and approve capital carry forwards to 2014/15;
Corporate objectives:	Corporate Governance
Statutory Officer Comments:	<p>Section 151 Officer : My comments are included within the body of this report and within the commentary and explanatory foreword to the Statement of Accounts.</p> <p>Monitoring Officer: The Council has a statutory duty to approve the Statement of Accounts by 30 September in accordance with the Account and Audit Regulations 2011.</p>
Consultees:	None
Background papers:	None

Background

1. The purpose of this report is to set out the Final Outturn for 2013/14 for approval, prior to members being requested to consider the Statement of Accounts later on this Agenda.
2. The Council's outturn position is a primary source of information for the production of the Statement of Accounts and provides context for members in their consideration of the accounts.
3. Final Outturn is reported for the following and set out in detail in the paragraphs below:
 - General Fund
 - Housing Revenue Account (HRA)
 - Capital Programme

General Fund Outturn

4. The General Fund (GF) revenue account records the revenue income and expenditure associated with all Council functions except management of the Council's housing stock. This is accounted for within the Housing Revenue Account (HRA) (see Section 7).
5. Appendix A provides an overview of the General Fund outturn position, separating expenditure into controllable and non-controllable categories in order to focus scrutiny on those areas that officers are able to influence, i.e. the controllable.
6. The majority of non-controllable costs result from year-end accounting adjustments, e.g. depreciation charges, which are required to show the true value of resources used to provide the Council's services, but which do not result in a cash charge to taxpayers. These adjustments have now been completed and are explained in paragraph 6 of this report.
7. The table below provides a summary of the final outturn for the General Fund by Scrutiny area.

	Revised Budget	Final Outturn	Variance	
	£000	£000	£000	%
Finance & Resources	12,681	13,548	867	6.8%
Strategic Planning & Environment	6,193	6,130	(63)	-1.0%
Housing & Communities	1,978	1,977	(1)	0.0%
Total	20,852	21,655	803	3.9%

8. The following sections provide a subjective analysis of final outturn and major budget variances shown by Scrutiny area.

Finance and Resources

Finance & Resources	Controllable Budget £000	Final Outturn £000	Variance	
			£000	%
Employees	10,635	11,378	743	7.0%
Premises	2,226	2,405	179	8.0%
Transport	40	39	(1)	-2.5%
Supplies & Services	4,753	4,712	(41)	-0.9%
Third-Parties	1,404	1,574	170	12.1%
Income	(6,377)	(6,560)	(183)	2.9%
	12,681	13,548	867	6.8%

9. Employees - £743k over budget (7%)

In February 2014, following the triennial actuarial review of the Council's pension scheme, Full Council approved a one-off payment of £745k (General Fund element) to reduce the deficit on the pension scheme. At the time of approval it was anticipated that this payment would be made in the financial year 2014/15. However, since approval the Council received notification that payment was required in March and therefore would come from the 2013/14 budget. This payment has been funded from the Pensions Reserve, and therefore has no impact on the overall outturn position.

In addition, there is an underspend of £75k caused by the re-scheduling of the Council's internal Apprentice Scheme for which costs will now be incurred in 2014/15. Again, this will be funded from earmarked reserves, and therefore it has no impact on the overall outturn position.

10. Premises – £179k over budget (8%)

This principle reason for this overspend (£130k), was the responsive repairs carried out to the Council's commercial and investment properties during March caused by the adverse weather conditions experienced over the winter months.

In addition there was a £40k pressure caused by repairs and replacements undertaken to Community Centres.

11. Supplies and Services - £41k under budget (0.9%)

There is an underspend of £140k due to a re-phasing of the EDRMS project into 2014/15. The project is funded from earmarked reserves and therefore has no impact on the overall outturn position.

The underspend is partly off-set by the transfer of capital costs (£120k) to revenue. These costs were originally classified as capital expenditure, but, in light of the Council's decision not to decant to 39/41 The Marlowes, they must now be reclassified as revenue expenditure.

12. Third Parties - £170k over budget (12.1%)

This relates primarily (£205k) to one-off start-up costs following the outsourcing of the Customer Services Unit to Northgate. This is funded in part from the Housing Revenue Account (£75k), with the remainder (£133k) from earmarked reserves, and therefore has no impact on the overall outturn position.

13. Income – £183k over achieved (2.9%)

£120k comes from increased income from Investment Properties; due to the successful implementation of retrospective rent reviews, income from newly acquired properties e.g. The Point, and the transfer of HRA investment properties.

Strategic Planning and Environment

Strategic Planning and Environment	Controllable Budget £000	Final Outturn £000	Variance	
			£000	%
Employees	8,258	8,166	(92)	-1.1%
Premises	882	966	84	9.5%
Transport	1,450	1,457	7	0.5%
Supplies & Services	5,289	5,362	73	1.4%
Third-Parties	143	145	2	1.4%
Income	(9,829)	(9,966)	(137)	-1.4%
	6,193	6,130	(63)	-1.0%

14. Employees - £92k under budget (1.1%)

The underspends result primarily from staff savings in Clean, Safe & Green following the redesign and reduction of rounds for green waste collection (£30k); and, £30k in Spatial Planning due to a post being held open pending further service review. (This is offset by consultancy costs incurred to fill the post on a temporary basis, which are against the Supplies and Services budget).

A further £40k underspend was due to the early departure of an agency member of staff from the Building Control team that was expected to be in post for the full year.

15. Premises - £84k over budget (9.5%)

£30k additional costs were incurred at Cupid Green Depot following a requirement by the Environment Agency to re-concrete part of the site.

A further £30k overspend was incurred through responsive repairs to car parks following the damage caused by the extreme weather conditions experienced in the first quarter of 2014.

16. Supplies and Services - £73k over budget (1.4%)

An overspend of £95k occurred on the Public Service Quarter due to additional consultancy and legal work required for the detailed dialogue stage of the project.

In addition, there was a £79k underspend caused by the re-phasing of the Council's external Apprentice Scheme which will now be delivered substantially in 2014/15. This budget is funded from earmarked reserves and therefore has no impact on the overall outturn position.

17. Income - £137k over achieved (1%)

Income exceeded budget within Pay and Display (£50k), Penalty Charge Notices (£65k), and Development Control (£80k).

This is partly off-set by lower than expected income from the County Council for the diversion of waste away from landfill (£112k). This income is a formula driven reward grant and has reduced due to an increase in forecast waste for quarter 4.

Housing and Community

Housing & Community	Controllable Budget £000	Final Outturn £000	Variance	
			£000	%
Employees	3,128	3,140	12	0.4%
Premises	393	506	113	28.8%
Transport	46	40	(6)	-13.0%
Supplies & Services	2,354	2,207	(147)	-6.2%
Third Parties	25	25	0	0.0%
Income	(3,968)	(3,941)	27	-0.7%
	1,978	1,977	(1)	-0.1%

18. Premises - £113k over budget (28.8%)

£50k relates to the reclassification of expenditure from capital to revenue, identified as part of the year-end process.

£35k relates to additional CCTV costs arising from the delayed completion of the relocation to the Cupid Green site. The delay meant that extra connectivity costs were incurred from an external provider. External provision is no longer necessary now that the service is provided from Cupid Green.

19. Supplies & Services - £147K under budget (6.2%)

£125k reduction in recharge to the HRA for the management and maintenance of garages following a review, and subsequent reduction, of officer time allocation by HRA staff. The corresponding pressure on the HRA can be seen in paragraph 7.7.

Non-Controllable Expenditure

20. Appendix A sets out the outturn for non-controllable expenditure. This is largely year-end accounting adjustments, which are reversed out below the General Fund Service Expenditure line, and therefore have no impact on the overall outturn position. The major variances are set out below:

	£'000
Capital Charges (Reversed no impact on overall outturn)	4,996
Pension Adjustments (Reversed no impact on overall outturn)	(977)
Housing Benefits and Subsidy	111
Bad Debt Provision for Impairment	31
Recharges (HRA / General Fund change)	(116)
Total	4,045

Housing Revenue Account (HRA)

21. The HRA is a ring-fenced account relating to the Council's Landlord functions. A guiding principle of the HRA is that revenue raised from rents and service charges must be sufficient to fund expenditure incurred. The final outturn position for the HRA is shown at Appendix B.
22. The HRA balance at the end of 2013/14 is £2.724m. The operating position is broadly balanced, with a deficit of £53k, which is £38k more than the forecast deficit within the revised budget. Significant variances are explained in the paragraphs below.
23. **Leaseholder Charges £189k below budget (48.2%)**

The income for leaseholder charges reflects the incorrect processing of an accrual (£215k) in 2012/13. This effectively means that three 'half-years' of income were recognised in 2012/13, leaving only one 'half-year' to be recognised in 2013/14. Over the two years in question, the amount of income received by the HRA has been on budget.

24. **Contributions to Expenditure £207k above budget (45.4%)**

This charge represents the amounts paid by leaseholders for work on specific improvement projects to shared areas. This variance is due to a change in accounting treatment for that element of the Contribution that applies specifically to lift replacements. The increased income is offset by the increased Contribution to Earmarked Reserves and therefore has no impact on the operating surplus of the HRA.

25. **Repairs and Maintenance £957k over budget (8%)**

The outturn for Repairs and Maintenance reflects an overspend caused primarily by an increase in demand for responsive repairs following the adverse weather conditions experienced over the winter months.

26. **Revenue Contribution to Capital £2,222k below budget (14%)**

Revenue Contribution to Capital (RCC) is that amount of surplus revenue, generated over the course of the year, which is transferred out of the Housing Revenue Account into the Housing Capital Programme in order to fund capital projects.

Because it is revenue over and above the amount that is required to operate the HRA for the year, the actual level of RCC will go up or down dependent on over- or under-spends elsewhere within the HRA budget. Therefore, the reduction in RCC at final outturn 2013/14 reflects the cumulative overspend elsewhere in the budget.

In summary, this means that £2.222m less than budgeted will be available to spend on HRA capital projects in future years. There remains sufficient capital funding within the HRA to ensure that the current programme can be delivered.

27. **Supervision and Management £501k over budget (4.7%)**

This overspend relates to three key areas:

- The HRA share of the one off payment for pension back-funding referred to in paragraph 3.1 (£210k), which was budgeted for 2014/15, but was brought forward to the final quarter of 2013/14.
- £75k increase in recharges from support services, primarily due to the one-off start-up costs associated with the implementation of the Northgate contract within the Customer Service Unit.
- £125k reduction in recharge income for the management and maintenance of garages. This followed a review, and subsequent reduction, of officer time allocated by HRA staff.

28. Provision for Bad Debts £149k over budget (70.3%)

The increase in the bad debt provision reflects a combination of the following factors:

- Throughout 2013/14 there has been an increase in the overall arrears level of £150k. This equates to 0.3% of rental income for the year, which represents an improvement on previous years.
- There has been an increase in the element of the bad debt provision relating to the debts of former tenants. Although tenant eviction rates have not increased in 2013/14, the average debt of a tenant evicted for rent arrears is considerably higher than it has been in the past. This is primarily due to increasing rental charges and the protracted legal process associated with eviction.

29. Depreciation £444k over budget (5%)

The annual depreciation charge is a nominal amount that represents the total value of the housing stock that has been 'used' over the course of the year. For audit purposes, DBC housing stock is said to have a 'useful economic life' of 60 years, therefore the annual depreciation charge is approximately one sixtieth of the value of the housing stock. The charge for depreciation in 2013/14 is above budget because the value of the housing stock has increased since the budget was set.

30. Contribution to/(from) earmarked reserves £238k (4.8%)

The increase in transfer to reserves is largely (£200k) due to the transfer of leaseholder contributions to lift repairs following a change in the accounting treatment, as explained in paragraph 7.4.

Capital Outturn

31. Final capital outturn position is summarised by Scrutiny area in the table below. Appendix C shows the final outturn by scheme.

The 'Forecast Slippage' column refers to those projects where expenditure is still expected to be incurred, but it will now be in 2014/15 rather than 2013/14.

The 'Variance' column refers to those projects which are now complete, but have come in under or over budget and those projects which are no longer required e.g. the Decant project.

	Revised Budget £000	Final Outturn £000	Slippage £000	Variance	
				£000	%
Finance & Resources	3,021	2,746	92	(183)	-6.1%
Strategic Planning & Environment	2,202	2,030	12	(160)	-7.3%
Housing & Community	8,717	8,604	40	(73)	-0.8%
G F Total	13,940	13,380	144	(416)	-3.0%
HRA Total	29,038	26,956	1,596	(486)	-1.7%
Grand Total	42,978	40,336	1,740	(902)	-2.1%

General Fund Major Variances

32. The major variances on the General Fund Capital Programme are as follows:

33. Finance and Resources

- There is an underspend because the Decant project (line 97) will no longer go ahead (£250k). Under these circumstances any expenditure has to be treated as Revenue.

34. Housing & Community

- The work at Highbarns will be completed in 2014/15 resulting in slippage of £230k (line 108).
- There have been delays to the Old Town Hall project caused by the unpredictability of undertaking works on listed buildings, which have resulted in slippage of £200k in to 2014/15 (line 135).
- There is an in-year pressure of £361k on the Elms Hostel project on Redbourn Road (line 141). This is merely due to expenditure being incurred earlier than anticipated, and is not indicative of a likely overspend on the project. Budget previously allocated to 2014/15 has been brought forward to 2013/14 in order to fund the pressure.

35. Strategic Planning & Environment

- An in-year pressure on the Old Town High Street Enhancements scheme (line 167) of £195k. This represents a re-profiling of cash flows and is not an overspend on the overall scheme. Future year's budget will be brought forward to fund the pressure.
- Slippage on the Multi Storey Car Park in Berkhamsted (line 153) (£42k), the Regeneration of Hemel Town Centre (line 174) (£49k) and Market Square and Bus Interchange (line 179) (£108K).
- An underspend of £160k was caused by the re-classification of expenditure from capital to revenue and accruals made in 2012/13 in error.

36. Housing Revenue Account Schemes

- The £1.4m overspend on Planned Fixed Maintenance (line 194) is due to two key factors:
 - an increase in the number of kitchens and bathrooms being replaced as properties become void on the change of ownership; and,
 - an amendment to the Keepmoat contract to enable 15 months' work to be completed within the 12 months of 2013/14. This was negotiated in order to ensure that the Council is prepared for the commencement of the new Total Asset Management Contract in July 2014.
- There has been cost slippage to the new build works at Farm Place, Berkhamsted (line 202), for which expenditure will now be incurred in 2014/15. The project remains on target for the original completion date.
- The project at Galley Hill, Gadebridge (line 203) shows an in-year pressure of £260k which relates to expenditure on the project being incurred earlier than anticipated. This is not indicative of a likely overspend on the project. Budget previously allocated to 2014/15 has been brought forward to 2013/14 in order to fund the pressure.
- There are two elements of note relating to the new build project at London Road Apsley (line 204):
 - cost slippage of £480k which will now be incurred in 2014/15, although the project remains on target for the original completion date; and,
 - a forecast underspend of £1.8m on completion of the project, relating to the transfer of land from the GF to the HRA. The actual cost to the HRA of delivering the project remains as originally budgeted, but there has been a change in the accounting treatment for the transfer of the land, which means that the funds have been transferred through an adjustment to the Capital Financing Requirement rather than through a standard budget purchase.
- The underspend of £970k showing against the Strategic Acquisitions budget (line 207) does not reflect project delivery. Rather, the £5m budget is set to enable the HRA to respond promptly to opportunities for the purchase of land as they arise. Throughout 2013/14 £970k was not required.

Balances and Reserves

37. The Reserves Summary at Appendix D reflects the movements previously approved by Council, together with the following recommendations:

- **Pensions Reserve – draw down £745k**
To part-fund the deficit on the Council's pension scheme. As explained in paragraph 3.1, this draw down is now required in 2013/14 rather than 2014/15, as previously approved by Council.
- **Management of Change Reserve – draw down £130k**
To fund redundancy and restructuring costs associated with efficiency initiatives across the Council's services.
- **PSQ Reserve – contribution £200k**

To part finance the costs associated with the development of the PSQ, including consultancy costs and supplies and services.

- **Dacorum Development Reserve – contribution £100k**

To part finance the costs of future regeneration projects within the borough.

38. In cases where reserves were to be drawn down in 2013/14 to fund budgeted expenditure which was not spent in full, only the amount required to fund actual expenditure was drawn down. The remainder is held in reserve to fund the approved expenditure as it is incurred in future years.

Appendix A

General Fund Final Outturn 2013/14 (by Scrutiny Committee)

Appendix B

Housing Revenue Account – Final Outturn 2013/14

Appendix C

Capital Programme Final Outturn By Scrutiny Committee For 2013/14

4 pages

Appendix D

General Fund Reserves Summary Final Outturn 2013/14



AGENDA ITEM: 9

SUMMARY

Report for:	AUDIT COMMITTEE
Date of meeting:	17 June 2014
PART:	I
If Part II, reason:	

Title of report:	Statement of Accounts 2013/14
Contact:	Cllr Nicholas Tiley, Portfolio Holder for Finance and Resources Martin Hone, Corporate Director (Finance and Operations)
Purpose of report:	The purpose of this report is to present the Council's Statement of Accounts for 2013/14.
Recommendations:	It is recommended that Members of the Audit Committee: d) Review the Statement of Accounts 2013/14; and e) Approve the Annual Governance Statement included in the Accounts.
Corporate objectives:	Corporate Governance
Statutory Officer Comments:	Section 151 Officer : My comments are included within the body of this report and within the commentary and Explanatory Foreword to the Statement of Accounts. Monitoring Officer: The Council has a statutory duty to approve the Statement of Accounts by 30 September in accordance with the Accounts and Audit Regulations 2011.
Consultees:	None
Background papers:	None

1. Background

- 1.1 The Accounts and Audit Regulations 2011 require that the Council's Section 151 Officer must certify, by 30 June each year, that the pre-audit Statement of Accounts presents a true and fair view of the financial position as at the end of the previous financial year.
- 1.2 The Council must then approve their audited financial statements by 30 September. The Council must therefore work with its External Auditor, which is Ernst and Young, to enable them to present their audit opinion on:
 - a) Whether the Statement of Accounts presents a "true and fair" view of the financial position of the audited body and its expenditure and income for the year in question; and
 - b) Whether the Statement of Accounts has been prepared properly in accordance with relevant legislation and applicable accounting standards.
- 1.3 Once complete, the Auditor's opinion is added to the Statement of Accounts, with further detail of the audit findings provided in the Annual Audit Letter to the Council. The complete Statement of Accounts will be presented to the Audit Committee, for formal approval, at its meeting scheduled for 24 September 2014.

2. Final Outturn 2013/14

- 2.1 The final outturn position is set out earlier on this agenda. The outturn is the fundamental basis for the Statement of Accounts. The Audit Committee is therefore requested to consider and approve final outturn prior to considering the Statement of Accounts.

3. Statement of Accounts

- 3.1 The Council's Statement of Accounts (see accompanying booklet) is an essential means by which it accounts for its stewardship of the resources at its disposal and it presents financial performance in the use of those resources. The following paragraphs provide a summary of the key information contained within the accounts.

4. Comprehensive Income and Expenditure Statement

- 4.1 The Comprehensive Income and Expenditure Statement (CIES) reports the net cost for the year of all functions for which the Council is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers.
- 4.2 The CIES for 2013/14 reflects a net gain of £51.7m and consists of the following:
 - a) Surplus on the Provision of Services of (£17.9m) (2012/13 surplus of £7.2m);
 - b) Other Comprehensive Income of (£33.8m) (2012/13 Expenditure of £7.9m).
- 4.3 The change in the Deficit/(Surplus) on the Provision of Services of £7.4m between years is due to:

- a) Surplus of £16.1m on Revaluation of Property, Plant and Equipment;
 - b) Deficit of £5m on Revenue Expenditure From Capital Under Statute;
 - c) Deficit of £1.9m on Pension Asset / Liabilities;
 - d) Deficit of £1.7m on Provision of Services.
- 4.4 Other Comprehensive Income and Expenditure for the year was £33.8m and consists of:
- a) £22.8m Surplus on Revaluation of Property, Plant and Equipment;
 - b) £11.4m Actuarial gain on Pension Asset / Liabilities.

These movements are subtotalled separately from the Provision of Services to reflect the fact that they result primarily from movements in market prices and indices outside of the Council's control.

5. Balance Sheet

- 5.1 The Balance Sheet is fundamental to understanding the Council's financial position at the year end. It shows the balances and reserves and its long-term indebtedness, and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.
- 5.2 The Council's net worth was £435.1m as at 31 March 2014, which represents an increase of £51.7m on the previous financial year. The majority of the change in net worth is caused by revaluation of fixed assets.

6. Movement in Reserves Statement

- 6.1 The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be used to fund expenditure or reduce local taxation) and 'other reserves'.

7. Cash Flow Statement

- 7.1 The Cash Flow Statement shows the movement in cash and cash equivalents held by the Council throughout the year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

8. Housing Revenue Account

- 8.1 The Housing Revenue Account (HRA) is 'ring-fenced' from the General Fund. This reflects the Council's statutory obligation to maintain a separate revenue account for local authority housing provision in accordance with Part 6 of the Local Government and Housing Act 1989.
- 8.2 The HRA statement shows a surplus of £24m for 2013/14. The HRA has now been operating within the new 'Self-Financing' regime for two years. The Council took on £354m debt in exchange for the full control of the assets and resources. It manages the HRA through a 30 year business plan, which has allowed the Council to introduce a new build programme for the first time in over 30 years.

9. Collection Fund

- 9.1 This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to non-domestic rates and Council Tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.

10. Conclusion

- 10.1 The report represents a detailed picture of the Council's financial activity for 2013/14. I would like to thank all colleagues for their help, support and dedication in the preparation of the Statement of Accounts.

Appendix A

Pre-Audit Statement of Accounts 2013/14

See Accompanying Booklet



AGENDA ITEM: 10

SUMMARY

Report for:	Audit Committee
Date of meeting:	17 June 2014
PART:	1
If Part II, reason:	

Title of report:	Financial Regulations Revision
Contact:	Cllr Nicholas Tiley, Portfolio Holder for Finance & Resources James Deane, Assistant Director (Finance & Resources)
Purpose of report:	To provide details of the proposed changes to the Council's Financial Regulations.
Recommendations	That Committee scrutinise the proposed revisions to the Financial Regulations prior to submission for Cabinet approval.
Corporate objectives:	This report supports all of the Council's corporate objectives.
Implications:	Financial and Value for Money implications are contained within the body of the report.
Risk Implications:	Contained within the body of the report.
Consultees:	Corporate Management Team Finance & Resources OSC (4 June 2014)
Background papers:	None

Introduction

1. The Financial Regulations provide the framework for managing the financial affairs of the Council. They are approved by the Council and they apply to every Member and employee of the Council and to anyone acting on its behalf.

2. In accordance with good practice, the Financial Regulations are reviewed periodically to ensure that they remain relevant throughout any structural or operational changes within the Council.
3. All sections of the Regulations have been reviewed, and in addition to the general updates relating to job titles and links to other documents, the following substantial amendments are proposed.
4. Members please note that due to the size of the document, hard copies of the revised Financial Regulations have not been made distributed to individual members of the committee. Instead, hard copies have been placed in the Majority and Minority rooms, and an electronic copy is available at the following link:

<http://www.dacorum.gov.uk/docs/default-source/council-democracy/resources-14-06-04-item-12--financial-regulations-appendix-a.pdf?sfvrsn=0>

Proposed updates

5. **Annex B, Regulation B.11, clause 3.m** has been removed from the Regulations. The clause read as follows:

'The Section 151 Officer shall include in his/her quarterly financial performance report details of virements carried out since the previous report.'

The majority of virements are effectively 'tidying up' exercises and relate to low value changes made to assist Officers in managing their budgets at a detailed level. It is proposed that the best use of Member time is to request overview only of material virements, as defined by the Schedule of Authorisations, Annex H, Item 1.

6. **Annex D, Schemes of Delegation, Regulation D.4** – pre-revision did not specify approval levels by postholder, and gave scope for differing delegation levels across the Council. In practice, this proved difficult to control, and since the last edition of the Regulations the Council has moved to a more consistent scheme of delegation, which has been maintained by Financial Services.

It is proposed that this revised edition of the Regulations includes the following Scheme of Delegations:

Postholder	Authorisation Level	
	Contract Letting	Agresso Approval
Chief Executive	£500,000	£10,000,000
Section 151 Officer	£500,000	£10,000,000
Corporate Director	£500,000	£1,000,000
Assistant Director	£250,000	£250,000
Group Manager	£50,000	£50,000
Team Leader	£10,000	£10,000

The recommended authorisation levels have been set in conjunction with the Procurement Standing Orders to ensure that the Council has an efficient purchasing process.

7. Annex H, Schedules of Authorisations, Item 1. Virement policy – hierarchy of authorisations

The November 2011 Regulations contained the following two types of transaction within the hierarchy of authorisations, which should be removed from this section of the Regulations in the revised edition.

Type	Applies to transfers between	Sanctioning Authority
1	Between General Fund and Housing Revenue Account	Council
2	Supplementary budgets funded from corporate and service-based reserves and balances	Council

‘Virement’ is a term that refers to the transfer of budgets *within* a currently approved total budget. The two transfer types listed above both result in *changes* to the currently approved total budget, and should therefore be managed through Financial Regulation A.12 c) Supplementary estimates:

- Type 1 – the HRA is ringfenced from the General Fund and therefore transactions between the two will always result in changes to the total budget of both accounts.
- Type 2 – a supplementary budget, by definition, refers to a change in the currently approved total budget.

Virement Type 7 in the November 2011 Regulations contained the following conditions, which, if met would require all virement types to have Cabinet approval:

Type	Applies to transfers between	Sanctioning Authority
7	For items where the amount to be vired is at least <ul style="list-style-type: none"> • £10,000 And <ul style="list-style-type: none"> • 10% of the transferring budget 	Cabinet

It is proposed that the monetary value within this condition is increased to £50,000, as below:

Type	Applies to transfers between	Sanctioning Authority
5	For items where the amount to be vired is at least <ul style="list-style-type: none"> • £50,000 And <ul style="list-style-type: none"> • 10% of the transferring budget 	Cabinet

The basis for this proposal is that the Sanctioning Authority for the first four virement types is robust, and that Members need only scrutinise virements of higher value.

8. Annex H, Schedules of Authorisations, Item 14. Exceptions to advance payments regulations

The list of standing exceptions has been update to include those areas that for operational reasons require the Council to make payments in advance of the receipt of goods or services. These exceptions are:

- Software Support and Maintenance
- Software Licences
- Artist/Performer Fees

9. **Annex H, Schedules of Authorisations, Item 15. De minimis level for Procurement Standing Orders**

This item has been removed on the basis that all contracts are subject to the provisions contained in the Council's Procurement Standing Orders.

11. EXCLUSION OF THE PUBLIC

To consider passing a resolution in the following terms:

That, under s.100A (4) of the Local Government Act 1972 Schedule 12A Part 1 as amended by the Local Government (Access to Information) (Variation) Order 2006 the public be excluded during the item in Part II of the Agenda for this meeting, because it is likely, in view of the nature of the business to be transacted, that if members of the public were present during this item there would be disclosure to them of exempt information relating to ...

AUDIT COMMITTEE: Work Programme 2014-15

MEETING DATE	DEADLINE TO MONITORING OFFICER	DEADLINE TO MEMBER SUPPORT	ITEMS:	WHO RESPONSIBLE
30 July 2014	16 July 2014	21 July 2014		
30 Sept 2014	17 Sept 2014	22 Sept 2014		
17 Dec 2014	3 Dec 2014	8 Dec 2014		
11 Feb 2015	28 Jan 2015	2 Feb 2015		
7 April 2015	16 March 2015	20 March 2015		

