



Audit Agenda

Wednesday 28 June 2017 at 7.30 pm

Conference Room 2 - The Forum

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.

Membership

Councillor Brown
Councillor Douris
Councillor McLean

Councillor Taylor (Chair)
Councillor Tindall
Councillor W Wyatt-Lowe

Substitute Members:

Councillors G Adshead, Anderson, England, Link and Ransley

For further information, please contact Jim Doyle or

AGENDA

- (a) Final Outturn 16-17 (Pages 2 - 17)
- (b) Final Outturn Appendix A-D (Pages 18 - 115)
- (a) Statement of Accounts (Pages 116 - 235)
- (a) Annual Report 2016-17 (Pages 236 - 248)
- (a) Progress Report - June 2017 (Pages 249 - 283)



AGENDA ITEM: SUMMARY

Report for:	Audit Committee
Date of meeting:	28 June 2017
PART:	1
If Part II, reason:	

Title of report:	Final Outturn 2016/17
Contact:	<p>Cllr Graeme Elliot, Portfolio Holder for Finance and Resources</p> <p>Authors: David Skinner, Assistant Director (Finance & Resources) Richard Baker, Group Manager (Financial Services)</p> <p>Contact: James Deane, Corporate Director (Finance & Operations)</p>
Purpose of report:	<p>To provide details of the final outturn position for the:</p> <ul style="list-style-type: none"> · General Fund · Housing Revenue Account · Capital Programme <p>To provide details of the proposed transfers to and from earmarked reserves.</p>
Recommendations	<p>It is recommended that Members of the Audit Committee:</p> <ol style="list-style-type: none"> 1. Review the financial outturn position for 2016/17; 2. Approve movements on earmarked reserves as set out in section 10; and 3. Review and approve capital slippage set out in Appendix C.
Corporate objectives:	Delivering an efficient and modern council
Implications:	Financial and Value for Money implications are included within

	the body of the report.
Risk Implications	Risk implications are included within the body of the report.
Equalities Implications	There are no equality implications.
Health And Safety Implications	There are no health and safety implications.
Monitoring Officer/S.151 Officer Comments	<p>Monitoring Officer</p> <p>No further comments to add.</p> <p>S.151 Officer</p> <p>This is a Section 151 Officer report.</p>
Consultees:	Budget Managers
Glossary of acronyms and any other abbreviations used in this report:	<p>GF – General Fund</p> <p>HRA – Housing Revenue Account</p> <p>MTFS – Medium Term Financial Strategy</p>

1. Executive Summary

- 1.1 The purpose of this report is to set out the Final Outturn for 2016/17 for approval, prior to Members being requested to consider the Statement of Accounts later on this agenda.
- 1.2 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.
- 1.3 At Provisional Outturn 2016/17, reported to Cabinet on 23rd May, the additional contribution to the earmarked reserves, as shown in paragraph 10.4, was £1.158m. Following the accounting adjustments required for Final Outturn, additional contributions to/from reserves are required as set out in paragraph 10.5. There is no material variance from provisional outturn and the non-controllable adjustments are set out in section 7.1.
- 1.4 As reported to Cabinet the accounting adjustments required for completion of the Business Rates Collection Fund were still to be completed at the time the Provisional Outturn was reported. Following the final review of the collection fund an additional £2.129m has been contributed to the Funding Equalisation Reserve, specifically set up for dealing with the statutory accounting adjustments and timing differences arising from the scheme. This remains a volatile source of income for the Council due to the uncertainty around the success of the

outstanding appeals. This is especially uncertain given the new valuation lists that have been issued from April 2017.

1.5 The budget surplus has been analysed as part of the normal year end process, to ensure that ongoing savings have been identified and captured in the base budget going forward and one off items have been challenged.

1.6 Those causes of surplus within the Final Outturn which are considered unlikely to recur have not been built into the base budget for future years. These include:

- Housing benefit subsidy £110k surplus due to the variable nature of the scheme and the changeable numbers of people
- Parking income surplus £100k as this income is weather dependant
- Waste Services income from the Alternative Financial Model due to the current model being under review

1.7 Items captured in the base budget going forward include:

- Garages income additional £400k from 2017/18
- Investment Property inflationary increases £90k
- Ongoing savings in employees budget such as the savings in the leadership team (£75k) following the restructuring.

1.8 General Fund Capital spending is broadly on track with rephasing limited to 7.5% of the budget, which is consistent with forecasts made at Quarter 3.

1.9 In line with the policy of maintaining the General Fund working balance at £2.5m the surplus has been moved to earmarked reserves as per the recommendation to Cabinet 23rd May. As shown in paragraph 10.1 this is broken down as follows:

- Contribution to Management of Change reserve £450k
- Contribution to Capital Development Reserve £500k
- Contribution to Parking Reserve £208k

2. Introduction

1.1 The purpose of this report is to set out the Final Outturn for 2016/17, prior to members being requested to consider the Statement of Accounts later on this Agenda.

1.2 Outturn is reported for each the following funds, and set out in detail in the following sections:

- General Fund
- Housing Revenue Account (HRA)
- Capital Programme

3. General Fund Revenue Account

3.1 The General Fund revenue account records the income and expenditure associated with all Council functions except management of the Council's own housing stock, which is accounted for within the Housing Revenue Account (HRA) (see Section 8).

3.2 The current budget is the original budget approved by Cabinet in February 2016, plus the following approved amendments:

Amendments	£000	Approved
2016/17 Original budget	16,946	
Corporate Graduates	18	Council July 2016
Reserve Funded Staff Costs	(46)	Council September 2016
Digitalisation of Planning Microfiche data	100	Council September 2016
Sports Review	40	Council January 2017
Arts Funding	15	Council January 2017
Pensions	(900)	Council April 2017
2016/17 Current Budget	16,173	

3.3 Appendix A provides an overview of the General Fund final 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.

3.4 The majority of non-controllable costs result from year-end accounting adjustments, e.g. depreciation charges. These are required to show the true value of resources used to provide the Council's services, but do not result in a cash charge to taxpayers. The adjustments that have been completed to date are explained in section 7 of this report.

3.5 The table below provides an overview by Scrutiny area of the current forecast outturn for controllable and non-controllable budgets within the General Fund.

	Current Budget £000	Final Outturn £000	Variance	
			£000	%
Finance & Resources	7,245	6,943	(302)	-4.2%
Strategic Planning & Environment	7,107	6,923	(184)	-2.6%
Housing & Community	1,821	1,623	(198)	-10.9%
Total	16,173	15,489	(684)	-4.2%
Non-controllable budgets	(9,913)	(12,841)	(2,928)	29.5%
Earmarked Reserve movements	(6,260)	(2,648)	3,612	-57.7%
Contribution (to)/from General Fund Working Balance	0	0	0	

3.6 The non-controllable elements in the table above contain the accounting adjustments required for the Business Rates Retention Scheme £2.8m with the offsetting entry in additional contributions to earmarked reserve being the contribution to the Funding Equalisation Reserve to manage the statutory accounting adjustments and timing differences.

3.7 The following sections provide an analysis of the projected outturn and major budget variances shown by Scrutiny area.

4. Finance and Resources

Finance & Resources	Current Budget £000	Final Outturn £000	Variance	
			£000	%
Employees	10,105	9,976	(129)	-1.3%
Premises	2,004	2,101	97	4.8%
Transport	32	41	9	28.1%
Supplies & Services	4,170	4,425	255	6.1%
Third-Parties	336	456	120	35.7%
Income	(9,402)	(10,056)	(654)	7.0%
	7,245	6,943	(302)	-4.2%

3.8 Employees - £129k under budget (1.3%)

Saving of £75k – Following the restructure of the Council's leadership team in May 2016, a saving of £75k has arisen in the management team salaries budgets.

The remaining £54k is due to vacancies spread across the services. This is 0.5% of the employee budget.

3.9 Supplies and Services - £255k over budget (6.1%)

Pressure of £100k – This pressure relates to budgeted savings in the Parking service which have not been achieved in 2016/17 due to negotiations with our contractual partners taking longer than anticipated. These have now been concluded and the savings have been scheduled for 2017/18. Additional costs of upgrading Pay and Display machines (£15k) prior to the introduction of new £1 coin in March 2017 have also contributed to the overspend.

Pressure of £70k – This pressure has arisen from a review of the Estates service (£25k), which has assisted in identifying future efficiencies in the service of £50k, and from one off professional property fees incurred in order to generate capital receipt and to maintain existing revenue income streams such as the Aerial sites.

Pressure of £55k – A pressure has arisen in the Revenues and Benefits service from bank charges incurred. The new system of credit card surcharging has been

successfully implemented with all fees fully recovered through the charging. Fee income is reported within the income budget which has over achieved its target in year. However changes made to the charging mechanism for debit cards have resulted in the pressure as the provider now charges on a percentage basis not as a flat fee. This was implemented part year and was therefore not factored into the budget.

Pressure of £40k – A pressure of £40k has arisen in the Cemeteries service, in relation to new monitoring equipment including Hand Arm Vibration monitoring to satisfy health and safety requirements and to ensure there is consistency across council departments.

3.10 Third Parties - £120k over budget (35.7%)

Pressure of £120k – a pressure has arisen in the Facilities Management service due to one-off costs relating to the move the Council's new offices The Forum. These costs have been passed back to the Council's partners through service charges recharges (see paragraph 4.4 below) and results in no actual cost to the Council.

3.11 Income £654k over-achievement of income (7.0%)

The income on Investment Properties has exceeded budget by £210k. An additional £110k of income has been generated as a result of successful rent reviews secured this financial year that exceed the inflation factor put into the budget. Additional income of £70k is related to turnover based rents on specific sites. In addition, service charges have generated an additional £30k of income due to efficiencies identified by the finance and estates teams working together to improve the methodology for billing tenants that have been implemented in the year. This will be scrutinised to see if the over achievement of rental income can be built into the 2018/19 budget.

Over-achievement of £210k – An additional £210k of income has been generated from properties being used as Temporary Accommodation by the Housing Service. A higher than expected number of properties is being used as Temporary Accommodation as there is an increase in demand. Council owned properties managed by commercial assets are being used to maximise occupancy and to minimise expensive bed and breakfast provision for Housing. This will be additional income that can be factored into 2018/19 budget assumptions.

Over-achievement of income £135k – This additional income relates to Premises and Third Party costs of The Forum, and is being charged back under lease agreement to the Council's partners through service charge recharges (see paragraph 4.3 above).

Over-achievement of £100k – Car parking income has achieved a surplus of £100k this financial year, due to an increased volume of customers using the Council owned car parks and the mild and dry year.

Over-achievement of £50k – An over-achievement of income of £50k has been realised in the Revenues, Benefits and Fraud service. £26k relates to the Benefits Administration Subsidy grant from central government, which was higher than previously expected. £16k relates to various items of grant funding, which

have been received by the service for specific requirements of central government. £7k has been generated from the sale of Fraud expertise to a neighbouring local authority.

Over-achievement of £33k – An insurance rebate of £33k has been received. Under the Council's policies, rebates are receivable if the claims experience is particularly good in the prior year where the council had claimed less than previously.

5. Strategic Planning and Environment

Strategic Planning and Environment	Current Budget £000	Final Outturn £000	Variance	
			£000	%
Employees	9,362	9,363	1	0.0%
Premises	859	842	(17)	-2.0%
Transport	1,479	1,420	(59)	-4.0%
Supplies & Services	3,784	3,901	117	3.1%
Third-Parties	88	89	1	1.1%
Income	(8,465)	(8,692)	(227)	-2.7%
	7,107	6,923	(184)	-2.6%

4.1 Supplies and Services - £117k over budget (3.1%)

Overspend of £125k – An overspend of £125k has arisen due to insurance provisions in Environmental Services budgets. These relate to public liability claims not covered by insurance, particularly two large subsidence claims on domestic properties following damage from tree roots, that have been settled.

4.2 Income - £227k over-achievement of budget (2.7%)

Over-achievement of income of £240k – In Waste Services an additional £180k of income has been generated as a result of an incentive payment from Hertfordshire County Council (HCC). This payment rewards Dacorum for improvements in the rate of recycling as a result of the co-mingled waste service. A surplus of £60k has also been realised in recycling credits, following improved co-mingled and green waste tonnages.

6. Housing and Community

Housing & Community	Current Budget	Final Outturn	Variance	
	£000	£000	£000	%
Employees	2,549	2,671	122	4.8%
Premises	805	761	(44)	-5.5%
Transport	16	14	(2)	-12.5%
Supplies & Services	2,134	2,121	(13)	-0.6%
Third Parties	758	743	(15)	-2.0%
Income	(4,441)	(4,687)	(246)	5.5%
	1,821	1,623	(198)	-10.9%

4.3 Employees - £122k over budget (4.8%)

Pressure of £122k – In certain services such as the Adventure Playgrounds where adult to child ratios need to be maintained the vacancy provision is not applied and the overspend here is a result of staffing levels needing to be achieved during periods of sickness. Staffing costs (£56k) that are being recovered for staff seconded to partners with no net cost to the Council are included within this section with the income over-achievement set out in paragraph 6.2.

4.4 Income - £246k over-achievement (5.5%)

Over-achievement of income £210k – The income from the rental of Garages has exceeded budget by £210k. This is due to the improvements and active management implemented within Housing during 2016/17 to minimise void levels. An increase in garage income (£400k) has been factored into the 2017/18 base budget. Income associated with the recovery of staff costs (£56k) seconded to partners as per paragraph 6.1 is also included within this heading.

7. Non-Controllable Expenditure and Corporate Items

3.12 Appendix A includes the final outturn for non-controllable expenditure and corporate items. These are largely year-end accounting adjustments, and are detailed below:

Surplus of £110k – There is a surplus of £110k in Housing Benefits and Subsidy. This is a variance of 0.2% on the total budget, which amounts to £48.2m.

Surplus of £78k – There is a surplus of £78k on the recharge to the HRA. The year end review of recharges has been carried out, and based on updated time allocations, an increased recharge to the HRA of £78k is required.

Surplus of £44k – There is a surplus of £44k on Interest Receipts. Slippage and underspends on the General Fund capital programme of £2.4m, has meant the Council has held higher cash balances during the year. These higher balances have been invested in line with the Council's treasury management strategy and have generated an additional £44k of interest receipts.

Surplus of £210k - Additional new burdens grants totalling £204k, along with an adjustment of £6k to prior year New Homes Bonus grants, provide an additional £210k of unallocated grants. Included in these grants is £73k towards the cost of meeting welfare reforms and benefit cap changes. The work involved with these reforms has been absorbed within the Revenues and Benefits service, with no additional budget having been required. Section 31 grants are retained corporately unless there is evidence of a significant New Burden.

The accounting adjustments required for the Business Rates Retention Scheme, means that an additional £574k of grant income has been accrued from the Government, along with additional income of £2.261m from Business Rates. Of the £2.8m total adjustment £0.6m was included within the Provisional Outturn report to Cabinet. The balances have been contributed to the Funding Equalisation Reserve, specifically set up for dealing with the statutory accounting adjustments and timing differences arising from the scheme.

Increase in Revenue Contribution to Capital £505k. £338k of this increase is in line with 2016/17 reserves movements approved by Council in February 2017 as part of the 2017/18 budget setting process, and the remainder of the increase (£167k) has been contributed to Capital, due to the reduced Minimum Revenue Provision, which is £167k under budget which is consistent with the 2015/16 accounting treatment.

- 3.13 Other changes to the non-controllable section relate to depreciation charges and revaluation of assets, which are accounting adjustments and have no impact on the taxpayer.

8. Housing Revenue Account (HRA)

- 3.14 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 forecast outturn position for the HRA is shown at Appendix B.

The following sections provide an analysis of the final outturn and major budget variances shown by HRA grouping as set out in Appendix B.

4.5 Dwelling Rents - £742k under-achievement of income (1.3%)

£415k of the pressure on this budget line is due to General Fund properties being used by the HRA to house Council tenants. A budget of £160k was incorrectly allowed for this in the Supervision and Management line as a recharge from the General Fund. The combination of the budgeting error (£160k) plus the additional

use of the General Fund properties (£210k) results in a £370k under achievement of income.

£120k of the pressure is due to a budgeting error in Supported Housing (0.2%), and an additional £115k is due to higher than expected Right to Buy sales.

4.6 Contribution towards Expenditure - £142k over-achievement of income (21.7%)

A deficit of £135k had been anticipated in leaseholder charges for repairs work, however the final figure for the year is a surplus of £22k. The service have worked closely with Osborne during the year on the level of works chargeable to leaseholders, and a more accurate estimate has therefore been produced for this financial year end.

There is a surplus on the budget for minor capital receipts of £133k for work carried out by the Estates and Legal teams, such as deed of variation and lifting of restrictive covenants. This is partially offset by a deficit of £50k in income generated from recharges to tenants and leaseholders, as the income generated to date has been modest.

4.7 Repairs and Maintenance - £479k over budget (4.5%)

The pressure in repairs reported at period 9 was £273k. Since period 9 contractual discussions over charging rates have caused some delays in the programme for planned work, and it was anticipated that overall the Repairs and Maintenance budgets would finish the year broadly in line with budget. During the last quarter and in particular the last month of the year however, there was a marked increase in responsive work volumes, which is attributed in the main to repairs required after storm 'Doris' (approximately £110k). There was also an increase in void works with a rise in the quarterly number of properties from a year average of 176 to 212. In addition Osborne under-estimated the amount of works in progress for year end when reported at period 11. A decision was taken earlier in the year to mitigate the position on revenue by withholding some elements of non-essential capital improvements works (see paragraph 9.5). This has been kept under review over the course of the year to ensure that the overall repairs and maintenance budget has been balanced across revenue and capital.

4.8 Supervision & Management - £584k under budget (5.0%)

The projected underspend has arisen in the following areas:

£160k underspend from the budget for General Fund properties being used by the HRA being set in Supervision and Management. The actual charge has been posted against Dwelling Rents.

£130k underspend on premises expenditure in Supported Housing. There is an underspend in building repairs and maintenance, and savings in utilities in Elderly Peoples' Dwellings.

£100k underspend in the Tenants and Leaseholders section from vacancies in the Supporting People service. This will be examined as part of the 2018/19

budget setting process to identify if the savings can be delivered on an ongoing basis.

£100k underspend in the Housing Cleaning service from vacancies in the service and a reorganisation of the management team. This will be examined as part of the 2018/19 budget setting process to identify if additional savings can be delivered on an ongoing basis as well as the supervisory post that has already been removed as part of 2017/18 savings.

£70k underspend in the Under Occupation Incentive Scheme due to lower volume of moves in the scheme this financial year.

4.9 Provision for bad debts - £150k over budget (60%)

A pressure of £150k has arisen due to an increase in the provision for bad debts. This reflects an increase in the level of rent arrears.

4.10 Depreciation - £2,053k over budget (21.6%)

The depreciation charge is £2,053k over budget, due to increased valuations of housing stock.

4.11 Transfer to Housing Reserves - £2,635k under budget (19.4%)

The contribution to earmarked reserves is that amount of surplus revenue, generated over the course of the year, which is transferred out of the Housing Revenue Account into earmarked reserves. Although these funds are earmarked for future capital expenditure, holding them in revenue earmarked reserves provides the Council with more flexibility to mitigate the financial risks of potential future Government changes to legislation, such as changes to rent policy.

The contribution is £2,635k less than budgeted due to the increase in depreciation charges and the variances on other budget lines. Depreciation charges are also set aside for Capital expenditure.

9. Capital Programme

9.1 Appendix C shows the projected capital outturn in detail by scheme.

The table below summarises the overall capital outturn position by Scrutiny area.

The 'Rephasing' column refers to those projects where expenditure is still expected to be incurred, but it will now be in 2017/18 rather than 2016/17, or conversely, where expenditure planned initially for 2017/18 will now be in 2016/17.

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.

The current budget is the original budget approved by Cabinet in February 2016, plus approved amendments, including re-phasing of the slippage identified at Quarter 1 into 2017/18.

	Current Budget	Provisional	Rephasing	Variance	
	£000	Outturn		£000	£000
Finance & Resources	13,385	12,205	(854)	(326)	-2.4%
Strategic Planning & Environment	6,765	5,618	(779)	(368)	-5.4%
Housing & Community	1,742	1,707	(26)	(9)	-0.5%
G F Total	21,892	19,530	(1,659)	(703)	-3.2%
HRA Total	27,390	19,236	(7,813)	(341)	-1.2%
Grand Total	49,282	38,766	(9,472)	(1,044)	-2.1%

3.15 General Fund Major Variances

There is an overall underspend of £2.36m on the General Fund. This is a combination of forecast underspend of £704k, and slippage of £1.659m (7%) into 2017/18.

The projected net underspend of £704k includes:

- Line 44: underspend of £290k on Demolition of the Health Centre. The demolition is no longer required, because an acceptable offer for the purchase of the land has been received, and the developer intends to demolish the building themselves.
- Line 168: underspend of £341k on the budget for Maylands Urban Realm. The project was value-engineered to ensure that costs were kept as low as possible. Work was undertaken in conjunction with Herts County Council, and significant parts of the project were paid for by HCC as part of their Highway programme. In addition, external funding of £68k was secured to replace DBC own funding.
- Line 170: overspend of £207k on Regeneration of the Town Centre. An overspend of £93k was reported last financial year on the project, which added to the £207k in 2016/17, brings the total overspend on the project to £300k, approximately 6% of the overall budget. Unbudgeted grant and Section 106 funding has been received to the value of £105k, which offsets some of the overspend, reducing the total position to 4% of the budget.
- Line 173: underspend of £222k on Bus Interchange project. £300k was carried forward from 2015/16 as slippage, in anticipation of the final costs on this project. Given the complexities of previous projects such as the Town Centre Regeneration, where a number of unforeseen expenses were incurred, a prudent estimate of the final costs was made, however this estimate has subsequently proved to be too high.

The rephasing to future years of £1.659m includes:

- Line 45: slippage of £75k on Old Town Hall café roof and stonework renewal. Works will now take place in August 2017, with the delay being as a result of ensuring the works could be procured and delivered during acceptable weather conditions and at a time that would cause the least disruption to the service.
- Line 58: slippage of £149k on Kingshill Cemetery - Welfare Provision. A longer than expected project design stage, planning and other consultations have now pushed this project into 2017/18.
- Line 88: slippage of £168k on The Forum. Minor works are still expected to take place to resolve snagging issues.
- Line 89: slippage of £87k on Gade Zone. This budget for professional fees regarding the Gade Zone development will now mostly be required in 2017/18.
- Line 96: slippage of £82k on Future Vision of CRM. Progress with the deployment of CRM has been delayed significantly due to changes in the provider Northgate's strategic approach to the product. Northgate advised the council in June 2016 that a new version of the product is being developed and advised against substantial development on the current platform. CRM development is therefore being pushed back to 2017/18.
- Line 102: slippage of £70k on EIS replacement. Consideration was given to the possibility of joining the Herts Framework to undertake transactional HR work via Serco, who are contracted to run the Council's Payroll service. Unfortunately, this option was not viable. Other HR systems that would fulfil the business needs are currently being reviewed.
- Line 144: slippage of £100k on Hemel Sport Centre renew heat and power system. Tenders for the work came back at over the budgeted amount, and additional budget had to be secured. Following this the order could be placed, however the particular unit required is specialised, and has a build time of over 2 months. The cost will now be incurred in 2017/18.
- Line 171: slippage of £377k on Maylands Business Centre. There was a delay in granting planning permission on the site until October. When works commenced on site, an unforeseen issue with one of the main drainage pipes was discovered, which has led to a delay in the scheme.
- Line 176: slippage of £81k on Hemel Street Furniture. Resources have been concentrated on the Water Gardens project, which has led to some delays in the street furniture project.

3.16 There is an underspend on the HRA capital programme of £8.153m.

- Lines 181-185: slippage of £2.2m on the Property and Place budgets for planned capital works. Work streams managed by Osborne have been delayed due to contractual negotiations over charging rates. In addition, the revenue budgets managed by Osborne were forecast to exceed budget, and a decision was taken to slow down on non-essential capital work to balance this.

- Line 181-185: underspend of £351k on the budgets for planned capital works. This underspend has arisen from the gain share realised on Osborne capital works during the year. The underspend has been deliberately set aside and can be utilised to fund the overspend in revenue repairs in the HRA which is leading to the overall HRA revenue budget being in deficit of £351k.
- Line 189 and 190: underspend of £150k and £140k respectively on Farm Place and St Peter's Court. Although these schemes are complete, budget was slipped forward from 2015/16, which will be reallocated to Stationers Place.
- Line 191: underspend of £791k on Aspen Court, London Road Apsley. At the time of setting the budgets, an additional allocation of £600k was allowed for to cover previously unforeseen costs. This was incorrectly allocated to the Aspen Court, London Road budget, however it should have been allocated to Stationers Place. The underspend on this line will therefore be transferred to Stationers Place via a reallocation of the slippage. This has been taken into account in the budget setting process for 2017/18.
- Line 193 slippage of £2m on Wood House. The anticipated commencement of the build slipped from September to January 2017, due to the procurement process taking longer than expected. There were clarification questions from bidders and additional time was requested.
- Line 194: slippage of £1.4m on Stationers Place. The project has slipped due to delays in the procurement process and the clarification process needed additional time.
- Line 199: slippage of £822k on Able House. The project started on site 2 months later than expected, and is therefore expected to finish in 2017/18 rather than the end of 2016/17.
- Line 198: slippage of £1.3m on Swing Gate Lane. The project has been moved back 3 months.

10. Balances and Reserves

- 10.1 The Reserves Summary at Appendix D reflects the movements approved by Council in February 2017 and updated for the reserve movements as set out below.
- 10.2 In cases where reserves were to be drawn down in 2016/17 to fund budgeted expenditure which was not spent in full, only the amount required to fund actual expenditure was drawn down.
- 10.3 Variances over £30k on recommended reserve movements compared to the original budget and additional movements approved in year are as follows:
 - Management of Change Reserve - £37k increased drawdown. A drawdown of £40k for 2 years (2015/16 and 2016/17) was budgeted towards the management of a community centre at Woodhall Farm. A timing difference in

the payments to the community centre led to a reduced drawdown of £3k in 2015/16, and an increased drawdown of £77k for 2016/17. Overall the agreed amount of £80k will be funded over the 2 year period.

- Management of Change Reserve – £84k reduced drawdown. A drawdown of £100k was budgeted to be drawn down to fund the costs of digitisation of data in the Planning Service. Stage payments are being made to the contractor after completion of each stage of work. A drawdown of £16k will be required to fund expenditure in 2016/17, with the balance being required in 2017/18.
- Local Development Framework reserve - £66k reduced drawdown. A drawdown of £332k was budgeted to fund planned expenditure in 2016/17, however only £266k is required, with the balance being required in 2017/18.
- Planning & Regeneration Project Reserve - £38k reduced drawdown. A drawdown of £40k was budgeted to be drawn down towards revenue costs of the Water Gardens project. Due to delays in the scheme, £2k is required in 2016/17 with the balance of £38k being required in 2017/18.
- Planning Enforcement and Appeals Reserve - £50k drawdown. Legal costs of £50k have been incurred in upholding decisions made by the Development Control Committee. These costs can be met from the Planning Enforcement and Appeals Reserve, in accordance with its terms of use. This assists in stabilising the financing of fluctuating annual costs of planning appeals.
- Litigation Reserve - £66k drawdown. Legal costs of £66k have been incurred in Regulatory Services relating to complex legal cases that the council is currently involved in. These costs can be met from the Litigation Reserve, in accordance with its terms of use.
- Maylands Plus Reserve - £77k additional contribution to the reserve. Surpluses generated at Maylands Business Centre are contributed to the Maylands Plus reserve towards future works at the premises or other economic development schemes. In 2016/17 the centre generated a surplus of £77k, before recharge of support costs, through increased income and reduced running costs.

10.4 On 23 May 2017 Cabinet approved the following additional reserves movements:

- Management of Change Reserve – increase the reserve by £450k. The Council's MTFs demonstrates that the Council still faces significant savings targets in the medium term. Achieving these targets whilst maintaining front-line services will require the Council to continue investing in new, more efficient ways of working that generate ongoing revenue savings. The Management of Change reserve supports the Council to meet the costs associated with these initiatives.
- Capital Development Reserve – increase the reserve by £500k. In pursuit of the revenue savings identified within the MTFs, the Council continues to explore initiatives capable of generating revenue savings/income whilst simultaneously enhancing the borough for its residents. Examples of such initiatives are the creation of a Development Company to increase the supply

of good quality housing across the borough; reviewing options for further development of leisure assets; the delivery of a multi-storey car park; and the delivery of further temporary accommodation premises to relieve housing pressures.

These are major capital projects which attract significant feasibility and design costs upfront, before giving a return on investment. It is recommended that a Capital Development reserve is created to contribute towards the financing of these costs.

- On Street Car Parking Reserve – increase by £208k. This reserve is used to fund the costs associated with parking initiatives put in place by the council to relieve pressure on parking across the borough. Based on average levels of expenditure over the last 5 years, an annual amount of £40k is required.

10.5 It is recommended that Audit Committee approve the following additional reserves movements arising from final year-end adjustments: :

- £4k increased contribution from the Management of Change reserve to adjust for earlier entries identified during the outturn process.
- £31k contribution from Maylands Plus reserve to fund the Business Centre extension
- £2.129m contribution to the Funding Equalisation reserve following the processing of Business Rates adjustments. This reserve was created to deal specifically with statutory accounting adjustments and timing differences arising from the Business Rates Retention Scheme. It is anticipated that this contribution will be released in 2017/18.

Agenda Item 7b

General Fund Reserves Summary	Balance as at 31/03/2016 £'000	Net Movement 2016/17 £'000
Civic Buildings Major Repairs Reserve	200	
Capital Development Reserve		500
Earmarked Grants Reserve	274	(71)
Management of Change Reserve	1,441	393
Technology Reserve	163	(107)
Savings Efficiencies Reserve	0	
On Street Car Parking Reserve	149	93
Local Development Framework Reserve	366	(266)
Dacorum Development Reserve	568	(212)
Planning Enforcement & Appeals Reserve	125	(50)
Planning & Regeneration Project Reserve	160	(2)
Litigation Reserve	214	(66)
Vehicle Replacement Reserve	350	350
Invest to Save	411	(163)
Building Control Reserve	86	(86)
Longdean School Repairs Reserve	7	(7)
Tring Swimming Pool Repairs Reserve	91	(91)
Youth Provision Reserve	101	
Election Reserve	30	30
Uninsured Loss Reserve	586	
Training & Development Reserve	114	(26)
Housing Conditions Survey Reserve	66	15
Dacorum Partnership Reserve	66	(8)
Dacorum Rent Aid - Guarantee Scheme	15	
Rent Guarantee Scheme Reserve	15	
The Forum Reserve	2,006	(2,006)
Funding Equalisation Reserve	2,943	(814)
Pensions Reserve	1,773	
Maylands Plus Reserve	100	(54)
Total Earmarked Reserves	12,420	(2,648)
Working Balance	2,502	0
Total General Fund Reserves	14,922	(2,648)

STATEMENT OF EARMARKED RESERVES

Balance as at 31/03/2017 £'000	Net Movement 2017/18 £'000	Balance as at 31/03/2018 £'000	Net Movement 2018/19 £'000	Balance as at 31/03/2019 £'000
200		200		200
500		500		500
203	(183)	20	(10)	10
1,834	(492)	1,342	(120)	1,222
56		56		56
0		0	604	604
242	(34)	208		208
100	(100)	0		0
356	(200)	156	(70)	86
75		75		75
158	(93)	65	(45)	20
148	216	364		364
700	350	1,050	350	1,400
248		248		248
0		0		0
0		0		0
0	8	8	8	16
101	(40)	61	(40)	21
60	30	90	30	120
586	(86)	500		500
88	(43)	45	(22)	23
81	15	96	15	111
58	(11)	47		47
15		15		15
15		15		15
0		0		0
2,129	(209)	1,920	(1,849)	71
1,773		1,773		1,773
46		46		46
9,772	(872)	8,900	(1,149)	7,751
2,502	1	2,503	0	2,503
12,274		11,403	(1,149)	10,254

Net Movement 2019/20 £'000	Balance as at 31/03/2020 £'000	Net Movement 2020/21 £'000	Balance as at 31/03/2021 £'000
	200		200
	500		500
(10)	0		0
(14)	1,208	(14)	1,194
	56		56
377	981	244	1,225
	208		208
	0		0
(86)	0		0
	75		75
(20)	0		0
	364		364
350	1,750	350	2,100
	248		248
	0		0
	0		0
8	24	8	32
	21		21
(90)	30	30	60
	500		500
(23)	0		0
(111)	0	15	15
	47		47
	15		15
	15		15
	0		0
	71		71
	1,773		1,773
	46		46
381	8,132	633	8,765
0	2,503	0	2,503
381	10,635	633	11,268

Housing Revenue Account

Final Outturn 2016/17

	Original Budget £000	Final Outturn £000	Variation £000
Income:			
Net Dwelling Rents	(55,849)	(55,107)	742
Non-Dwelling Rents	(80)	(121)	(42)
Tenants Charges	(388)	(435)	(47)
Leaseholder Charges	(477)	(476)	1
Interest and Investment Income	(206)	(212)	(6)
Contribution towards Expenditure	(655)	(797)	(142)
Total Income	(57,654)	(57,148)	506
Expenditure:			
Repairs and Maintenance	10,702	11,181	479
Supervision & Management:	11,766	11,182	(584)
Rent, Rates, Taxes & Other Charges	14	26	12
Interest Payable	11,643	11,643	0
Provision for Bad Debts	250	400	150
Depreciation	9,506	11,559	2,053
HRA Democratic Recharges	220	239	19
Total Expenditure	44,101	46,230	2,129
Transfer to / (from) Housing Reserves	13,553	10,918	(2,635)
HRA Deficit / (Surplus)	0	0	0
Housing Revenue Account Balance:			
Opening Balance at 1 April 2016	(2,893)	(2,893)	0
Deficit / (Surplus) for year	0	0	0
Proposed Contributions to Reserves	0	0	0
Closing Balance at 31 March 2017	(2,893)	(2,893)	0

ENDIX B

nce

%

-1.3%

52.2%

12.1%

-0.2%

2.9%

21.7%

-0.9%

4.5%

-5.0%

85.7%

0.0%

60.0%

21.6%

8.6%

4.8%

-19.4%

0.0%

CAPITAL PROGRAMME MONITORING FINAL OUTTURN 2016/17 BY SCRUTINY C

Scheme	Budget Holder
General Fund	
Finance and Resources	
Commercial Assets and Property Development	
42 Strategic Acquisitions	Nicholas Brown
43 Demolition of Old Berkhamsted Depot and new barrier	Nicholas Brown
44 Demolition of Health Centre	Nicholas Brown
45 Old Town Hall - Cafe Roof and stonework renewal	Nicholas Brown
46 Demolition of Civic Centre	Nicholas Brown
47 Bennetts End Community Centre - Replace Roof	Nicholas Brown
48 Highfield Community Centre - Resurface Car Park	Nicholas Brown
49 Adeyfield Community Centre - replace roof	Nicholas Brown
50 Tring Community Centre - new play area for Children's Nursery	Nicholas Brown
51 Bennetts End Community Centre Toilet Provision	Nicholas Brown
52 Rossgate Shopping Centre - Structural Works	Nicholas Brown
53 Leys Road - Roof	Nicholas Brown
54 High Street, Tring - Replace External Cladding & Roof	Nicholas Brown
55 The Denes Shopping Centre - Renew Walkway & Canopy Covering	Nicholas Brown
56 Commercial Properties - Renew Obsolete Door Entry Controls	Nicholas Brown
57 Silk Mill - Renew asphalt tanking to stairs	Nicholas Brown
58 Kingshill Cemetery - Welfare Provision	Nicholas Brown
59 Bunkers Farm	Nicholas Brown
60 Refurbishment of Facilities at Woodwells Cemetery	Nicholas Brown
61 Heath Lane - Welfare Facilities	Nicholas Brown
62 Woodwells Cemetery - Improvements to Burial Areas	Nicholas Brown
Commissioning, Procurement and Compliance	
66 Car Park Refurbishment	Ben Hosier
67 Water Gardens Car Park - Re-Lining (Asphalt) Top Floor	Ben Hosier
68 Multi Storey Car Park Berkhamsted	Ben Hosier
69 Multi Functional Devices	Ben Hosier
Democratic Services	
73 Election Management System Replacement	Jim Doyle
74 Civic Car Purchase	Jim Doyle
Development Management and Planning	
78 Planning Software Replacement	Sara Whelan
Financial Management	
82 Payroll (Invest to Save)	Richard Baker
83 Credit Card Surcharging (Invest to Save)	Richard Baker
84 Upgrade of HSM Module (BACS / DD Security)	Richard Baker
Housing & Regeneration Management	
88 The Forum (Public Service Quarter)	Mark Gaynor

89	Gade Zone	Mark Gaynor
Information, Communication and Technology		
93	Rolling Programme - Hardware	Ben Trueman
94	Software Licences - Right of Use	Ben Trueman
95	Website Development	Ben Trueman
96	Future vision of CRM	Ben Trueman
Finance and Resources continued		
People		
100	Incoming Mailroom	Matt Rawdon
101	Reprographics	Matt Rawdon
102	EIS Replacement	Matt Rawdon
Totals: Finance and Resources		
Housing and Community		
Commissioning, Procurement and Compliance		
110	Telephony upgrade & virtualisation	Ben Hosier
111	Customer Services Unit Refurbishment	Ben Hosier
112	CSU Flow Management Solution	Ben Hosier
113	Replacement of Inform 360 Communications	Ben Hosier
114	Self Service Kiosks	Ben Hosier
Legal , Democratic and Regulatory Management		
118	Highbarns Land Stabilisation Project	Mark Brookes
People		
122	Capital Grants - Community Groups	Matt Rawdon
Residents Services		
126	Rolling Programme - CCTV Cameras	Julie Still
127	Lift Replacement to Theatre - Old Town Hall	Julie Still
128	Verge Hardening Programme	Julie Still
129	Youth Centre Provision	Julie Still
Strategic Housing		
133	New Build - Elms Hostel Redbourne Road	Thomas Farrell
134	Affordable Housing Development Fund	Thomas Farrell
135	Westerdale (Garage Development)	Thomas Farrell
136	Northend (Garage Development)	Thomas Farrell
Totals: Housing and Community		
Strategic Planning and Environment		
Commercial Assets and Property Development		
144	Hemel Sports Centre - renew heat and power system	Nicholas Brown

145	Hemel Sports Centre - renew outdoor pool water heaters	Nicholas Brown
146	Berkhamsted Sports Centre - heating system upgrade	Nicholas Brown
147	Air Handling Unit - Hemel Hempstead Sports Centre	Nicholas Brown
148	Tring Swimming Pool	Nicholas Brown
Environmental Services		
152	Wheeled Bins & Boxes for New Properties	Craig Thorpe
153	Play Area Refurbishment Programme	Craig Thorpe
154	Litter Bin Upgrade	Craig Thorpe
155	Waste & Recycling Service Improvements	Craig Thorpe
156	Play Areas & Open Spaces - replace equipment	Craig Thorpe
157	Cupid Green Depot - Security Gates Upgrade	Craig Thorpe
158	Dog Kennels / Pest Control store Cupid Depot	Craig Thorpe
159	Fleet Replacement Programme	Craig Thorpe
Regulatory Services		
163	Disabled Facilities Grants	GM Regulatory Services
164	Home Improvement Grants	GM Regulatory Services
Strategic Planning and Regeneration		
168	Maylands Phase 1 Improvements	Chris Taylor
169	Urban Park/Education Centre (Durrants Lakes)	Chris Taylor
170	Regeneration of Hemel Town Centre	Chris Taylor
171	Maylands Business Centre	Chris Taylor
172	Water Gardens	Chris Taylor
173	Bus Interchange	Chris Taylor
174	Heath Park Gardens Improvements (Fully funded from S106)	Chris Taylor
175	Town Centre Access Improvements	Chris Taylor
176	Hemel Street Furniture	Chris Taylor
177	Gadebridge Park	Chris Taylor
178	The Bury - Conversion into Museum and Gallery	Chris Taylor
Totals: Strategic Planning and Environment		
Totals - Fund: General Fund		
Housing Revenue Account		
Housing and Community		
Property & Place		
181	Planned Fixed Expenditure	Fiona Williamson
182	Pain/Gain Share (Planned Fixed Expenditure)	Fiona Williamson
183	M&E Contracted Works	Fiona Williamson
184	Communal Gas & Heating	Fiona Williamson
185	DBC Commissioned Capital Works	Fiona Williamson
Strategic Housing		
189	New Build - Farm Place Berkhamsted	Thomas Farrell
190	Galley Hill / St. Peters Court / The Nokes	Thomas Farrell
191	Aspen Court / London Road, Apsley	Thomas Farrell
192	Martindale	Thomas Farrell
193	Wood House	Thomas Farrell

194	Stationers Place / Apsley Paper Mill	Thomas Farrell
195	New Build - Queen Street (Old Tring Depot)	Thomas Farrell
196	Able House	Thomas Farrell
197	Swing Gate Lane	Thomas Farrell
Totals: Housing and Community		
Totals - Fund: Housing Revenue Account		
Totals		

OMMITTEE

Original Budget	Prior Year Slippage	Adj's, Supps, Virements	Adjustments (Slip. C/F)	In-Year Adjustments	Current Budget
950,000	(463,500)	0	(486,500)	(486,500)	0
50,000	0	0	0	0	50,000
350,000	0	(15,000)	0	(15,000)	335,000
75,000	0	0	0	0	75,000
0	(1,990)	0	0	0	(1,990)
35,000	0	0	(35,000)	(35,000)	0
0	0	15,000	18,318	33,318	33,318
0	44,230	0	(44,230)	(44,230)	0
0	13,110	0	0	0	13,110
18,000	0	0	0	0	18,000
0	90,910	0	(90,910)	(90,910)	0
55,000	0	0	(55,000)	(55,000)	0
30,000	50,000	0	0	0	80,000
50,000	0	0	0	0	50,000
20,000	0	0	0	0	20,000
16,000	0	0	0	0	16,000
150,000	0	0	0	0	150,000
25,782	183,606	0	55,332	55,332	264,720
0	57,597	0	0	0	57,597
20,000	0	0	0	0	20,000
20,000	0	0	0	0	20,000
1,864,782	(26,037)	0	(637,990)	(637,990)	1,200,755
90,000	99,172	0	(187,572)	(187,572)	1,600
435,000	0	0	0	0	435,000
3,432,000	(161,436)	0	(3,085,093)	(3,085,093)	185,471
0	0	0	0	0	0
3,957,000	(62,264)	0	(3,272,665)	(3,272,665)	622,071
30,000	0	0	(30,000)	(30,000)	0
30,000	0	0	0	0	30,000
60,000	0	0	(30,000)	(30,000)	30,000
0	86,964	0	(86,964)	(86,964)	0
0	86,964	0	(86,964)	(86,964)	0
0	2,447	0	0	0	2,447
16,000	0	0	0	0	16,000
6,000	5,000	0	0	0	11,000
22,000	7,447	0	0	0	29,447
9,350,000	1,015,400	514,000	0	514,000	10,879,400

150,000	0	0	0	0	150,000
9,500,000	1,015,400	514,000	0	514,000	11,029,400
75,000	41,700	0	0	0	116,700
50,000	32,000	0	0	0	82,000
0	69,500	0	0	0	69,500
152,000	0	0	(70,000)	(70,000)	82,000
277,000	143,200	0	(70,000)	(70,000)	350,200
0	48,009	0	0	0	48,009
0	5,247	0	0	0	5,247
0	70,000	0	0	0	70,000
0	123,256	0	0	0	123,256
15,680,782	1,287,966	514,000	(4,097,619)	(3,583,619)	13,385,129
0	4,600	0	0	0	4,600
0	9,870	0	0	0	9,870
46,500	0	0	0	0	46,500
19,000	0	0	0	0	19,000
47,000	0	0	0	0	47,000
112,500	14,470	0	0	0	126,970
0	8,360	0	0	0	8,360
0	8,360	0	0	0	8,360
20,000	0	0	0	0	20,000
20,000	0	0	0	0	20,000
25,000	0	0	0	0	25,000
40,000	0	0	(40,000)	(40,000)	0
350,000	7,840	0	0	0	357,840
50,000	82,807	21,262	0	21,262	154,069
465,000	90,647	21,262	(40,000)	(18,738)	536,909
0	0	0	0	0	0
0	0	1,050,000	0	1,050,000	1,050,000
0	0	0	0	0	0
0	0	0	0	0	0
0	0	1,050,000	0	1,050,000	1,050,000
597,500	113,477	1,071,262	(40,000)	1,031,262	1,742,239
0	76,050	23,878	0	23,878	99,928

0	4,952	(4,952)	0	(4,952)	0
15,000	0	0	0	0	15,000
0	18,926	(18,926)	0	(18,926)	0
0	0	0	0	0	0
15,000	99,928	0	0	0	114,928
20,000	0	0	0	0	20,000
224,000	106,916	159,314	(150,916)	8,398	339,314
40,000	0	0	0	0	40,000
0	75,000	0	(75,000)	(75,000)	0
0	14,722	0	0	0	14,722
81,000	0	0	0	0	81,000
40,000	0	0	0	0	40,000
862,000	94,231	0	(485,244)	(485,244)	470,987
1,267,000	290,869	159,314	(711,160)	(551,846)	1,006,023
603,000	(61,346)	133,000	0	133,000	674,654
0	8,893	0	0	0	8,893
603,000	(52,453)	133,000	0	133,000	683,547
476,000	813,256	0	0	0	1,289,256
0	0	0	30,000	30,000	30,000
0	0	0	0	0	0
550,000	335,000	0	0	0	885,000
177,217	2,005,260	0	0	0	2,182,477
0	300,000	0	0	0	300,000
0	12,892	0	0	0	12,892
0	507,961	0	(457,961)	(457,961)	50,000
166,000	0	0	(30,000)	(30,000)	136,000
500,000	0	0	(500,000)	(500,000)	0
75,000	0	0	0	0	75,000
1,944,217	3,974,369	0	(957,961)	(957,961)	4,960,625
3,829,217	4,312,713	292,314	(1,669,121)	(1,376,807)	6,765,123
20,107,499	5,714,156	1,877,576	(5,806,740)	(3,929,164)	21,892,491
18,334,000	0	(4,628,000)	0	(4,628,000)	13,706,000
0	0	(0)	0	(0)	(0)
0	(630,178)	1,108,000	0	1,108,000	477,822
0	0	2,950,000	0	2,950,000	2,950,000
0	0	570,000	0	570,000	570,000
18,334,000	(630,178)	0	0	0	17,703,822
45,040	105,505	0	0	0	150,545
0	140,125	0	0	0	140,125
322,534	837,800	0	0	0	1,160,334
52,440	4,111	0	0	0	56,551
3,950,336	(8,590)	0	(1,167,334)	(1,167,334)	2,774,412

1,734,811	(234,935)	0	(672,880)	(672,880)	826,996
337,815	73,422	0	0	0	411,237
2,084,636	178,309	0	0	0	2,262,945
1,320,041	582,680	0	0	0	1,902,721
9,847,653	1,678,427	0	(1,840,214)	(1,840,214)	9,685,866
28,181,653	1,048,249	0	(1,840,214)	(1,840,214)	27,389,688
28,181,653	1,048,249	0	(1,840,214)	(1,840,214)	27,389,688
48,289,152	6,762,405	1,877,576	(7,646,954)	(5,769,378)	49,282,179

YTD Spend	Final Outturn
0	0
33,518	33,518
0	0
0	0
18,076	18,076
0	0
32,819	32,819
0	0
0	0
0	0
0	0
0	0
20,726	20,726
0	0
19,446	19,446
0	0
889	889
271,211	271,211
58,487	58,487
18,910	18,910
15,381	15,381
489,463	489,463
2,400	2,400
446,093	446,093
136,458	136,458
62,435	62,435
647,386	647,386
0	0
0	0
0	0
0	0
0	0
2,425	2,425
16,350	16,350
12,700	12,700
31,475	31,475
10,694,726	10,694,726

Forecast Slippage	Projected Over / (Under)
0	0
0	(16,482)
(45,000)	(290,000)
(75,000)	0
20,066	0
0	0
0	(499)
0	0
(13,110)	0
(18,000)	0
0	0
0	0
(59,274)	(0)
(50,000)	0
0	(554)
(16,000)	0
(149,111)	0
6,491	0
0	890
0	(1,090)
(4,619)	0
(403,557)	(307,735)
800	0
0	11,093
(49,013)	(0)
62,435	0
14,222	11,093
0	0
(30,000)	0
(30,000)	0
0	0
0	0
0	(22)
0	350
0	1,700
0	2,028
(184,674)	0

76,739	76,739
10,771,464	10,771,464
135,334	135,334
51,202	51,202
26,022	26,022
0	0
212,559	212,559
47,234	47,234
5,000	5,000
0	0
52,234	52,234
12,204,581	12,204,581
0	0
9,915	9,915
31,926	31,926
18,920	18,920
27,933	27,933
88,694	88,694
0	0
0	0
19,477	19,477
19,477	19,477
25,452	25,452
0	0
349,443	349,443
156,414	156,414
531,309	531,309
11,671	11,671
1,050,000	1,050,000
2,839	2,839
2,994	2,994
1,067,504	1,067,504
1,706,984	1,706,984
0	0

(73,261)	(0)
(257,936)	0
18,634	0
0	(30,798)
(43,478)	0
(82,000)	0
(106,844)	(30,797)
0	(775)
0	(247)
(70,000)	0
(70,000)	(1,022)
(854,115)	(326,433)
(4,600)	0
0	45
0	(14,574)
0	(80)
(19,067)	0
(23,667)	(14,609)
0	(8,360)
0	(8,360)
0	(523)
0	(523)
0	452
0	0
(8,397)	(0)
0	2,345
(8,397)	2,797
0	11,671
0	0
2,839	0
2,994	0
5,833	11,671
(26,231)	(9,024)
(99,928)	0

0	0
0	0
0	0
16,000	16,000
16,000	16,000
11,296	11,296
265,062	265,062
19,761	19,761
0	0
3,641	3,641
70,355	70,355
11,555	11,555
451,001	451,001
832,670	832,670
710,155	710,155
8,674	8,674
718,828	718,828
898,302	898,302
35,985	35,985
207,353	207,353
507,776	507,776
2,241,548	2,241,548
77,965	77,965
12,492	12,492
1,122	1,122
55,424	55,424
0	0
12,273	12,273
4,050,240	4,050,240
5,617,739	5,617,739
19,529,304	19,529,304
12,229,141	12,229,141
-464,588	-464,588
486,173	486,173
2,777,670	2,777,670
131,463	131,463
15,159,858	15,159,858
0	0
0	0
369,206	369,206
15,187	15,187
725,772	725,772

0	0
(15,000)	0
0	0
16,000	0
(98,928)	0
0	(8,704)
(74,254)	2
(20,239)	0
0	0
(11,081)	0
0	(10,645)
0	(28,445)
(19,986)	(0)
(125,560)	(47,793)
0	35,501
0	(220)
0	35,281
(50,000)	(340,954)
5,985	(0)
0	207,353
(377,224)	0
59,071	(0)
0	(222,035)
0	(400)
(48,878)	0
(80,576)	(0)
0	0
(62,727)	(0)
(554,349)	(356,036)
(778,837)	(368,547)
(1,659,183)	(704,004)
0	0
0	(351,000)
	0
0	0
(2,192,964)	0
(2,192,964)	(351,000)
0	(150,545)
0	(140,125)
0	(791,128)
(41,364)	(0)
(2,048,640)	(0)

509,576	509,576	(1,396,985)	1,079,565
424,377	424,377	0	13,140
1,440,727	1,440,727	(822,218)	0
591,688	591,688	(1,311,033)	0
4,076,533	4,076,533	(5,620,240)	10,907
19,236,391	19,236,391	(7,813,204)	(340,093)
19,236,391	19,236,391	(7,813,204)	(340,093)
38,765,696	38,765,696	(9,472,387)	(1,044,096)

General Fund Reserves Summary	Balance as at 31/03/2016 £'000	Net Movement 2016/17 £'000
Civic Buildings Major Repairs Reserve	200	
Capital Development Reserve		500
Earmarked Grants Reserve	274	(71)
Management of Change Reserve	1,441	393
Technology Reserve	163	(107)
Savings Efficiencies Reserve	0	
On Street Car Parking Reserve	149	93
Local Development Framework Reserve	366	(266)
Dacorum Development Reserve	568	(212)
Planning Enforcement & Appeals Reserve	125	(50)
Planning & Regeneration Project Reserve	160	(2)
Litigation Reserve	214	(66)
Vehicle Replacement Reserve	350	350
Invest to Save	411	(163)
Building Control Reserve	86	(86)
Longdean School Repairs Reserve	7	(7)
Tring Swimming Pool Repairs Reserve	91	(91)
Youth Provision Reserve	101	
Election Reserve	30	30
Uninsured Loss Reserve	586	
Training & Development Reserve	114	(26)
Housing Conditions Survey Reserve	66	15
Dacorum Partnership Reserve	66	(8)
Dacorum Rent Aid - Guarantee Scheme	15	
Rent Guarantee Scheme Reserve	15	
The Forum Reserve	2,006	(2,006)
Funding Equalisation Reserve	2,943	(814)
Pensions Reserve	1,773	
Maylands Plus Reserve	100	(54)
Total Earmarked Reserves	12,420	(2,648)
Working Balance	2,502	0
Total General Fund Reserves	14,922	(2,648)

STATEMENT OF EARMARKED RESERVES

Balance as at 31/03/2017 £'000	Net Movement 2017/18 £'000	Balance as at 31/03/2018 £'000	Net Movement 2018/19 £'000	Balance as at 31/03/2019 £'000
200		200		200
500		500		500
203	(183)	20	(10)	10
1,834	(492)	1,342	(120)	1,222
56		56		56
0		0	604	604
242	(34)	208		208
100	(100)	0		0
356	(200)	156	(70)	86
75		75		75
158	(93)	65	(45)	20
148	216	364		364
700	350	1,050	350	1,400
248		248		248
0		0		0
0		0		0
0	8	8	8	16
101	(40)	61	(40)	21
60	30	90	30	120
586	(86)	500		500
88	(43)	45	(22)	23
81	15	96	15	111
58	(11)	47		47
15		15		15
15		15		15
0		0		0
2,129	(209)	1,920	(1,849)	71
1,773		1,773		1,773
46		46		46
9,772	(872)	8,900	(1,149)	7,751
2,502	1	2,503	0	2,503
12,274		11,403	(1,149)	10,254

Net Movement 2019/20 £'000	Balance as at 31/03/2020 £'000	Net Movement 2020/21 £'000	Balance as at 31/03/2021 £'000
	200		200
	500		500
(10)	0		0
(14)	1,208	(14)	1,194
	56		56
377	981	244	1,225
	208		208
	0		0
(86)	0		0
	75		75
(20)	0		0
	364		364
350	1,750	350	2,100
	248		248
	0		0
	0		0
8	24	8	32
	21		21
(90)	30	30	60
	500		500
(23)	0		0
(111)	0	15	15
	47		47
	15		15
	15		15
	0		0
	71		71
	1,773		1,773
	46		46
381	8,132	633	8,765
0	2,503	0	2,503
381	10,635	633	11,268



AGENDA ITEM: XX

SUMMARY

Report for:	Audit Committee
Date of meeting:	28 June 2017
PART:	I
If Part II, reason:	

Title of report:	Statement of Accounts 2016/17
Contact:	<p>Cllr Graeme Elliot, Portfolio Holder for Finance and Resources</p> <p>Authors: David Skinner, Assistant Director (Finance & Resources) Richard Baker, Group Manager (Financial Services)</p> <p>Contact: James Deane, Corporate Director (Finance & Operations)</p>
Purpose of report:	<p>The purpose of this report is to present the Council's Statement of Accounts for 2016/17. It covers:</p> <ul style="list-style-type: none"> · Account and Audit Regulations 2015 · Section 21(2) Local Government Act 2003 · Statement of Accounts · Commentary on financial statements
Recommendations:	<p>It is recommended that Members of the Audit Committee:</p> <ol style="list-style-type: none"> a) review the Statement of Accounts 2016/17 and raise any issues which will provide them with the assurance that they need to approve the Statements on behalf of the Council; b) approve the Annual Governance Statement included in the Accounts.
Corporate objectives:	Corporate Governance
Statutory Officer Comments:	<p>Section 151 Officer :</p> <p>My comments are included within the body of this report and within the commentary and Narrative report(explanatory foreword) to the Statement of Accounts.</p> <p>Monitoring Officer:</p> <p>The Council has a statutory duty to approve the Statement of</p>

	Accounts by 30 September in accordance with the Account and Audit Regulations 2015.
Consultees:	None
Background papers:	None

1 Background

1.1 The Accounts and Audit Regulations 2015 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 Grant Thornton, 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.

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 20 September 2017.

2 Final Outturn 2016/17

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 (Appendix A) 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. Expenditure and Funding Analysis

4.1 The Expenditure and Funding Analysis is a new note which shows how annual expenditure is used and funded from income (government grants, rents, council tax and business rates) in comparison with the income and expenditure in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's Committees. Income and expenditure accounted for

under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

- 4.2 The new requirement means that the Council is required to restate 2015/16 accounts and the comparators for 2014/15, wherever the changes impact. This has meant restatement of the Comprehensive Income and Expenditure Statement, Finance and Investment Income, and Investment Property.

5 Comprehensive Income and Expenditure Statement

- 5.1 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.

- 5.2 The CIES for 2016/17 reflects a net gain of £57.0m and consists of the following:

- a) Surplus on the Provision of Services of £1.0m (2015/16 surplus of £23.9);
- b) Other Comprehensive Income of £55.9m (2015/16 Income of £119.5m).

- 5.3 The change in the Deficit/(Surplus) on the Provision of Services of £22.9m between years is due to:

- a) An increase of £25.2m in the Financing and Investment Income and Expenditure
- b) A reduction in the Total cost of services of £1.5m

- 5.4 Other Comprehensive Income and Expenditure for the year was £55.9m and consists of:

- a) £68.4m Surplus on Revaluation of Property, Plant and Equipment;
- b) £12.5m Actuarial loss on Pension Asset / Liabilities.

These movements are subtotaled 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.

6 Balance Sheet

- 6.1 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.

- 6.2 The Council's net worth was £707.4m as at 31 March 2017, which represents an increase of £57.0m on the previous financial year. The key changes to this are as follows:

- a) An increase of £60.4m in long term assets following the revaluation of land and buildings;

- b) An increase in short term investments of £15.5m reflecting the increase in the HRA contribution to reserves for future development plans and increased receipts from Right to Buy
- c) An increase in the net pensions liability of £14.2m following a change in actuarial assumptions around future inflation rates, and a reduction in the discount rate used for calculating liabilities.

7 Movement in Reserves Statement

- 7.1 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'.

8 Cash Flow Statement

- 8.1 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.

9 Housing Revenue Account

- 9.1 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.
- 9.2 The HRA statement shows a surplus of £5.2m for 2015/16. This is an increase to the surplus in 2015/16 of £4.7m. The larger surplus in 2016/17 was due to increases in dwelling valuations which were credited to the HRA, reversing previous downward valuations.

10 Collection Fund

- 10.1 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.

11 Conclusion

- 11.1 The report represents a detailed picture of the Council's financial activity for 2016/17. I would like to thank all colleagues for their help, support and dedication in the preparation of the Statement of Accounts.



Dacorum Borough Council

Draft Statement of Accounts 2016/17

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Introduction – Councillor Andrew Williams, Leader of the Council

Welcome to Dacorum Borough Council's Statement of Accounts for the financial year 16/17.

Dacorum experienced a once in a lifetime event earlier this year when we moved into our new head office, The Forum. So far the investment we have made in the new community building, which will save £300,000 annually in running costs, is proving to be huge success with both council officers, councillors and the public.

Providing access to council services, the building also encompasses Hertfordshire County Council's Register Office and Library. The Library has proved hugely popular thanks to its new location next to popular Forum cafe and because of its innovative CreatorSpace. Citizens Advice and Dacorum Community Trust moved in during the spring – making The Forum a true shared space where local residents are welcomed to access both council and voluntary sector services.

The Forum has given us the opportunity to utilise new technology to explore new ways of working and increase our efficiency. It has been a vital step forward in meeting our corporate aim of 'Delivering an efficient and modern council' as set out in our Corporate Strategy.

But this is not the only success I am proud of this year;

- We built new council homes, including Aspen Court in Apsley and Queen Street in Tring, as we continue to build 300 new council homes before 2020.
- Our Hemel Evolution regeneration programme continued with the opening of the feature water fountain causing a splash in July and providing a summer of fun for visitors.
- We provided new multi-sports pitches at three of our adventure playgrounds giving young people more opportunities to get active across the borough.
- Hemel Hempstead was shortlisted for the Great British High Street of the Year 2016 as our £35m investment in the town centre delivered further private investment and brought new businesses into the town.
- In October we awarded local gymnast Max Whitlock the Freedom of the Borough after his success at the Rio Olympics and put on a homecoming event to give local residents the opportunity to meet Max and celebrate his fantastic achievement.
- Our Get Set, Go Dacorum project was awarded Project of the Year at the Herts Sports Partnership Awards for helping over 2,000 residents so far take part in sport or physical activity.
- We recognised Hemel Hempstead's 70th Anniversary since it was awarded New Town status on 4 February 1947.

In June the UK and Dacorum voted to leave the European Union. Brexit has bought us a time of uncertainty but we hope it will also provide us with new opportunities to help Dacorum thrive.

With continued cuts in Government funding we took the hard decision to raise Council Tax in 2017/18 to allow us to continue to deliver vital local services to residents. Over the next 12 months we will:

- Officially open the Water Gardens following restoration works
- Start work on a new splash park and play area in Gadebridge Park
- Continue to build new council homes across the borough
- Develop innovative ways to engage with our residents.

We will keep seeking to make improvements and looking for efficiencies so that we can to continue to deliver excellent services for the benefit of both our residents and businesses over the next year and in the future.

Councillor Andrew Williams
Leader of the Council

Introduction to the Statement of Accounts – James Deane, Corporate Director (Finance & Operations)

As the Council's Chief Finance Officer, I have pleasure in writing the Explanatory Foreword to Dacorum Borough Council's Statement of Accounts for 2016/17.

The work of the finance team is critical in ensuring that the proper protection and stewardship of public funds is conducted efficiently and effectively. I am pleased to say the finance team has managed to improve its performance year on year. The work that the team does, working with colleagues to challenge spend and to help improve and deliver value for money is critical in ensuring that high quality services continue to be delivered to our residents.

Financial services have met the following key objectives over the year:

- to proactively support service delivery initiatives and innovation across the Council;
- to maintain sound financial management practices across the Council;
- to review the Medium Term Financial Strategy to provide a robust financial plan for the Council for the medium- to long-term;
- to advise the Council to ensure that money raised from public taxation is used efficiently and effectively to meet local needs as reflected in the Council's priorities;
- to ensure financial management plays a key role in the performance management of the Council.

The financial future for Local Government remains extremely uncertain. The one thing we do know is that the funds received from Central Government will be reducing in future years. The approach that we have taken in our prudent approach to modelling the impact of core spending power has allowed us to develop sustainable plans for investing in the Borough and to support the provision of ambitious regeneration projects and housing growth.

We will respond to the economic challenges by ensuring that we regularly review our Medium Term Financial Strategy and ensure that our forecasts are both robust and prudent. At the same time we will continue adapting to maximise value for money for our tax-payers and aim to avoid impact on front-line service provision. To this end I believe that we have the financial governance structures in place that will enable the Council to remain successful throughout the medium term and beyond.

I hope that this Explanatory Foreword and the notes that follow give you a clear picture of how the figures make up our Statement of Accounts and show you how the cash you paid became the service you received. The Statement of Accounts is required by law and covers various statutory requirements and other relevant information.

The supporting notes are aimed at providing a more detailed explanation of the often complicated local government financial arrangements. Please provide comments and feedback on the format of the statement of accounts to enable us to make them as user friendly as possible.

James Deane MA, BA, ACMA, CGMA
Corporate Director (Finance & Operations)

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Borough Profile

The Borough approximately has a population of around 150,000 living in around 63,000 homes and 112,000 residents on the Electoral Register.

The Council holds elections for all Members once every four years. As at 31 March 2017, the Council was made up of 45 Conservatives, 4 Liberal Democrats and 2 Labour Councillor with the last full election held in May 2015.

The Council operates with a Cabinet, three Overview and Scrutiny Committees and an Audit Committee responsible for corporate governance and approval of the Statement of Accounts. There is also a Development Control Committee, Licensing Committee and a Standards Committee.

The Cabinet is chaired by the Leader of the Council. The Cabinet has executive decision making powers and meets monthly. Each of the members of the Cabinet has a portfolio for which they have responsibility.

Although a number of areas of decision making are delegated to the Cabinet and Senior Officers, the full Council retains ultimate responsibility for the Policy and Budgetary Framework of Dacorum Borough Council.

Corporate Plan 2015-2020

The Council's five priorities for the community were reviewed and set during 2016 for the period 2015-2020. The priorities drive the Councils Improvement Plan and enable the Council and partners to deliver the Community Plan.

The five priorities were:-

A clean, safe and enjoyable environment

- Reduce the amount of waste sent to landfill, helping protect the environment
- Continue to provide high quality open spaces that people can enjoy
- Ensure food businesses meet relevant requirements, providing clean and safe food
- Create more sports and leisure opportunities for residents

Building strong and vibrant communities

- Reduce digital exclusion and increase the number of activities available online
- Ensure services are tailored around the needs of residents
- Improve fitness, health and wellbeing of residents in local communities where we know there are low levels of participation in sports and physical activity
- Tackle key issues affecting our local communities

Ensuring economic growth and prosperity

- Ensure new development is accompanied by the necessary infrastructure
- Improve the look and feel of the town centre, making it an attractive place to visit, shop, live and work
- Help register over 500 new businesses, boosting the local economy and creating new jobs
- Promote the area, leading to more investment and an improved reputation

Providing good quality affordable homes

- Help residents to have a safe and secure place they can call home
- Support young families wanting to go into home ownership
- Helping to provide a variety of housing options for those in need
- Ensure residents views are at the heart of our housing policy

Delivering an efficient and modern council

- Help keep Council Tax increases low whilst still investing in front-line services
- Ensure we spend money in the most effective way possible
- Ensure we get a good return from our public services
- Reduce bureaucracy and free up staff time to focus on what matters most
- Make it easier to access services online and at a time that is convenient for you

The Accounts that follow show how the cash you paid became the service you received in line with the Council's priorities.

The Statement of Accounts

The Dacorum Borough Council (the Council) Statement of Accounts (the Accounts) has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Corporate Director (Finance & Operations), is responsible for the proper administration of the Council's financial affairs, and is required by law to confirm that the Council's system of internal controls can be relied upon to produce an accurate Statement of Accounts. This confirmation is provided in the Statement of Responsibilities.

Narrative Report

This narrative report provides an explanation of the documents incorporated within the Council's Statement of Accounts together with guidance on how best to interpret them. This is followed by a high-level analysis of the events which have had a significant impact on the Accounts.

Statements

The Accounts report the financial activity of the Council over financial year 2016/17, and the financial position of the Council as at 31 March 2017. In order to present this information clearly, the Accounts encompasses the following elements:

- **Statement of Responsibilities**
The Council is required to nominate an Officer with statutory responsibility for the proper administration of its financial affairs. For the Council this is the Corporate Director (Finance & Operations). This document explains the statutory responsibilities of this role.
- **Annual Governance Statement**
The Council is responsible for implementing and maintaining proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which include the management of risk. This document describes the Council's approach to these responsibilities.
- **Core Financial Statements**
These statements report the Council's performance for the year and its financial position as at 31 March 2017. Detail of the individual statements grouped under this heading can be seen below.
- **Supplementary Financial Statements**
This section provides additional detail regarding significant elements of the Council's financial activity, e.g. the Housing Revenue Account and the Collection Fund.

The Core Financial Statements comprise the following elements:

- **Expenditure and Funding Analysis**
The Expenditure and Funding Analysis shows how annual expenditure is used and funded from income (government grants, rents, council tax and business rates) in comparison with the income and expenditure in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.
- **Comprehensive Income and Expenditure Statement**
This statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards, rather than the amount to be funded from taxation. Authorities raise taxation (and rents) to cover expenditure in accordance with regulations; this is different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.
- **Balance Sheet**
The Balance Sheet shows the value as at 31 March 2017 of the assets and liabilities recognised by the Council. The net assets of the authority (assets less liabilities) are matched by the reserves held by the Council.
- **Movement in Reserves Statement**
This 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'.
- **Cash Flow Statement**
The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during 2016/17. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

Operating cash flows are a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income, or from the recipients of Council services.

Investing cash flows represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to the Council's future service delivery.

Financing cash flows are useful in terms of predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.
- **Notes to the Core Financial Statements**
These notes provide additional information relevant to the understanding of the Core Financial Statements.

The Supplementary Financial Statements comprise the following elements:

- **Housing Revenue Account and Notes**
The Housing Revenue Account (HRA) reflects the Council's statutory duty to maintain a separate account to measure the resources generated and consumed in the provision of council housing during 2016/17, and the cumulative HRA balance.
- **Collection Fund and Notes**
This note shows the income and expenditure transactions of the Council in respect of the collection and distribution of Council Tax and Non-Domestic (Business) Rates.
- **Audit Opinion**
The independent auditor's report to the Members of the Council.

Narrative Report

- Glossary
A glossary is provided to give definitions for the technical terms used throughout this Statement of Accounts.

Review of the Year

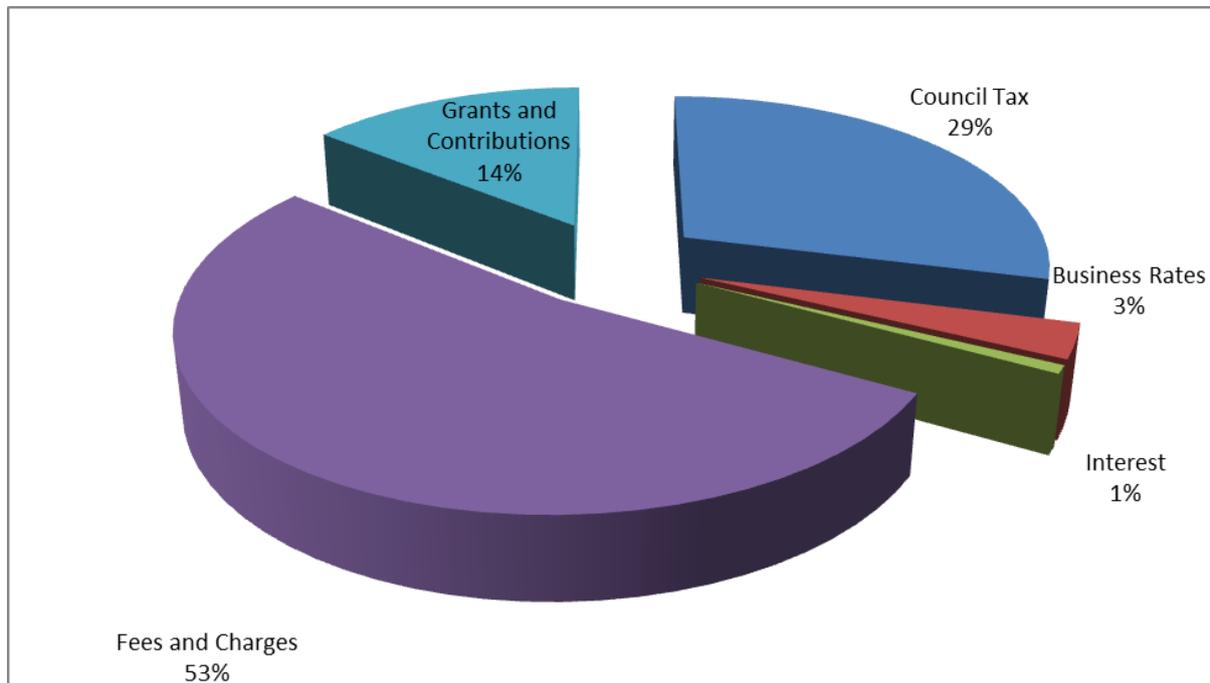
The review of the year for 2016/17 details performance within the Council's three main accounts:

- **General Fund Revenue Account**
The General Fund incorporates all services not related to the Council's Housing Landlord function. Revenue expenditure is generally incurred on day to day items that are consumed within one year. Expenditure is financed principally from Government Grant, Taxation, and fees and charges.
- **Housing Revenue Account (HRA)**
The HRA refers to services related to the Council's Housing Landlord function. HRA expenditure must be wholly funded from Rental and Service charge income generated from Council Houses. Rental income cannot be used to fund General Fund expenditure.
- **Capital Programme**
Capital expenditure is incurred when an asset is acquired or enhanced and a benefit is derived for a period in excess of one year. Capital expenditure is financed from Capital Receipts, Government Grants, Revenue contributions and Borrowing.

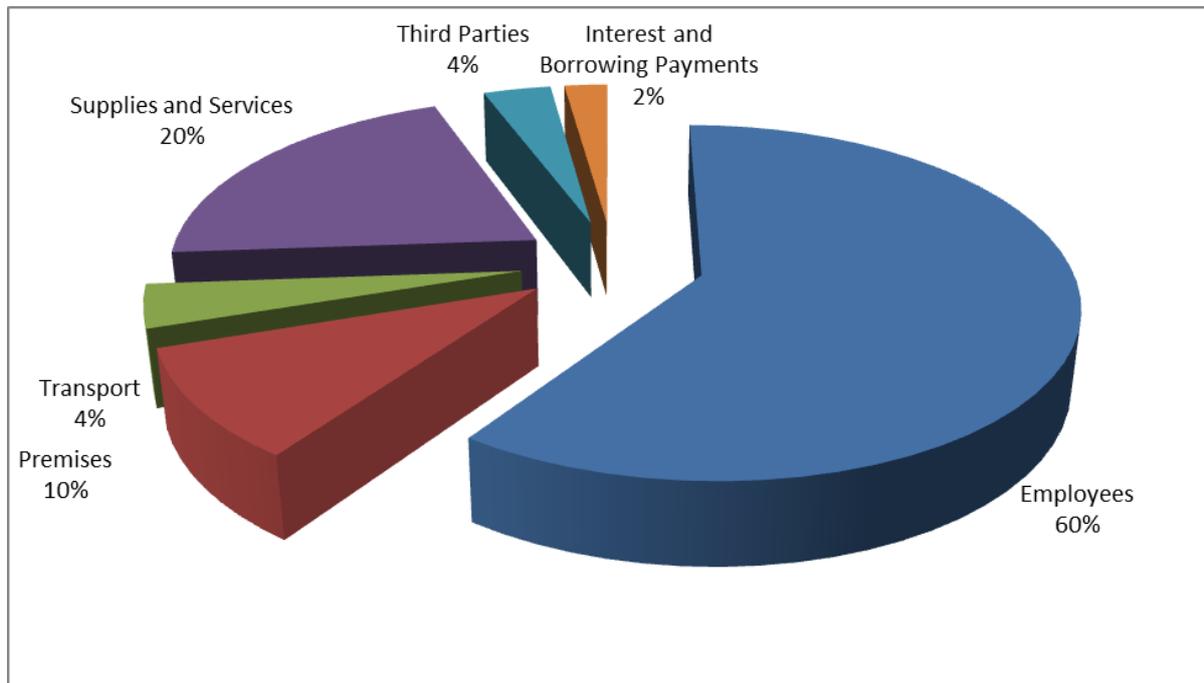
General Fund Revenue Account

The following charts outline where the Council's revenue money came from, how it was spent and on which services.

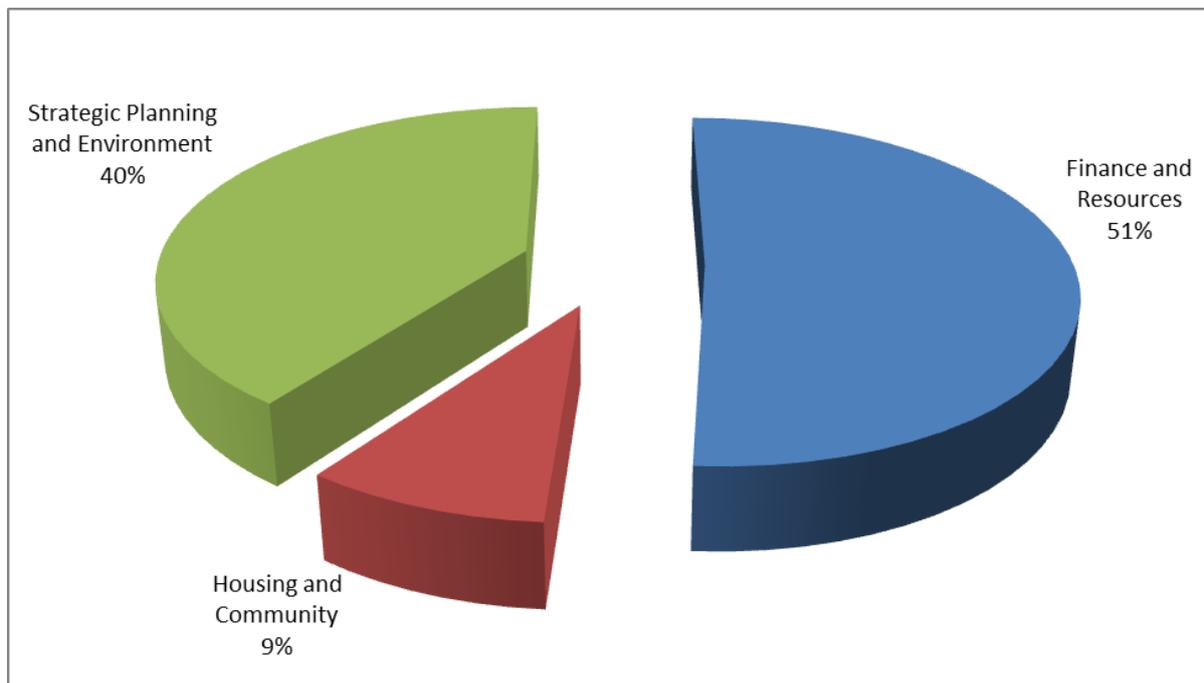
Where the Money Came From (Excluding Housing Benefits)



How the Money was Spent (Excluding Housing Benefits)



What Services Have Been Provided with the Money?



The three committees shown play an important role in guiding and examining our policies and performance. They are involved in keeping the Council's activities under review. They scrutinise the proposals, actions and decisions of the Cabinet and Council; as well as developing and reviewing policy areas and making recommendations of their own.

There are three Overview and Scrutiny Committees with different areas of responsibility:

- Finance and Resources (includes services such as property and assets, supports services such as Finance and Legal, Council Tax and Benefits, and IT);
- Housing and Community (includes services such as arts/entertainment, adventure playgrounds, anti social behaviour and homelessness). This committee is also responsible for the Council Landlord Function (the Housing Revenue Account), which is identified separately throughout the accounts);
- Strategic Planning and Environment (includes services such as waste collection, parking, planning and development)

Each committee's membership is appointed at Annual Council each year. The committees are politically balanced, to reflect the composition of the Council as a whole. The Chairman and Vice-Chair can be from any of the political groups.

GENERAL FUND

The table below summarises the Council's General Fund Revenue Account for 2016/17:

	Budget	Actual	Variance
	£'000	£'000	£'000
Finance and Resources	10,237	10,297	60
Housing and Community	2,005	1,809	(196)
Strategic Planning and Environment	8,217	8,065	(152)
Net Cost of Services	20,459	20,171	(288)
Finance and Resources - Investment Property	(3,624)	(3,926)	(302)
Interest (Receipts)/Payments	345	319	(26)
Council Tax Income and Parish Precept Payments	(10,267)	(10,267)	0
Revenue Contributions to Capital & MRP	6,174	6,512	338
General Government Grants	(4,587)	(5,371)	(784)
Business Rates Income	1,053	(1,208)	(2,261)
Surplus/Deficit on Provision of Services	9,553	6,230	(3,323)
Net Recharge to the Housing Revenue Account	(3,293)	(3,583)	(290)
Contribution from Earmarked reserves	(6,260)	(2,647)	3,613
(Surplus) / Deficit for the year	0	0	0
Working Balance Brought Forward	(2,502)	(2,502)	
Working Balance Carried Forward	(2,502)	(2,502)	

The Council's working balance remains in line with the Council's Medium Term Financial Strategy. A detailed breakdown of the movements to and from reserves can be seen in Note 19 to the Accounts.

The following paragraphs set out the main budget variations for the General Fund:

Finance and Resources - £60k above budget

- A pressure of £100k has arisen related to budgeted savings in the Parking service which have not been achieved in 2016/17. Negotiations with contractual partners have taken longer than anticipated, however these have now been concluded and the savings have been scheduled for 2017/18.
- A pressure of £70k has arisen from a review of the Estates service, which has assisted in identifying future efficiencies in the service of £50k, along with from one off professional property fees incurred in order to generate capital receipt and to maintain existing revenue income streams.
- A pressure of £55k has arisen in the Revenues and Benefits service from bank charges incurred. Changes made to the charging mechanism for debit cards have resulted in a pressure, as the provider now charges on a percentage basis not as a flat fee.
- A pressure of £40k has arisen in the Cemeteries service, in relation to new monitoring equipment including Hand Arm Vibration monitoring to satisfy health and safety requirements and to ensure there is consistency across council departments.
- A pressure of £112k has arisen in the Facilities Management service due to one-off costs relating to the move to the Council's new offices The Forum. These costs have been passed back to the Council's partners through service charges recharges (see paragraph below) and result in no actual cost to the Council.
- A surplus of £135k has arisen from Third Party costs of The Forum being charged back under lease agreement to the Council's partners through service charge recharges (see Third Parties above).
- Car parking income has achieved a surplus of £100k this financial year, due to an increased volume of customers using the Council owned car parks and the mild and dry year.
- An over-achievement of income of £50k has been realised in the Revenues, Benefits and Fraud service. £26k relates to the Benefits Administration Subsidy grant from central government, which was higher than previously expected. £16k relates to various items of grant funding, which have been received by the service for specific requirements of Central Government. £7k has been generated from the sale of Fraud expertise to a neighbouring local authority.
- An insurance rebate of £33k has been received. Under the Council's policies, rebates are receivable if the claims experience is particularly good in the prior year where the council had claimed less than previously.

Housing and Community - £196k below budget

- Income from the rental of Garages has exceeded budget by £210k. This is due to the improvements and active management implemented within Housing during 2016/17 to minimise void levels.

Strategic Planning and Environment - £152k below budget

- An overspend of £125k has arisen due to insurance provisions in Environmental Services budgets. These relate to public liability claims not covered by insurance, particularly two large subsidence claims for domestic properties from tree roots that have been settled.
- In Waste Services an additional £180k of income has been generated as a result of an incentive payment from Hertfordshire County Council (HCC). This payment rewards Dacorum for improvements in the rate of recycling as a result of the co-mingled waste service. A surplus of £60k has also been realised in recycling credits, following improved co-mingled and green waste tonnages.

Finance and Resources Investment Property - £302k above budget

- The income on Investment Properties has exceeded budget by £210k. An additional £110k of income has been generated as a result of successful rent reviews secured this financial year that exceed the inflation factor put into the budget. Additional income of £70k is related to turnover based rents on specific sites. In addition, service charges have generated an additional £30k of income due to efficiencies identified by the Finance and Estates teams working together to improve the methodology for billing tenants that have been implemented in the year.

Revenue Contribution to Capital - £338k over budget

- Additional contributions have been made from the revenue account following a review of the capital financing. These contributions have been funded from further drawdown from earmarked reserves approved in February 2017.

General Government Grants - £784k additional income

- Grants totalling £573k have been received in relation to the Business Rates Retention Scheme. These grants have been contributed to the funding equalisation reserve which is set up to manage the necessary timing and accounting adjustments that arise when actual collection differ from forecast collection.

Business Rates Income - £2.261m additional income

- Additional income of £2.261m has been received in relation to the Business Rates Retention Scheme. This additional income has arisen due to accounting and timing differences on Business Rates Collection. A key element of this relates to the appeals provision, detailed further in note 4, which remains volatile. This income has been contributed to the Funding Equalisation Reserve.

Net Recharge to the Housing Revenue Account - £290k additional charge

- An additional £210k of income has been generated from properties being used as Temporary Accommodation by the Housing Service. A higher than expected number of properties is being used as Temporary Accommodation as there is an increase in demand. Council owned properties are being used to maximise occupancy and to minimise expensive bed and breakfast provision for Housing.

Contribution from Earmarked Reserves - £3.613m reduction in use

- Additional contributions have been made to the Funding Equalisation Reserve in relation to additional Business Rates income and Business Rates Retention grants. This reserve is set up to manage the necessary timing and accounting adjustments that arise when actual collection differ from forecast collection.
- The remaining surplus on the General Fund has been contributed to reserves, detailed in the report to the Audit Committee meeting held on 28 June 2017, entitled 'Final Outturn 2016/17', which is available on the Council's website: www.dacorum.gov.uk.

HOUSING REVENUE ACCOUNT (HRA)

The Working Balance for the Housing Revenue Account is now £2.9m, which is consistent with the minimum target balance of 5% of income stated in the Medium Term Financial Strategy.

The table below summarises the Council's Housing Revenue Account for 2016/17:

	Budget	Actual	Variance
	£'000	£'000	£'000
Dwelling Rents and Service Charges	(56,237)	(55,542)	695
Interest on Investment Income	(206)	(212)	(6)
Other Income	(1,211)	(1,394)	(183)
Total Income	(57,654)	(57,148)	506
Repairs & Maintenance	10,702	11,181	479
Supervision & Management	11,766	11,182	(584)
Revenue Contribution to Capital & Depreciation	9,506	11,559	2,053
Interest Payable	11,643	11,643	0
Other Expenditure	484	665	181
Total Expenditure	44,101	46,230	2,129
Contributions to/(from) Earmarked Reserves	13,553	10,918	(2,635)
(Surplus) / Deficit for the year	0	0	0
Working Balance Brought Forward	(2,893)	(2,893)	0
Working Balance Carried Forward	(2,893)	(2,893)	0

The major budget variations for the Housing Revenue Account are set out below:

Dwelling Rent - £695k under budget

- £415k of the pressure on this budget line is due to General Fund properties being used by the HRA to house Council tenants. A budget of £160k was allowed for this in the Supervision and Management line rather than the Dwelling Rents line as a recharge from the General Fund.

The combination of the budgeting error (£160k) plus the additional use of the General Fund properties (£210k) results in a £370k under achievement of income.

- £115k is due to higher than expected Right to Buy sales and a further £120k of the pressure is due to a budgeting error in Supported Housing (0.2%).

Other Income - £183k over budget

- There is a surplus on the budget for minor capital receipts of £133k for work carried out by the Estates and Legal teams, such as deed of variation and lifting of restrictive covenants. This is partially offset by a deficit of £50k in income generated from recharges to tenants and leaseholders, as the income generated to date has been modest.
- An additional £41k of income has been generated from rental income on telecommunications aerials around the borough. This has been achieved through the negotiation of new leases carried out by the Estates team.

Repairs and Maintenance - £479k over budget

- The year end outturn position for 2016/17 shows an overspend of £479k in the repairs and maintenance budgets. The areas that have experienced the greatest pressure are Responsive Repairs and Voids, most notably during the last quarter of the financial year.
- During the last quarter and in particular the last month of the year, there was a marked increase in responsive work volumes, which is attributed in the main to repairs required after storm 'Doris' (approximately £110k). There was also an increase in void works with a rise in the quarterly number of properties from a year average of 176 to 212.
- A decision was taken earlier in the year to mitigate any potential pressure on revenue by withholding some elements of non-essential capital improvements works. This has been kept under review over the course of the year to ensure that the overall repairs and maintenance budget has been balanced across revenue and capital.

Supervision and Management - £584k under budget

The underspend has arisen in the following areas:

- £160k underspend from the budget for General Fund properties being used by the HRA being set in Supervision and Management. The actual charge has been posted against Dwelling Rents.
- £130k underspend on premises expenditure in Supported Housing. There is an underspend in building repairs and maintenance, and savings in utilities in Elderly Peoples' Dwellings.
- £100k underspend in the Tenants and Leaseholders section from vacancies in the Supporting People service. This will be examined as part of the 2018/19 budget setting process to identify if the savings can be delivered on an ongoing basis.
- £100k underspend in the Housing Cleaning service from vacancies in the service and a reorganisation of the management team. This will be examined as part of the 2018/19 budget

setting process to identify if additional savings can be delivered on an ongoing basis as well as a supervisory post that has already been removed as part of 2017/18 savings.

- £70k underspend in the Under Occupation Incentive Scheme due to lower volume of moves in the scheme this financial year.

Revenue Contribution to Capital and Depreciation - £2,053k over budget

- This variance is solely from depreciation as there was no revenue contribution to capital for 2016/17. Instead the balance on the HRA has been transferred to earmarked reserves (see below). The depreciation charge for financial year 2016/17 is £2,053k over budget, due to increased valuations of housing stock.

Other Expenditure - £181k over budget

- A pressure of £150k has arisen due to an increase in the provision for bad debts. This reflects an increase in the level of rent arrears.

Contributions to/from Earmarked Reserves - £2,635 under budget

- The contribution to earmarked reserves is that amount of surplus revenue, generated over the course of the year, which is transferred out of the Housing Revenue Account into earmarked reserves. Although these funds are earmarked for future capital expenditure, holding them in revenue earmarked reserves provides the Council with more flexibility to mitigate the financial risks of potential future Government changes to legislation, such as changes to rent policy.
- The contribution is £2,610 less than budgeted due to the increase in depreciation charges and the variances on other budget lines. Depreciation charges are also set aside for Capital expenditure.

CAPITAL PROGRAMME

The table below summarises the Council's Capital Expenditure and Financing for 2016/17:

The major variations on the Capital Programme are set out below:

General Fund Schemes

Finance & Resources

- An underspend of £290k arose on the budget for Demolition of the Health Centre. The demolition is no longer required, as an acceptable offer for the purchase of the land has been received, and the developer intends to demolish the building themselves.
- An overspend of £2.0m arose from the purchase of the Library site and associated land from Hertfordshire County Council in relation to the Forum. This expenditure is fully offset by the income generated from the long term lease for Hertfordshire County Councils occupation of The Forum.

Strategic Planning & Environment

- An underspend of £341k arose on the budget for Maylands Urban Realm. The project was value-engineered to ensure that costs were kept as low as possible. Work was undertaken in conjunction with Herts County Council, and significant parts of the project were paid for by HCC as part of their Highway programme.
- An overspend of £207k arose on Regeneration of the Town Centre. An overspend of £93k was reported last financial year on the project, which added to the £207k in 2016/17, and brings the total overspend on the project to £300k, approximately 6% of the overall budget. Unbudgeted grant and Section 106 funding has been received to the value of £105k, which offsets some of the overspend, reducing the total position to 4% of the budget.
- An underspend of £222k arose on the Bus Interchange project. £300k was carried forward from 2015/16 as slippage, in anticipation of the final costs on this project. Given the complexities of previous projects such as the Town Centre Regeneration, where a number of unforeseen expenses were incurred, a prudent estimate of the final costs was made, however this estimate has subsequently proved to be too high.

Housing Revenue Account Schemes

- A net underspend of £351k arose on the budgets for planned capital works, as a result of the gain share realised on Osborne capital works during the year. The underspend has been deliberately set aside and can be utilised to fund the overspend in revenue repairs in the HRA.

The Council's Financial Outlook

The Council's budget for 2017/18 and Medium Term Financial Forecast were approved by Full Council in February 2017. Given the testing economic outlook, the Council is projecting further significant reductions in core grant funding and continuing pressures on income streams and services. The Council has plans and resources in place to manage successfully through the medium term.

The Council's medium term capital plans will provide a significant level of investment into the Borough. It is expected that this will have a positive impact on the local economy as well as acting as a catalyst to attract private sector investment and development in Dacorum. The aim of this is to have a further positive impact within the Borough and for the Council through increased business rates or New Homes Bonus.

Council Tax Collection

The net collectable amount in respect of 2016/17 precepting and billing authority Council Tax was £85.7m. The Council achieved a collection rate of 98.4% (2015/16 98.0%). Council Tax arrears for precepting authorities (for all years) amounted to £5.5m as at 31 March 2016.

Further Information

More detailed explanations for the Council's outturn are provided in the report to the Audit Committee meeting held on 28 June 2017, entitled 'Final Outturn 2016/17', which is available on the Council's website: www.dacorum.gov.uk.

Further information about the Statement of Accounts is available from the Financial Services section at Dacorum Borough Council, The Forum, The Marlows, Hemel Hempstead, Herts, HP1 1DN. In addition, interested members of the public have a statutory right to inspect the accounts before the annual audit is completed. The availability of the accounts for inspection is advertised in the local press.

James Deane

Corporate Director (Finance & Operations)

Statement of Responsibilities

The Council's responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Corporate Director (Finance and Operations).
- Manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.
- Approve the Statement of Accounts by 30 September 2017. Approval of the Statement of Accounts has been delegated to the Audit Committee.

The Corporate Director's (Finance and Operations) responsibilities:

The Corporate Director (Finance and Operations) is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Corporate Director (Finance and Operations) has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code

The Corporate Director (Finance and Operations) has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities

I certify that this Statement of Accounts presents a true and fair view of the financial position of the Council as at 31 March 2017, and its income and expenditure for the year ending 31 March 2017.

James Deane
Corporate Director (Finance and Operations)
28 June 2017

Annual Governance Statement

Annual Governance Statement 2016/17

Introduction

Dacorum Borough Council is committed to ensuring that good governance principles and management practices are adopted. This Annual Governance Statement has been produced in accordance with the CIPFA/SOLACE¹ framework *Delivering Good Governance in Local Government* (2007) and meets the statutory requirement set out in Regulation 4(3) of the Accounts and Audit Regulations 2011, which requires authorities to prepare the statement in accordance with proper practices.

The statement is an open and honest self-assessment of the Council's performance across all of its activities and contains a statement of the actions being taken or required in the future to address areas of concern. It is inevitable that, during a rigorous review of the Council's operations, issues will be identified to be addressed and a key element of good governance is to ensure that there is a clear action plan for addressing these issues.

The governance statement covers all significant corporate systems, processes and controls, spanning the whole range of the Council's activities. The statement includes details of how the Council:

- implements its policies;
- delivers high quality services efficiently and effectively;
- meets its values and ethical standards;
- complies with laws and regulations;
- adheres to required processes;
- ensures financial statements and other published performance information are accurate and reliable;
- manages human, financial, environmental and other resources efficiently and effectively.

The self-assessment contained within this statement has been undertaken taking account of assurance statements provided by managers from across the organisation together with regular reviews of risk management. It has also taken account of Internal Audit reports. In preparing this statement, account has been taken of both the statutory codes and the ethical governance tool-kit produced by the IDEA² and the CIPFA Financial Advisory Network.

The importance of Governance

Good governance leads to good management, good performance, good stewardship of public money, good public involvement and, ultimately, good results for residents and other service users. Good governance enables the Council to pursue its 'vision' (as defined in its corporate planning documents) as well as underpinning that vision with mechanisms for control and management of risk. Whatever our successes in the past, we can make no assumptions about the future. In a fast-changing world the maintenance of high standards of good governance requires constant vigilance.

Good governance means:

- focusing on the purpose of the authority and results for the community and creating and implementing a vision for the local area;
- members and officers working together to achieve a common purpose with clearly defined functions and roles;
- promoting the values of the Council and upholding high standards of conduct and behaviour;
- taking informed and transparent decisions which are subject to effective scrutiny, and managing risk;
- developing the capacity and capability of members and officers to be effective;

¹ CIPFA – Chartered Institute of Public Finance and Accountancy
SOLACE – Society of Local Authority Chief Executives and Senior Managers

² IDEA - Improvement and Development Agency

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- involving local people and other stakeholders to ensure strong public accountability.

Scope of responsibility

Dacorum Borough Council is responsible for ensuring that its 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. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs including the management of risk.

Whilst the Cabinet and senior management are responsible for delivering the Council's services and activities within these arrangements, the Audit Committee is responsible for reviewing the effectiveness of these arrangements on behalf of the Council. The Committee is also responsible for making any recommendation necessary as a result of its review or of any issue it identifies as a result of reports from external agencies such as the Audit Commission or the Local Government Ombudsman.

Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled and through which it accounts to, involves and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The Council's system of internal control is a key element of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies and objectives and can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies and objectives. It evaluates the likelihood of those risks coming to fruition, their impact should they do so and identifies ways to manage them efficiently, effectively and economically.

The governance framework has been in place throughout the financial year which ended on 31 March 2017 and continues to be in place up to the date of the approval of the statement of accounts.

In drawing together this Statement, the Governance Framework has been examined by reviewing the Council's arrangements for the following issues:

- The arrangements for identifying and communicating Dacorum Borough Council's 'vision' and intended outcomes
- Reviewing the 'vision' and its implications for governance arrangements
- Measuring the quality of services for users, ensuring that they are delivered in accordance with our objectives and represent best value for money
- Defining and documenting the roles and responsibilities of members and officers
- Developing, communicating and embedding codes of conduct and defining standards of behaviour for members and staff
- Reviewing and updating the Constitution; Financial Regulations; Scheme of Delegation; and Commissioning & Procurement Standing Orders which clearly define how decisions are taken and the processes and controls to manage risks
- Undertaking the core functions of an Audit Committee
- Ensuring that laws, regulations and internal policies and procedures are complied with and that expenditure is lawful
- Whistle-blowing and investigating complaints from the public
- Identifying the development needs of Members and Senior Officers and providing appropriate training

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- Establishing clear channels of communication with all sections of the community and stakeholders and encouraging open consultation
- Incorporating good governance arrangements in respect of Partnerships

The Governance Framework

Arrangements for identifying and communicating Dacorum Borough Council's vision and intended outcomes.

The Council has worked with its partners in the Dacorum Strategic Network to develop the Community Strategy '*Towards 2021 – the Dacorum Sustainable Community Strategy*'. This provides long-term ambitions for the Borough through to 2021. The Dacorum Strategic Network has a specific remit for the health and wellbeing of the Borough whereas Dacorum Look No Further has a specific remit for the economic well-being of the Borough.

Within this context, during 2015/16 the Council reviewed its overall vision and priorities for its local communities. The Council's aims are captured within its Corporate Plan 2015-2020 which was adopted by the Council in February 2016 and sets out five local community priorities. The five priorities included in the 2015-20 Corporate Plan are:

- A clean, safe and enjoyable environment
- Building strong and vibrant communities
- Ensuring economic growth and prosperity
- Providing good quality affordable homes
- Delivering an efficient and modern Council

To help engage communities in setting and achieving this vision and priorities, Dacorum Borough Council is committed to reviewing and improving services to make sure it is providing the services needed by local people. Throughout the year an independent market research company, Opinion Research Services undertakes a residents' tracker survey on our behalf. It is part of our ongoing efforts to understand our residents' opinions and helps us track residents' changing perceptions of their local area. It is part of a Hertfordshire wide survey along with County Council and other districts. The Council has also taken steps to improve communications with service users through its website (to improve accessibility), the corporate complaints procedure, 'GovMetric' (to obtain customer satisfaction information), and the use of social media such as Facebook and Twitter.

To support its overall vision and aims, the Council has continued to review its Medium Term Financial Strategy and 5 year Capital Programme. Reviews were undertaken during 2016/17 and also as part of the budget preparation for 2017/18. With regard to the Capital Programme, this has included aligning resources to priorities through the appraisal of new schemes based on the Council's key priorities. Our 2017/18 budget consultation included a residents' deliberative forum held and facilitated by Opinion Research Services.

The organisation has a robust framework for project management which ensures that all project proposals follow a standard approval and review process involving four key stages. Every project is defined and resourced with named individuals responsible for project and programme delivery. In addition the organisation employs a specialist project management resource to promote high standards of project management across the organisation.

Reviewing the 'vision' and its implications for governance arrangements

The Council's Corporate Plan is reviewed by Cabinet and then agreed by Council. The plan is designed to cover the five year period 2015-20 and is reviewed annually to ensure that it remains relevant. The latest Corporate Plan was updated and adopted by Council in February 2016.

Cabinet and the Corporate Management Team (CMT) also review performance indicators. All objectives included in business plans are aligned to the vision and priorities and are reviewed corporately by CMT and other senior managers to test completeness and consistency. A corporate

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review of 2016/17 performance objectives including setting new targets was undertaken by Assistant Directors and Corporate Directors in March 2017.

The Corporate Improvement and Innovation Team lead and advise on standards in relation to performance and project management and they have introduced a number of initiatives to ensure the organisation makes progress in this area. This includes performance clinics and reviews of operational performance management.

The Performance Board has an advisory and scrutiny role and makes recommendations on the types of projects and how they are to be resourced to the Cabinet or Portfolio Holder (as appropriate), so that the Board's recommendations can be carried forward into formal decisions. In addition, CMT receive updates on the work and recommendations of four working groups:

- Regeneration;
- Organisational Transformation;
- Community and Localism;
- Sustainable Environment.

Measuring the quality of services for users, ensuring that they are delivered in accordance with our objectives and represent best value for money

The Council specifies service standards for those aspects of service delivery which are reflected in Service Plans. Satisfaction surveys are undertaken by key services following the provision of services.

In the preparation of their service plans, managers are required to consider a number of items including measuring the value for money provided by their service and to set out measures for improving it in the future.

The Council has also rolled out a programme of actions to promote evidence based decision making which supports teams to make better use of data and ensure that actions are closely linked to outcomes and impacts.

In the External Auditor's Annual Governance Report for 2015/16, the most recent undertaken, (reported to the Audit Committee on 29 July 2016), the Auditor concluded that the Council had made appropriate arrangements to secure economy, efficiency and effectiveness of its resources, and to secure financial resilience.

Defining and documenting the roles and responsibilities of Members and Officers.

The Council aims to ensure that the roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear, and these are included in the Council's Constitution.

In May of each year the Council appoints the Mayor, Deputy Mayor and the Leader of the Council. The Leader appoints the Deputy Leader and the Cabinet Members and allocates to them responsibility for the various executive functions or "Portfolios".

Additionally, the Council appoints Committees to discharge the Council's regulatory and scrutiny responsibilities. These, together with the delegated responsibilities of officers, are set out in Part 3 of the Council's Constitution (Responsibility for Functions). Appropriate training for members is provided. All Committees and the various internal corporate officer groups supporting the Council's governance framework also have defined terms of reference. The officer groups include the five Corporate Working Groups. These are the Regeneration Corporate Working Group, the Environment Corporate Working Group, The Organisational Transformation Corporate Working Group, the Community and Localism Corporate Working Group. The Audit Committee provides assurance to the Council on the effectiveness of the governance arrangements and internal control environment.

The Council's Chief Executive, as the Council's Head of Paid Service, has overall corporate policy management and operational responsibility and chairs the Corporate Management Team. Cross-

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organisational management groups are also in place for Assistant Directors and Group Managers to address cross-directorate operational issues.

All staff have clear conditions of employment and job descriptions which set out their roles and responsibilities. Job descriptions are reviewed as part of the annual performance appraisal.

The Corporate Director (Finance & Operations), as the Council's Section 151 Officer, has overall responsibility for the administration of the financial affairs of the Council, for keeping proper financial records and accounts and for maintaining an effective system of internal financial control. The finance function provides support for the budget preparation and financial monitoring process. The Corporate Director (Finance & Operations) is the lead officer for the Audit Committee. The Corporate Director (Finance & Operations) has appointed the Assistant Director (Finance & Resources) as the Deputy Section 151 Officer in his absence.

The Solicitor to the Council, as the Council's Monitoring Officer, had overall responsibility for legal compliance during 2016/17 and appointed two Legal Governance Team Leaders as the Deputy Monitoring Officer who covered the role for six months each. All Legal Services staff work closely with departments to advice on legal requirements. The Solicitor to the Council was also the lead officer on Member and employee conduct and supports the Standards Committee and its Sub-Committees during 2016/17.

Developing, communicating and embedding codes of conduct and defining standards of behaviour for Members and staff

The Council has adopted a 'local' Code of Conduct for Members in accordance with the Localism Act 2011. The Code was adopted in July 2012 and includes the mandatory provisions relating to the registration and declaration of Disclosable Pecuniary Interests.

Rachel Keil is the Council's Independent Person for the purposes of the Localism Act as part of the Council's arrangements for dealing with complaints about Members.

All elected and co-opted Members are aware of the Code and have entered their interests in the Register of Members' Interests. The Register is published on the Council's website as required by the Localism Act.

The Council also re-appointed the Standards Committee, which will continue to oversee the promotion of high standards among Members and will deal with allegations of breaches of the Members' Code.

Part 5 of the Constitution contains the Code of Conduct for Members. It sets out seven general principles: Selflessness, Honesty, Integrity, Objectivity, Accountability, Openness and Leadership. The Code requires Members to show respect for others and uphold the law. Compliance with the Code is monitored by the Standards Committee. Part 5 of the Constitution also contains sections on:

- Code of Conduct for Employees;
- Protocol for Member/Officer relations;
- Planning Code of Practice;
- Whistle Blowing Policy.

Training on the Employees' Code of Conduct as well as governance issues, has been provided during the year. The Employees' Code of Conduct is included within the officer Induction Training Programme for all new employees.

Reviewing and Updating the Constitution, Financial Regulations, Scheme of Delegation and Commissioning & Procurement Standing Orders which clearly define how decisions are taken and the processes and controls to manage risks

The Council's Constitution sets out how the Council operates and the processes for policy and decision making. Various amendments were made to the Constitution and approved by Council during 2016/17 to enable the Constitution to remain fit for purpose. During 2016/17 the Scheme of Delegation has

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been amended in order to ensure that it is up to date. It has not been necessary to make more substantial changes to the Constitution during 2016/17.

Financial Regulations and Commissioning & Procurement policies were reviewed in September 2015.

During 2015/16 the Council reviewed the authorisation levels for awarding contracts. Previously any contract which was valued above £50,000 was subject to a Portfolio Holder decision.

After a review of this process it was agreed by Full Council that only contracts that were valued at £500,000 or above were subject to a Portfolio Holder Decision, for all contract values below this figure a certificate of authorisation must be signed by the officer with the relevant authority as stipulated in the Financial Regulations.

For contracts valued between £50,001 and £499,999 an officer decision record sheet is produced and is sent to Statutory Officers to review and comment upon before being signed by the officer with the relevant authority as stipulated in the Financial Regulations and is then sent to Member Support for publication.

The Council has overall responsibility for the approval of the financial and policy framework, namely: the Council's Budget, Medium Term Financial Strategy, the Corporate Plan, the Development Plan and other plans and strategies that have a borough-wide application.

The Cabinet is responsible for the discharge of most of the main functions of the authority that are not the responsibility of full Council. As such, the Cabinet is the main decision-making body of the Council and its decisions, whilst subject to scrutiny, are ultimately not capable of being overturned, other than through legal proceedings. The Cabinet also makes recommendations to Council for approval on financial and policy framework matters.

The decision-making process is reviewed by a scrutiny function which has the power to call in decisions made. It also undertakes some pre-decision scrutiny and some policy development work.

Authority to make day-to-day operational decisions is detailed in Part 3 of the Council's Constitution 'Responsibility for Functions'.

Procedures governing the Council's operations include Financial Regulations, Commissioning & Procurement Standing Orders and the Risk Management Strategy. Ensuring compliance with these procedures is the responsibility of managers across the Council. Internal Audit checks procedures are complied with as part of the Annual Audit Plan. In addition key corporate strategies provide the framework for key decisions: these include the Corporate Plan, Medium Term Financial Strategy, and Asset Management Plan.

The Finance & Resources Overview and Scrutiny Committee oversee the effectiveness of the risk management arrangements.

The Procurement Governance Framework includes the Commissioning & Procurement Standing Orders, Commissioning & Procurement Strategy, Selling to the Council Guide, Small and Medium Entity Protocol and Terms of Reference for the Procurement Board.

The Council's Corporate Business Continuity Plan was reviewed and updated in light of the programme of Information and Communications Technology (ICT) infrastructure improvements. The Council also has a number of service-specific business continuity plans in place which are updated annually as part of the service plan process.

Undertaking the core functions of an Audit Committee

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The Audit Committee has been established by the Council. When the Committee was established its terms of reference were prepared to ensure that it complies fully with the advice provided by CIPFA³. The key areas covered by the terms of reference of the Committee are Audit Activity, Regulatory Framework, Accounts and Ombudsman.

Ensuring that laws, regulations, internal policies and procedures are complied with and that expenditure is lawful.

All reports going to Cabinet or Portfolio Holders are properly scrutinised for governance issues by the Statutory Officers. Reports to Council, Cabinet and Portfolio holders for Portfolio Holder decisions contain comments from the Monitoring Officer and the Section 151 Officer. In addition, all key executive decisions taken by officers under delegated powers are required to be recorded on an executive decision sheet which must include the comments of the section 151 officer and the Monitoring Officer.

All Cabinet draft reports are made available for the Statutory Officers to review and comment upon prior to submission to Member Support for publication. Any legal or financial issues arising out of the draft reports are discussed with the report author and resolved prior to the report being issued to Member Support who then compile the agenda and publish the reports.

The Report Template requires the report author to consider and provide the following information:

- Whether the report is part I or part II (part II items contain confidential or exempt information from which the general public are excluded – when an item is classified as part II then a reason has to be provided);
- Purpose of the report;
- Recommendations;
- Link to Corporate Objectives;
- Financial and Value For Money Implications;
- Risk Implications;
- Equalities Implications;
- Health and Safety Implications;
- Monitoring Officer Comments;
- S151 Officer Comments;
- Consultees;
- Background papers.

Statutory Officers, Corporate Directors and Assistant Directors provide further representations and assurances in the form of signed assurance statements, that sound systems of internal control and processes for managing risk have been implemented within the service areas for which they are responsible, and that the Council's own internal controls have been complied with. Assurance statements have to be submitted annually to the Solicitor to the Council).

Compliance with the Regulation of Investigatory Powers Act (RIPA)

The Council is required to monitor its use of covert surveillance under RIPA. The Solicitor to the Council submits an annual statistical return to the Office of the Surveillance Commissioner (OSC) on the use of covert surveillance.

In compliance with the revised Home Office Codes of Practice the Solicitor to the Council) was designated as the Council's Senior Responsible Officer with overall responsibility for ensuring that the Council complies with RIPA and with the Council's own policy and procedures on the use of covert surveillance during 2016/17.

³ Audit Committee – Practical Guidance for Local Authorities published 2005.

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During 2016/17 no applications were made for an authorisation under RIPA to carry out covert surveillance. The Council therefore remains a sparing user of directed surveillance.

All local authorities are subject to a three year cycle of inspections carried out on behalf of the Chief Surveillance Commissioner. In November 2014 the Council received an inspection visit from the Assistant Surveillance Commissioner. The subsequent inspection report concluded that the Council's RIPA structure remains in good working order, with a sound Policy and good record keeping. The report contained three relatively minor recommendations which have been implemented.

Compliance with the Data Protection Act (DPA)

Under the DPA 1998 the Council is required to take appropriate technical and organisational measures against the unauthorised or unlawful processing of personal data and against accidental loss or destruction of, or damage to, personal data and to ensure an appropriate level of security.

The Information Security Team Leader post, reporting to the Solicitor to the Council is the Council's designated Senior Information Risk Officer (SIRO). The SIRO has responsibility for managing information risk on behalf of the Chief Executive and Corporate Management Team. The Information Security Team Leader has adopted the ICO's reporting template for potential breaches.

In 2016/17 the Data Protection Act and Information Security workshop training was made mandatory and is provided on a quarterly basis to current and new staff. The training has been updated to focus on types of breaches, offences, and how to report a breach and direction is given to where the policies and procedures are located. All Data Protection and Information Security Policies are linked to the Council's conduct procedures.

The requirement to achieve compliance to the Cabinet Office's Public Sector Network (PSN) framework has consequentially provided robust policies and information technology security.

Whistle-blowing and investigating complaints from the public.

The Council takes fraud, corruption and maladministration very seriously and has the following policies that aim to prevent or deal with such occurrences:

- Anti-fraud Policy
- Whistle-blowing Policy
- Human resources policies regarding the disciplining of staff involved in such incidents.

Fraud Awareness, Anti-Money Laundering and Whistle-blowing training are Compulsory Training Requirements for all staff.

A corporate complaints procedure is in place for the Council to receive and investigate any complaint made against it, or against a member of staff. Complaints against Members relating to alleged breaches of the Members Code of Conduct are subject to a separate complaints process for which the Monitoring Officer and Standards Committee are responsible for dealing with, as referred to above.

Identifying the development needs of Members and Senior Officers and providing appropriate training.

The Council aims to ensure that Members and employees have the skills, knowledge and capacity they need to discharge their responsibilities and recognises the value of well trained and competent people in effective service delivery. All new Members and staff undertake an induction to familiarise them with protocols, procedures, values and aims of the Council.

In 2009/10 the Council achieved Elected Member Charter Status and, while not renewing the status this year the Council has continued to show the commitment to Member Development developed during this exercise. The Council is committed to developing and supporting elected members. The processes put in place to achieve the Charter have helped the Council adopt a structured approach to Councillor Development and to build elected member capacity. This is particularly important given the

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ever changing skills and competencies essential to fulfil the requirements of being a councillor and to deal with the influx of new Members as a result of all our elections in May 2015 .

As part of the commitment to the Member training programme, attendance is registered and monitored. During 2016/17, Members attended 14 specific events and also attended additional courses and conferences. Details of the events and attendance levels are set out in the table below:

Course	Date	Attendance
Safeguarding & WRAP	06/07/16	9
Planning Committee Members Update	5/9/16	12
Effective Member Officer partnership	07/09/16	14
Condensation and Damp Training	22/09/16	5
Constitution training	6/10/16	10
Speaking with Confidence	13/10/16	8
Anaerobic Digestion Plant visit	17/10/16	5
Materials Recycling Facility	24/10/16	8
Speed Reading Government Information Unit (LGIU)	09/11/16	8
Budget	17/11/16	12
Licensing Update	13/12/16	12
Homelessness Update	19/01/17	9
Effective Scrutiny	26/01/17	16
Safe and Confident use of Social Media	9/02/17	7

Annual Performance Appraisals of staff are carried out which identify competencies and any training needs. These competencies have been developed to reflect skills and abilities needed to deliver services throughout the organisation. All Council employees have individual training records, held on the Council's Employee Information System providing details of the courses attended.

The Council sets standards of behaviour and performance for all staff and assessments of these standards are undertaken as part of annual performance reviews undertaken at year-end and interim reviews carried out during the year.

The Council has retained the Investors in People accreditation following reassessment in 2015/16. The accreditation lasts for three years.

Establishing clear channels of communication with all sections of the community and stakeholders and encouraging open consultation

The Council's planning and decision-making processes are designed to include consultation with local people and stakeholders and to take account of their views.

Arrangements for consultation and gauging local views include consultation with the Town and Parish Councils, the Tenant and Leaseholder Committee, Citizens Panel and resident associations.

The Council runs a Local Petition Scheme which helps neighbourhood action groups to set the agenda for future improvements to local areas. Our magazine Dacorum Digest and the Dacorum Borough Council website are the main methods for communicating with the Borough's residents about our roles and responsibilities and our plans for the future. We have also developed close relationships with local broadcast and newspaper journalists. We have social media accounts on Facebook, Twitter and YouTube. We also run campaigns on specific issues which make use of community noticeboards and campaign materials in our three Civic reception areas, as well as occasionally making use of radio and newspaper advertising.

Incorporating good governance arrangements in respect of Partnerships

The Council participates in a number of partnerships aimed at improving services provided to the community, such as the Dacorum Strategic Network and Destination Dacorum and various Community Safety Partnerships.

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When drawing together different partners with varying organisational cultures and methodologies for handling governance issues, it is important that clear protocols are established at an early stage to minimise and manage risk. The Council keeps its register of Partnerships under constant review.

A Review of the Effectiveness of the Governance Framework and System of Internal Control

Dacorum Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Council who have responsibility for the development and maintenance of governance systems, the Internal Audit Annual Report, and also recommendations and comments made by the External Auditors and other review agencies and inspectorates.

Throughout 2016/17, the Council's Internal Audit service was provided by Mazars Public Sector Internal Audit Limited. The independent opinion on the adequacy and effectiveness of the Council's system of internal control has been provided by Mazars Public Sector Internal Audit Limited, and is based on an internal audit methodology that complies with international auditing standards.

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The process applied in maintaining and reviewing the effectiveness of the governance framework

The key elements of the process are summarised in the following table:

Key element	Role and Activity during the year
Council	<ul style="list-style-type: none"> ○ Approve Constitution including: Financial Regulations; Codes of Conduct; Commissioning & Procurement Standing Orders; Scheme of Delegation ○ Set budget and policy framework
Cabinet	<ul style="list-style-type: none"> ○ Financial, performance and risk management of service delivery within the Budget and Policy Framework set by Council – quarterly reports ○ Responsibility for key decisions and initiating corrective action in relation to risk and internal control issues ○ Monthly public meetings (excluding any summer recess) ○ Regular briefings with Chief Officers
Audit Committee	<ul style="list-style-type: none"> ○ Five scheduled meetings per annum ○ Review and scrutinise the outcome of Internal and External audit reports and those of other external agencies such as the Ombudsman ○ Monitor the Governance arrangements within the Council ○ Delegated responsibility to scrutinise and approve the Financial Statements on behalf of the Council ○ To consider the External Auditor's report to those charged with Governance on issues arising from the audit of the accounts
Overview and Scrutiny Committees: <ul style="list-style-type: none"> ○ Housing & Community ○ Strategic Planning & Environment ○ Finance & Resources 	<ul style="list-style-type: none"> ○ To provide overview and scrutiny and policy development role in relation to business associated with the Cabinet Portfolios ○ To monitor the performance of relevant Council services, including services which are provided under contract or agreement by external organisations or private sector companies
Standards Committee	<ul style="list-style-type: none"> ○ Consider allegations of breaches of the Code of Conduct ○ Promote and maintain high standards of conduct by the members of the Council
Internal Audit – (outsourced service provided by Mazars)	<ul style="list-style-type: none"> ○ Set overall internal audit strategy to meet the Council's overall direction ○ Undertake an annual programme of audits ○ Present audit reports to Management and Audit Committee ○ Present progress reports to Audit Committee measuring performance against the Audit Plan
Chief Executive (Head of Paid Service)	<ul style="list-style-type: none"> ○ Overall corporate policy management and operational responsibility ○ Chairman of Corporate Management Team
Monitoring Officer (Solicitor to the Council) (During 2016/17)	<ul style="list-style-type: none"> ○ Maintain the Constitution ○ Ensure lawfulness and fairness of decision making ○ Supporting the Standards Committee ○ Receive complaints and decide whether they merit further

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	<p>investigation. If the complaint is investigated to report the outcome to the Standards Committee for a decision and ensure the correct procedural steps are followed and appropriate assistance is given to the Committee throughout the process</p> <ul style="list-style-type: none"> ○ Act as the Senior Information Risk Officer ○ Act as the Senior Responsible Officer (RIPA) ○ Proper officer for access to information ○ Advise whether Cabinet and Portfolio Holder decisions are within the Council's budget and policy framework ○ Provide advice and contribute to corporate management as a member of Corporate Management Team
Section 151 Officer (Corporate Director (Finance & Operations))	<ul style="list-style-type: none"> ○ Ensure lawfulness and financial prudence of decision making ○ Responsibility for administration of financial affairs of the Council and keep proper financial records and accounts for maintaining an effective system of internal financial controls ○ Contribute to corporate management as a member of Corporate Management Team ○ Provide professional financial advice to Members including the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues ○ Provide financial information to the media, members of the public and community
Statutory Officers Comments – Monitoring Officer and Section 151 Officer	<ul style="list-style-type: none"> ○ Statutory officers review all Cabinet, Portfolio Holder and Officer Decision reports to consider and comment within the report on legal and financial implications arising out of the report ○ Review of governance issues arising out of day to day working practices ○ Consider issues arising out of the annual assurance statements
Corporate Directors	<ul style="list-style-type: none"> ○ Overall strategic and operational management of those services falling within each individual directorate ○ Contribute to corporate management as a member of Corporate Management Team
Corporate Management Team	<ul style="list-style-type: none"> ○ Monthly review of budget, performance and Improving Dacorum Programme ○ Quarterly review of strategic risk management
Performance Board	<ul style="list-style-type: none"> ○ Review performance against Council Vision and Priorities ○ Review Dacorum Delivers improvement programme projects
Corporate Working Groups	<ul style="list-style-type: none"> ○ Officer/Member groups drawn from service directorates and including relevant Portfolio Holders as appropriate ○ Oversee and review delivery of all relevant operational matters and establish and receive reports from sub-groups as necessary ○ Consider options appraisals and make recommendations for CMT and Cabinet consideration
Assistant Directors and Group Managers	<ul style="list-style-type: none"> ○ Operational management for the services falling within each individual service area ○ Assurance Statements covering all of the Council's key internal controls, including: Financial Regulations; Commissioning & Procurement Standing Orders; Employees Code of Conduct; Corporate Policies; and risk management.

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Statement by Leading Member (Leader of the Council) and Leading Officer (Chief Executive) of the Council

We have been advised of the result of the review of the effectiveness of the governance framework by the Audit Committee and a plan to address the weaknesses and ensure continuous improvement of the system is in place. We have identified the significant governance issues below.

Significant governance issues

The Council's Internal Audit service, Mazars Public Sector Internal Audit Limited, undertook a total of 17 reviews in 2016/17, of which 16 (94%) were rated as providing a full or substantial level of assurance, and one (6%) provided limited assurance.

One Priority 1 recommendation was raised during the year. Priority 1 recommendations relate to issues that are deemed to be fundamental to the systems concerned and upon which immediate action has been taken. This related to:

Contract Management – Off contract spend analysis for Agency/Temporary Staff. Off-contract spend relating to Agency and Temporary Staff should be reviewed and analysed to ensure that Agency and Temporary Staff are appointed through the Council's approved agency where possible. Where the level of off-contract spend is high, the Council should determine whether a separate contract is required to fulfil the Council's needs and also whether a formal tender process is required.

A Limited Assurance opinion was given for the Housing Maintenance Contract where eight priority 2 recommendations were raised and accepted. This audit was added to the 2016/17 plan at the request of management, and all recommendations have been implemented.

The Internal Auditor has obtained satisfactory assurance that the system of internal control in place at the Council for the year ended 31 March 2017 accords with proper practice. Further details of the reviews undertaken by Internal Audit during 2016/17 are available upon request and are summarised within the Internal Auditor's draft Annual Report presented to the Audit Committee on 28 June 2017] and published on the Council's website.

Where this Governance Statement has identified other areas for improvement we propose to take steps to enhance our governance arrangements further. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

We give our assurance that the Council as a whole is committed to continuous improvement and believe that we have established the relevant foundations on which to create further capacity to continue to develop our governance arrangements.

We give our further assurance that the Council's financial management arrangements conform to the governance requirements of the CIPFA *Statement on the role of the Chief Financial Officer in Local Government* (2010).

Signed
(Councillor Andrew Williams – Leader of the Council)

Signed
(Sally Marshall – Chief Executive)

Expenditure and Funding Analysis

The Expenditure and Funding Analysis is a new statement required from 2016/17. For comparative purposes, the prior two years (2015/16 and 2014/15) have been included.

Note	2016/17 Net Expenditure Chargeable to the General Fund and HRA Balances (Note 6) £'000	2016/17 Adjustments Between the Funding and Accounting Basis (Note 5) £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000	2015/16 Net Expenditure Chargeable to the General Fund and HRA Balances (Note 6) £'000	2015/16 Adjustments Between the Funding and Accounting Basis (Note 5) £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Finance and Resources (GRF)	10,297	2,580	12,877	10,387	5,901	16,288
Housing and Community (GRF)	1,809	3,726	5,535	2,046	4,019	6,065
Strategic Planning and Environment (GRF)	8,065	3,041	11,106	8,421	1,203	9,624
Housing and Community (HRA)	(25,931)	14,359	(11,572)	(26,802)	14,208	(12,594)
Net Cost of Services	(5,760)	23,706	17,946	(5,948)	25,331	19,383
Other Income and Expenditure	(2,509)	(16,459)	(18,968)	6,181	(49,468)	(43,287)
(Surplus)/Deficit on Provision of Services	(8,269)	7,247	(1,022)	233	(24,137)	(23,904)
Opening Balance on General Revenue Fund (GRF) and Housing Revenue Account (HRA)	24,995			25,228		
Less Deficit on Provision of Services / Plus Surplus on Provision of Services	8,269			(233)		
Closing Balance on General Revenue Fund (GRF) and Housing Revenue Account (HRA)	33,264			24,995		

Expenditure and Funding Analysis

	Note	2014/15 Net Expenditure Chargeable to the General Fund and HRA Balances (Note 6) £'000	2014/15 Adjustments Between the Funding and Accounting Basis (Note 5) £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Finance and Resources (GRF)		10,549	2,089	12,638
Housing and Community (GRF)		2,857	2,739	5,596
Strategic Planning and Environment (GRF)		8,452	1,571	10,023
Housing and Community (HRA)		(26,093)	(12,474)	(38,567)
Net Cost of Services		(4,235)	(6,075)	(10,310)
Other Income and Expenditure		6,111	(21,270)	(15,159)
(Surplus)/Deficit on Provision of Services		1,876	(27,345)	(25,469)
Opening Balance on General Revenue Fund (GRF) and Housing Revenue Account (HRA)		27,103		
Less Deficit on Provision of Services / Plus Surplus on Provision of Services		(1,875)		
Closing Balance on General Revenue Fund (GRF) and Housing Revenue Account (HRA)		25,228		

Comprehensive Income & Expenditure Statement

The 2016/17 code of practice, requires a change to the presentation of the Comprehensive Income and Expenditure Statement. It requires authorities to present the service analysis on the basis of the organisational structure. This has impacted on the breakdown of the Net Cost of Services to match the organisational structure (as explained in the narrative report), and the Financing and Investment Income and Expenditure. For comparative purposes, the prior two years (2015/16 and 2014/15) have been included.

	Note	2016/17			2015/16		
		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure RESTATED £'000	Gross Income RESTATED £'000	Net Expenditure RESTATED £'000
Finance and Resources (GRF)		65,859	(52,982)	12,877	70,102	(53,814)	16,288
Housing and Community (GRF)		9,614	(4,079)	5,535	9,723	(3,658)	6,065
Strategic Planning and Environment (GRF)		16,888	(5,781)	11,107	15,413	(5,789)	9,624
Housing and Community (HRA)		45,819	(57,392)	(11,573)	45,714	(58,308)	(12,594)
Total Cost of Services		138,180	(120,234)	17,946	140,952	(121,569)	19,383
Other Operating Expenditure	8			(4,238)			(3,825)
Financing and Investment Income and Expenditure	9			8,601			(16,686)
Taxation and Non Specific Grant Income	10			(23,331)			(22,776)
(Surplus)/Deficit on Provision of Services				(1,022)			(23,904)
(Surplus)/ Deficit on Revaluation of Property, Plant and Equipment	22/34			(68,409)			(99,386)
Actuarial (Gains)/Losses on Pension Asset / Liabilities	17			12,472			(20,143)
Other Comprehensive Income and Expenditure				(55,937)			(119,529)
Total Comprehensive Income and Expenditure				(56,959)			(143,433)

Comprehensive Income & Expenditure Statement

	Note	Gross Expenditure RESTATED £'000	2014/15 Gross Income RESTATED £'000	Net Expenditure RESTATED £'000
Finance and Resources (GRF)		65,295	(52,657)	12,638
Housing and Community (GRF)		8,926	(3,330)	5,596
Strategic Planning and Environment (GRF)		15,733	(5,710)	10,023
Housing and Community (HRA)		18,170	(56,737)	(38,567)
Total Cost of Services		108,124	(118,434)	(10,310)
Other Operating Expenditure	8			(3,292)
Financing and Investment Income and Expenditure	9			9,460
Taxation and Non Specific Grant Income	10			(21,326)
(Surplus)/Deficit on Provision of Services				(25,468)
(Surplus)/ Deficit on Revaluation of Property, Plant and Equipment	22/34			(59,628)
Actuarial (Gains)/Losses on Pension Asset / Liabilities	17			13,249
Other Comprehensive Income and Expenditure				(46,379)
Total Comprehensive Income and Expenditure				(71,847)

Movement in Reserves Statement

	Note	General Fund £'000	Earmarked Reserves General Fund £'000	Housing Revenue Account £'000	Earmarked Reserves HRA £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Council Reserves £'000
Balance at 31 March 2017		2,502	12,419	2,893	7,182	18,531	601	0	44,128	606,275	650,403
Movement in Reserves During 2016/17:											
Surplus or (Deficit) on Provision of Services		(4,209)	0	5,231	0	0	0	0	1,022	0	1,022
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0	0	55,937	55,937
Total Comprehensive Income and Expenditure		(4,209)	0	5,231	0	0	0	0	1,022	55,936	56,959
Adjustments Between Accounting Basis and Funding Basis Under Regulations:	20	1,561	0	5,686	0	(10,885)	284	14,609	11,255	(11,255)	0
Net Increase/(Decrease) Before Transfers to Earmarked Reserves		(2,648)	0	10,917	0	(10,885)	284	14,609	12,277	44,681	56,959
Transfer (to)/from Earmarked Reserves	21	2,648	(2,648)	(10,918)	10,918	0	0	0	0	0	0
Increase/(Decrease) in Year		0	(2,648)	(1)	10,918	(10,885)	284	14,609	12,277	44,681	56,959
Balance at 31 March 2017		2,502	9,771	2,892	18,100	7,646	885	14,609	56,405	650,956	707,362

	Note	General Fund £'000	Earmarked Reserves General Fund £'000	Housing Revenue Account £'000	Earmarked Reserves HRA £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Council Reserves £'000
Balance at 31 March 2015		2,654	12,534	2,846	7,194	17,570	531	314	43,643	463,327	506,970
Movement in Reserves During 2015/16:											
Surplus or (Deficit) on Provision of Services		19,220	0	4,684	0	0	0	0	23,904	0	23,904
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0	0	119,529	119,529
Total Comprehensive Income and Expenditure		19,220	0	4,684	0	0	0	0	23,904	119,529	143,433
Adjustments Between Accounting Basis and Funding Basis Under Regulations:	20	(19,487)	0	(4,649)	0	961	70	(314)	(23,419)	23,419	0
Net Increase/(Decrease) Before Transfers to Earmarked Reserves		(267)	0	35	0	961	70	(314)	485	142,948	143,433
Transfer (to)/from Earmarked Reserves	21	115	(115)	12	(12)	0	0	0	0	0	0
Increase/(Decrease) in Year		(152)	(115)	47	(12)	961	70	(314)	485	142,948	143,433
Balance at 31 March 2016		2,502	12,419	2,893	7,182	18,531	601	0	44,128	606,275	650,403

Balance Sheet

	Note	31 March 2017 £'000	31 March 2016 £'000
Long-term Assets			
Property, Plant & Equipment	22	993,945	941,879
Investment Property	19	81,466	74,293
Heritage Assets	41	9,103	9,030
Intangible Assets	24	734	799
Long-term Debtors	26	2,174	1,062
Total Long Term Assets		1,087,422	1,027,063
Current Assets			
Short-term Investments	40	59,583	44,124
Assets Held for Sale	25	1,438	1,478
Inventories		162	177
Short-term Debtors	27	14,380	14,586
Cash and Cash Equivalents	28	22,314	20,622
Total Current Assets		97,877	80,987
Current Liabilities			
Short-term Creditors	29	(23,603)	(18,081)
Short-term Borrowing	40	(1,065)	(894)
Revenue Grants and Contributions	32	(108)	(102)
Capital Grants and Contributions	31	(251)	(766)
Short-term Provisions	33	(4,449)	(4,722)
Total Current Liabilities		(29,476)	(24,565)
Long-term Liabilities			
Long-term Creditors	30	(9,193)	(7,107)
Long-term Borrowing	40	(364,816)	(365,754)
Net Pension Liability	17	(74,452)	(60,221)
Total Long-term Liabilities		(448,261)	(433,082)
Net Assets (Assets Less Liabilities)		707,362	650,403
Usable Reserves			
General Fund		2,502	2,502
Earmarked Reserves – General Fund	21	9,771	12,419
Housing Revenue Account		2,892	2,893
Earmarked Reserves – Housing Revenue Account	21	18,100	7,182
Major Repairs Reserve	HRA4	7,646	18,531
Capital Grants Unapplied Account		885	601
Capital Receipts Reserve		14,609	0
Total Usable Reserves		56,405	44,128
Unusable Reserves			
Revaluation Reserve	34	270,847	209,122
Capital Adjustment Account	35	455,238	459,360
Deferred Capital Receipts	36	2	4
Collection Fund Adjustment Account	37	(564)	(1,761)
Pension Reserve	17	(74,452)	(60,221)
Accumulated Absences Account	38	(114)	(229)
Total Unusable Reserves		650,957	606,275
Total Reserves		707,362	650,403

Cash Flow Statement

	Note	2016/17 £'000	2015/16 £'000
Cash Flows from Operating Activities			
Net Surplus/(Deficit) on Provision of Services		1,022	23,904
Depreciation & Impairment	22	15,682	14,685
Changes in Market Value of Property, Plant & Equipment	22	16,625	14,664
Amortisation of Intangible Assets	24	291	547
Changes in Fair Value of Investment Properties	19	(1,270)	(27,170)
Disposal of Assets	20	15,678	7,464
Changes in Inventory		15	3
Changes in Debtors		(1,386)	(1,487)
Changes in Creditors		7,409	(1,695)
Changes in Provisions	33	(273)	(750)
Changes in Deferred Capital Receipts	36	(2)	(6)
Changes in Net Pension Liability	17	1,759	2,839
Other non-cash Movements		0	4
Capital Grants Recognised	10	(4,600)	(3,930)
Proceeds on Disposal of Property, Plant & Equipment	20	(22,148)	(13,517)
Net Cash Flows from Operating Activities		28,802	15,555
Cash Flows from Investing Activities			
Purchase of Property, Plant & Equipment	22	(37,166)	(41,506)
Purchase of Investment Property	19	(183)	(695)
Purchase of Intangible Assets	24	(180)	(247)
Purchase of Heritage Assets	41	(73)	(1,264)
Proceeds from the Disposal of Property, Plant and Equipment	20	21,950	13,517
Net Changes in Short-term and Long-term Investments		(15,459)	(10,092)
Net Cash Flows from Investing Activities		(31,111)	(40,287)
Cash Flows from Financing Activities			
Changes in Grants and Contributions		(509)	(2,239)
Capital Grants and Contributions Recognised	10	4,600	3,930
Cash Receipts of Short-term and Long-term Borrowing		(767)	19,781
Changes in Council Tax and Business Rates Collected for Third Parties		677	415
Net Cash Flows from Financing Activities		4,001	21,887
Net Increase/(Decrease) in Cash and Cash Equivalents in the Period		1,692	(2,845)
Cash and Cash Equivalents at the Beginning of the Period		20,622	23,467
Cash and Cash Equivalents at the End of the Period		22,314	20,622
The cash flows for operating activities include the following items:		2016/17	2015/16
	Note	£'000	£'000
Interest Receivable and Similar Income	9	(499)	(552)
Interest Payable and Other Similar Charges	9	12,248	12,208

Notes to the Core Financial Statements

1. Accounting Policies

Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of the Statement of Accounts (the Accounts) are set out below.

Basis of Preparation

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting 2015/16 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The functional and presentational currency of Dacorum Borough Council (the Council) is pounds sterling.

The accounting convention adopted in the Accounts is principally historic cost, modified by the revaluation of Property, Plant and Equipment and Investment Property.

The preparation of the Accounts in conformity with the Code requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies.

Going Concern

The Accounts are prepared on a going concern basis, i.e. on the assumption that the Council will continue to operate for the foreseeable future.

Accruals of Income and Expenditure

Activity is accounted for within the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser, and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

Notes to the Core Financial Statements

- Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

The only exception to this is Housing Benefit Payments, which are recorded on a cash basis.

Exceptional Items

Items are presented as exceptional when that degree of prominence is necessary in order to give a fair presentation of the financial statements. A description of each exceptional item is given within the notes to the Accounts.

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (ie the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement. The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Community Infrastructure Levy

The Community Infrastructure Levy (CIL) which was introduced by the planning Act 2008 and the Community Infrastructure Levy Regulations 2010(SI 2010/948) as amended.

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the authority) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

Notes to the Core Financial Statements

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out below. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure.

Government Grants and Other Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as Creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the SeRCOP. The total absorption costing principle is used – the full cost of overheads and support service are shared between users in proportion to the benefits received with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional democratic organisation; and
- Non Distributable Costs – the costs of discretionary benefits awarded to employees retiring early and any impairment losses chargeable on Assets Held for Sale.

These two costs categories are defined in SeRCOP and accounted for as separate headings on the Comprehensive Income and Expenditure Statement, as part of the Surplus or Deficit on the Provision of Services.

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- amortisation of intangible fixed assets attributable to the service.

Notes to the Core Financial Statements

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations depreciation, revaluations, impairment losses and amortisations are therefore reversed by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When applying the definition of fair value, non-financial assets and, non-current assets held for sale shall be measured at highest and best use.

Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used for more than one financial year are classified as Property, Plant and Equipment.

Expenditure on Property, Plant and Equipment is capitalised at cost when it will bring benefits to the Council for more than one reporting period, subject to a de-minimis capitalisation threshold of £10,000 per scheme. Items below this limit are charged to the Comprehensive Income and Expenditure Statement. The Council does not capitalise borrowing costs incurred whilst assets are under construction.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Comprehensive Income and Expenditure Statement during the financial period in which they are incurred.

Land and buildings are subsequently measured at fair value.

Fair value is estimated using a depreciated replacement cost approach when the asset is specialised and/or rarely sold.

Council dwellings are subsequently measured at fair value determined using the Existing Use Value for Social Housing (EUV-SH) method. Fair value is primarily based on the amount that would be paid for the asset in its existing use.

Assets included in the Balance Sheet at fair value are revalued with sufficient regularity to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum, every five years.

When an asset's carrying amount increases as a result of a revaluation, the increase is recognised in the Comprehensive Income and Expenditure Statement to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Comprehensive Income and Expenditure Statement. Any remaining increase is credited directly to Revaluation Reserve. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

When an asset's carrying amount decreases as a result of a revaluation, the decrease is debited directly to the Revaluation Reserve to the extent of any credit balance existing in respect of that asset. Any remaining decrease is recognised against the relevant service lines in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Notes to the Core Financial Statements

Infrastructure, community assets, and assets under construction, are measured at depreciated historical cost.

Non-property assets are measured at depreciated historical cost basis, which is deemed to be a proxy for fair value as the assets have short useful lives and/or low values.

Revenue Expenditure Funded From Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is calculated using the straight-line method to allocate an asset's carrying value to its residual value over its remaining estimated useful life. The basis of estimated useful lives is as follows:

Buildings	Remaining useful life is provided by the external valuers
Community Assets	Shorter of remaining life or 30 years
Infrastructure Assets	Shorter of remaining life or 30 years
Council Dwellings	Remaining useful life is provided by the external valuers
Vehicles, Plant and Equipment	Remaining lease period, or remaining life as advised by a suitable officer

Where an asset comprises two or more major components with substantially different useful economic lives, each component is accounted for separately for depreciation purposes and depreciated over its individual useful life. The requirement for componentisation for depreciation purposes is only applicable to enhancement, purchases, or revaluations after 1 April 2010.

No depreciation is charged on land or assets under construction.

The assets' useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period.

Notes to the Core Financial Statements

Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the Comprehensive Income and Expenditure Statement, and depreciation based on the asset's historic cost, is transferred from the Revaluation Reserves to the Capital Adjustment Account.

Heritage Assets

The Council holds various items classified as Heritage Assets. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses, acquisitions and disposals) in accordance with the Council's accounting policies on Property, Plant and Equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets.

The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment, e.g. where the item has suffered physical deterioration or breakage, or where doubt arises to its authenticity. Impairments are recognised and measured in accordance with the Council's general policies on impairment. Disposals are dealt with in line with the accounting policies relating to the disposal of Property, Plant and Equipment. The groups of Heritage Assets along with the measurement basis are as follows:

Land

The Council holds three areas of land which form part of the Borough's history. Within these areas of land various sculptures and other cultural assets are on display. These assets are valued at fair value. Fair value is primarily based on the amount that would be paid for the asset in its existing use. As with Property, Plant and Equipment, assets are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years.

Civic Regalia/Treasuries

The Council holds various items of Regalia and Treasuries, many of which are on display at The Forum, Hemel Hempstead. These include the Mayoral Chain, Badges, Silver Mace and the Charters. These items are reported in the Balance Sheet at insurance valuation which is based on market values. Valuations are reviewed sufficiently regularly to ensure that their carrying amount is not materially different from their valuation at the year-end, but as a minimum every five years.

Sculptures/Statues/Artwork

The Council holds numerous sculptures and pieces of artwork located throughout the Borough. Those that are deemed to have historical, artistic or cultural significance are valued, and carried on the Balance Sheet. Where possible, these valuations are based on cost when acquired. For those items where cost information is unavailable, no value is reported in the Balance Sheet as it would involve incurring a disproportionate cost to value the assets in comparison to the benefits of the users of the accounts.

Other Heritage Assets

In addition to the previous groups, the Council holds a range of miscellaneous assets. The majority of these assets are held and managed by the Dacorum Heritage Trust (DHT), which makes them available for public viewing on request. These assets are held on the Balance Sheet at insurance valuation. Valuations are reviewed sufficiently regularly to ensure that their carrying amount is not materially different from their valuation at the year-end, but as a minimum every five years. The remaining miscellaneous assets not managed by the DHT are not reported on the Balance Sheet as the cost of valuation would be disproportionate to the benefits of the users of the accounts.

Memorials are also included within this group of which there are 31 in the Borough. Given that the value of these could never adequately reflect the emotional value vested in them by the community and would not materially affect the accounts, it would be inappropriate and misleading to present a value based on purely material costs.

Notes to the Core Financial Statements

Lease Classification

Leases are classified as either finance leases or operating leases based on the substance of the arrangement. The lease of land and building is split at inception of the lease into a separate lease of land and a lease of buildings which are independently classified. Unless title is expected to pass to the lessee at the end of the lease term, leases of land have been classified as operating leases.

Arrangements that do not have the legal status of a lease but convey a right to use a specific asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

Operating Leases (Council as Lessee)

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged on a straight-line basis over the term of the lease to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Contingent rent is recognised in the period in which it arises.

Finance Leases (Council as Lessee)

Leases of Property, Plant and Equipment where the Council has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leased assets are capitalised at the commencement of the lease at the lower of the fair value of the leased Property, Plant and Equipment and the present value of the minimum lease payments. Up-front payments for a leasehold interest classified as a finance lease are capitalised as part of the asset.

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The corresponding lease obligations, net of finance charges, are included in Creditors. Interest is charged to the Comprehensive Income and Expenditure Statement over the lease period at a constant periodic rate of interest on the remaining balance of the liability for each period. Contingent rent is recognised as an expense in the period in which it arises.

Operating Leases (Council as Lessor)

Where the Council grants an operating lease over an Investment Property, the leased asset remains within Investment Property on the Balance Sheet. The lease income is recognised over the term of the lease on a straight-line basis in the Income and Expenditure in Relation to Investment Properties line in the Comprehensive Income and Expenditure Statement and result in a gain for the General Fund Balance. Contingent rent is recognised in the period in which it arises.

Up-front payments received on the granting of a leasehold interest classified as an operating lease are recognised as a Creditor in the Balance Sheet and amortised over the lease term.

Finance Leases (Council as Lessor) – Property, Plant and Equipment

Where the authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the authority's net investment in the lease, is credited to the same line in the Comprehensive Income and

Notes to the Core Financial Statements

Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received)
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to [the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. [When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve].

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Finance Leases (Council as Lessor) – Investment property

Where the Council grants a finance lease over an Investment Property, the leased asset is derecognised from Investment Property as a disposal and a lease receivable is recognised for any leases with rental payments in excess of peppercorn rent. Peppercorn rents are recognised in the Income and Expenditure in Relation to Investment Properties line in the Comprehensive Income and Expenditure Statement.

Investment Property

Investment Property comprises land and/or buildings are those used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment Property is measured initially at cost and subsequently at fair value.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Investment Properties are not depreciated but are revalued annually.

Revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Disposals and Non-current Assets Held for Sale

Assets are reclassified as an Asset Held for Sale when the following criteria are met:

- The asset must be available for immediate sale in its present condition
- The sale must be highly probable
- The asset must be actively marketed
- The sale should be expected to qualify for recognition as a completed sale within one year

Notes to the Core Financial Statements

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. When applying the definition of fair value, as non-financial assets, non-current assets held for sale shall be measured at highest and best use. Fair value for social housing being disposed of under Right to Buy (RTB) legislation is the discounted RTB value.

Where there is a subsequent decrease to the fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Assets Held for Sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Assets Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals may be payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Intangible Assets

The Council accounts for its purchased software licences as intangible assets; to the extent it will bring benefits to the Council for more than one reporting period.

The intangible assets held by the Council are measured at amortised historical cost as readily ascertainable market values are not available.

Intangible assets are amortised on a straight-line basis over the shorter of remaining useful life or 5 years to the relevant service line in the Comprehensive Income and Expenditure Statement.

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Notes to the Core Financial Statements

Minimum Revenue Provision

The Council is not required to use Council Tax to fund depreciation, revaluation and impairment losses or amortisation on Non-current assets. However, it is required to make an annual contribution from revenue towards provision for the reduction in its overall borrowing requirement equal to either an amount calculated on a prudent basis or as determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the Minimum Revenue Provision in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

Inventory

Inventory is measured at the lower of cost and net realisable value using first-in first-out method.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

Accounts Payable and Accrued Expenditure

A creditor is recognised in the Balance Sheet when goods and services are received prior to the reporting date and payment occurs after the reporting date.

Leave Accrual

The accrual represents leave earned as of the reporting date that will be utilised in the next reporting period. The leave accrual is measured at the amount of the benefit earned by the employees of the Council. The accrual is charged to Surplus or Deficit on the Provision of Services so that leave benefits are charged to expense in the financial year in which the leave absence occurs. To remove any impact on Council Tax Payers it is then reversed out through the Movement in Reserves Statement to the Accumulated Absences Account.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an employee or group of employees or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Notes to the Core Financial Statements

Pensions

The Council provides retirement benefits as part of the terms and conditions of employment through the Local Government Pension Scheme, administered by Hertfordshire County Council. The benefits (retirement lump sums and pensions), which are based on pay and service, are earned over the term of employment.

The Local Government Scheme is accounted for as a defined benefits scheme as follows:

- The liabilities of the Hertfordshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and projections of projected earnings for current employees;
- Liabilities are discounted to their value at current prices, using a discount rate annually reviewed and recommended by the Actuary;
- The assets of Hertfordshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price;
 - unquoted securities – professional estimate;
 - unitised securities – current bid price; and
 - property – market value.
- The change in the net pensions liability is analysed into the following components:
 - Service cost comprising:
 - current service cost - the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
 - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
 - net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that rises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate use to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
 - Re-measurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Notes to the Core Financial Statements

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as the benefits are earned by employees.

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the policies above.

Provisions

Provisions are recognised when:

- the Council has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. Where the effect is material, the estimated cash flows are discounted. The increase in the provision due to the passage of time is recognised as interest expense.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Provisions are not recognised for future operating losses.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Notes to the Core Financial Statements

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund or Housing Revenue Account Balances in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund or Housing Revenue Account Balance in the Movement in Reserves Statement so that there is no net charge against council tax or housing rent for the expenditure.

Certain reserves are kept to manage the accounting processes which represent unusable resources for the Council. These are the Revaluation Reserve, Capital Adjustment Account, Short-term Accumulating Compensated Absences Account, Collection Fund Adjustment Account and Pension Reserve, all of which are explained in the relevant policies and notes to the Accounts.

Financial Instruments

Recognition

Financial assets and financial liabilities which arise from contracts for the purchase and sale of non-financial items (such as goods or services), which are entered into in accordance with the Council's normal purchase, sale or usage requirement, are recognised when, and to the extent which, performance occurs. All other financial assets and liabilities are recognised when the Council becomes party to the contractual provisions to receive or make cash payments.

Classification and Measurement

Financial assets, other than cash and cash equivalents, are classified as loans and receivables, initially measured at fair value and subsequently measured at amortised cost.

Financial liabilities are classified as creditors, initially measured at fair value and subsequently measured at amortised cost.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. Loans and receivables are initially recognised at fair value and then measured at amortised cost using the effective interest rate method. The effective interest rate is a method of calculating the amortised cost of a financial asset and of allocating the interest income to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement over the relevant period using the estimated future cash flows.

At the end of each reporting period, the Council assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if there is:

- objective evidence of impairment as a result of a loss event that occurred after the initial recognition of the asset and up to the end of the reporting period ('a loss event');
- the loss event had an impact on the estimated future cash flows of the financial asset or the group of financial assets; and
- a reliable estimate of the amount can be made.

Financial assets are recorded in the Balance Sheet net of any impairment. The asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Notes to the Core Financial Statements

A financial asset is considered for de-recognition when the contractual rights to the cash flows from the financial asset expire, or the Council has either transferred the contractual right to receive the cash flows from the asset, or has assumed an obligation to pay those cash flows to one or more recipients, subject to certain criteria. The Council de-recognises a transferred financial asset if it transfers substantially all the risks and rewards of ownership. Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Financial Liabilities

All financial liabilities are recognised initially at fair value, net of any material transaction costs incurred, and then measured at amortised cost using the effective interest rate method. They are included in Short-term Creditors except for the amounts payable more than twelve months after the end of the reporting period, which are classified as Long-term Creditors.

Interest on financial liabilities carried at amortised cost is calculated using the effective interest rate method and is charged to the Comprehensive Income and Expenditure Statement.

The Councils borrowings, are presented in the Balance Sheet as the outstanding principal repayable (plus any accrued interest); and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year. Exceptions to this would be where material costs are incurred when the liability is initially recognised.

Value Added Tax (VAT)

VAT is included in the Comprehensive Income and Expenditure Statement, whether of a capital or revenue nature, only to the extent that it is not recoverable. VAT receivable is excluded from income.

Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

2. Accounting standards issued but not yet adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

The following are the accounting policies that have been issued but as yet have not been adopted by the Council as at the Balance Sheet date.

- Amendments to the reporting of pension fund scheme transaction costs
- Amendments to the reporting of investment concentration

The above amendments are not expected to have a material impact on the information provided in local authority financial statements in 2016/17

Notes to the Core Financial Statements

3. Critical judgements in applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are as follows:

Lease Accounting

Judgement is required in the initial classification of leases as either operating leases or finance leases. Where a lease is taken out for land and buildings combined, the buildings element of the lease may be capitalised as a finance lease if it meets the criteria for a finance lease, but the land element will be classed as an operating lease by the Council unless title transfers at the end of the lease. If the contracted lease payments are not split between land and buildings in the lease contract, the split is made based on the market values of the land and buildings at the inception of the lease. The accounting policy for leases is set out in Note 1.

4. Assumptions made about the future and other major sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Balance Sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Valuation of Property, Plant and Equipment

Council dwellings are shown at fair value, based on professional valuations. The valuations are carried out in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual, known as the "Red Book".

The value of Council dwellings fluctuates with changes in the current market value of residential properties. A 5% increase in property prices would increase the carrying value of the council dwellings by £43.0m in the Balance Sheet and increase the annual depreciation charge by £0.717m in the Comprehensive Income and Expenditure Statement. A 5% decrease in property prices would decrease the carrying value of the council dwellings by £43.0m in the Balance Sheet and decrease the annual depreciation charge by £0.717m in the Comprehensive Income and Expenditure Statement. The accounting policy for Council dwellings is set out in Note 1 and information on Council dwellings is set out in Note 20.

Provision for Outstanding Business Rates Appeals

On 1 April 2013, Local Authorities assumed the liability for refunding ratepayers who have successfully appealed against the Business Rates rateable value of their properties. This will include amounts that were paid over (to Central Government) in respect of 2012/13 and prior years. It is unknown how many of the outstanding appeals will be successful, though estimation techniques have been applied to the outstanding appeals using historic success rate data, including for those that may be speculative claims. The carrying amount of the Provision is £9.1m, of which the Councils share of £3.6 m is reflected in the Accounts. An increase in the success rate by 5% would change the required provision by £1.7m, affecting the surplus/deficit on the Collection Fund, to be distributed to the preceptors and Central Government.

Measurement of Pension Liability

The present value of the pension liability depends on a number of factors that are determined on an actuarial basis and the value of the underlying assets. The actual liability of the Council will continue to be subject to volatility, as a result of a number of factors.

Notes to the Core Financial Statements

The estimated effects of the changes in the key individual assumptions in determining the net pension liability would increase the Council's pension liability as of 31 March 2017 as follows:

	£'m
0.5% decrease in the real discount rate	22.0
1 year increase in member life expectancy	0
0.5% increase in the salary increase rate	2.7
0.5% increase in the pension increase rate	19.1
Total	43.8

The above table presents the changes in key assumptions in isolation. The information is only indicative of the estimated impact as the assumptions interact in complex ways. The accounting policy for pensions is set out in Note 1 and further information on the pension liability is set out in Note 15.

Notes to the Core Financial Statements

5. Adjustments Between the Funding and Accounting Basis

This note is a new requirement for 2016/17 and provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund and HRA Balances shown in the Expenditure and Funding Analysis, to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement. For comparative purposes, the prior two years (2015/16 and 2014/15) have been included.

2016/17	Note	Adjustments for Capital Purposes £'000	Net Change for Pensions Adjustments £'000	Other Adjustments £'000	Total Adjustments Between Funding and Accounting Basis £'000
Finance and Resources (GRF)		3,596	(979)	(37)	2,580
Housing and Community (GRF)		3,575	166	(15)	3,726
Strategic Planning and Environment (GRF)		2,501	578	(38)	3,041
Housing and Community (HRA)		14,491	(106)	(26)	14,359
Net Cost of Services		24,163	(341)	(116)	23,706
Other Income and Expenditure		(1,270)	2,100	(17,289)	(16,459)
(Surplus)/Deficit on Provision of Services		22,893	1,759	(17,405)	7,247

Notes to the Core Financial Statements

2015/16	Note	Adjustments for Capital Purposes £'000	Net Change for Pensions Adjustments £'000	Other Adjustments £'000	Total Adjustments Between Funding and Accounting Basis £'000
Finance and Resources (GRF)		6,597	(741)	45	5,901
Housing and Community (GRF)		3,807	223	(11)	4,019
Strategic Planning and Environment (GRF)		370	844	(11)	1,203
Housing and Community (HRA)		14,177	28	3	14,208
Net Cost of Services		24,951	354	26	25,331
Other Income and Expenditure		(27,168)	2,486	(24,786)	(49,468)
(Surplus)/Deficit on Provision of Services		(2,217)	2,840	(24,760)	(24,137)

Notes to the Core Financial Statements

2014/15	Note	Adjustments for Capital Purposes £'000	Net Change for Pensions Adjustments £'000	Other Adjustments £'000	Total Adjustments Between Funding and Accounting Basis £'000
Finance and Resources (GRF)		3,182	(1,086)	(7)	2,089
Housing and Community (GRF)		2,622	124	(7)	2,739
Strategic Planning and Environment (GRF)		1,092	503	(22)	1,573
Housing and Community (HRA)		(12,275)	(185)	(14)	(12,474)
Net Cost of Services		(5,379)	(644)	(49)	(6,072)
Other Income and Expenditure		(1,044)	2,662	(22,888)	(21,270)
(Surplus)/Deficit on Provision of Services		(6,423)	2,018	(22,937)	(27,342)

Notes to the Core Financial Statements

6. Material items of Income and Expenditure included in the Expenditure and Funding Analysis

The 2016/17 code requires the Council to disclose material items of income or expenditure on a segmental basis. This table sets out those material items. For comparative purposes, the prior two years (2015/16 and 2014/15) have been included.

2016/17	Finance and Resources (GRF) £'000	Housing and Community (GRF) £'000	Strategic Planning and Environment (GRF) £'000	Housing and Community (HRA) £'000	Other income and Expenditure £'000	Total £'000
Employee Benefits	9,976	2,672	9,363	5,554	0	27,565
Premises Expenditure	1,360	759	842	10,060	743	13,764
Supplies and Services	3,708	1,701	2,132	4,220	-7	11,754
Transport	41	13	1,420	67	0	1,541
Transfer Payments	456	743	89	1	0	1,289
Third Party Payments	47,738	0	0	0	0	47,738
Local Precepts	0	0	0	0	690	690
Interest Payments	0	0	0	0	12,248	12,248
Statutory Provision for Repayment of Debt and Revenue Contribution to Capital	0	0	0	0	6,512	6,512
Depreciation and Amortisation of Assets - HRA	0	0	0	11,559	0	11,559
Fees Charges and Other Service Income (External Customers)	(4,702)	(3,842)	(5,763)	(57,391)	(4,660)	(76,358)
Grants and Contributions	(48,280)	(238)	(18)	0	(5,371)	(53,907)
Council Tax Income	0	0	0	0	(10,957)	(10,957)
Business Rates Income	0	0	0	0	(1,208)	(1,208)
Interest and Investment Income	0	0	0	0	(499)	(499)
Total	10,297	1,809	8,065	(25,931)	(2,509)	(8,269)

Notes to the Core Financial Statements

	Finance and Resources (GRF)	Housing and Community (GRF)	Strategic Planning and Environment (GRF)	Housing and Community (HRA)	Other income and Expenditure	Total
2015/16	£'000	£'000	£'000	£'000	£'000	£'000
Employee Benefits	9,822	2,516	9,352	5,602	0	27,292
Premises Expenditure	1,355	417	970	11,416	746	14,905
Supplies and Services	3,779	1,928	2,327	3,671	46	11,751
Transport	44	11	1,436	68	0	1,558
Transfer Payments	48,538	0	0	0	0	48,538
Third Party Payments	664	830	128	0	0	1,622
Local Precepts	0	0	0	0	641	641
Interest Payments	0	0	0	0	12,208	12,208
Statutory Provision for Repayment of Debt and Revenue Contribution to Capital	0	0	0	0	17,196	17,196
Depreciation and Amortisation of Assets - HRA	0	0	0	10,748	0	10,748
Fees Charges and Other Service Income (External Customers)	(4,794)	(3,493)	(5,781)	(58,308)	(4,400)	(4,794)
Grants and Contributions	(49,020)	(164)	(9)	0	(5,786)	(49,020)
Council Tax Income	0	0	0	0	(10,547)	(10,547)
Business Rates Income	0	0	0	0	(3,373)	(3,373)
Interest and Investment Income	0	0	0	0	(552)	(552)
Total	10,387	2,046	8,421	(26,803)	6,180	232

Notes to the Core Financial Statements

	Finance and Resources (GRF)	Housing and Community (GRF)	Strategic Planning and Environment (GRF)	Housing and Community (HRA)	Other income and Expenditure	Total
2014/15	£'000	£'000	£'000	£'000	£'000	£'000
Employee Benefits	9,897	2,534	9,427	5,341	0	27,199
Premises Expenditure	1,249	394	1,005	11,535	644	14,827
Supplies and Services	3,860	2,141	2,100	4,013	69	12,183
Transport	49	13	1,501	83	0	1,646
Transfer Payments	47,464	0	0	0	0	47,464
Third Party Payments	687	1,104	128	(44)	0	1,875
Local Precepts	0	0	0	0	628	628
Interest Payments	0	0	0	0	11,681	11,681
Statutory Provision for Repayment of Debt and Revenue Contribution to Capital	0	0	0	0	14,468	14,468
Depreciation and Amortisation of Assets - HRA	0	0	0	9,716	0	9,716
Fees Charges and Other Service Income (External Customers)	(4,648)	(3,225)	(5,699)	(56,663)	(4,044)	(74,279)
Grants and Contributions	(48,010)	(105)	(11)	(75)	(7,685)	(55,886)
Council Tax Income	0	0	0	0	(10,243)	(10,243)
Business Rates Income	0	0	0	0	1,050	1,050
Interest and Investment Income	0	0	0	0	(456)	(456)
Total	10,549	2,856	8,452	(26,094)	6,111	1,875

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Notes to the Core Financial Statements

7. Expenditure and Income Analysed by Nature

Note this paragraph requires that the nature of expenses included in the Comprehensive Income and Expenditure Statement. Following the changes for the Comprehensive Income and Expenditure Statement and introduction of the Expenditure Analysis, internal charges are no longer reported. For comparative purposes, the prior two years (2015/16 and 2014/15) have been included.

2016/17	Total £'000
Expenditure	
Employees (including pension adjustments)	29,206
Premises	13,764
Transport	1,541
Supplies & Services	11,754
Third Party Payments	1,289
Transfer Payments	47,738
Capital Charges/Revaluations	34,251
Local Precepts	690
Interest Payments	12,248
Payments to the Housing Receipts Pool	1,543
Total Expenditure	154,024
Income	
Fees, Charges and Other Service Income	(76,358)
Interest & Investment Income	(499)
Income from Council Tax	(10,957)
Income from Business Rates	(1,208)
Government Grants & Other Contributions	(53,906)
Gains on Disposal of Assets	(12,118)
Total Income	(155,046)
Total Income and Expenditure by Nature	(1,022)

Notes to the Core Financial Statements

2015/16	Total £'000
Expenditure	
Employees (including pension adjustments)	30,157
Premises	14,905
Transport	1,558
Supplies & Services	11,750
Third Party Payments	1,623
Transfer Payments	48,538
Capital Charges/Revaluations	8,530
Local Precepts	641
Interest Payments	12,208
Payments to the Housing Receipts Pool	1,586
Total Expenditure	131,498
Income	
Fees, Charges and Other Service Income	(76,777)
Interest & Investment Income	(552)
Income from Council Tax	(10,547)
Income from Business Rates	(3,373)
Government Grants & Other Contributions	(54,978)
Gains on Disposal of Assets	(9,173)
Total Income	155,400
Total Income and Expenditure by Nature	(23,902)

Notes to the Core Financial Statements

2014/15	Total £'000
Expenditure	
Employees (including pension adjustments)	29,166
Premises	14,827
Transport	1,647
Supplies & Services	12,183
Third Party Payments	1,875
Transfer Payments	47,464
Capital Charges/Revaluations	3,293
Local Precepts	628
Interest Payments	11,681
Payments to the Housing Receipts Pool	1,397
Total Expenditure	124,158
Income	
Fees, Charges and Other Service Income	(74,279)
Interest & Investment Income	(456)
Income from Council Tax	(10,243)
Income from Business Rates	1,050
Government Grants & Other Contributions	(55,885)
Gains on Disposal of Assets	(9,814)
Total Income	(149,627)
Total Income and Expenditure by Nature	(25,468)

8. Other Operating Expenditure

	Note	2016/17 £'000	2015/16 £'000
Parish Council Precepts		690	641
Payments to the Government Housing Capital Receipts Pool		1,543	1,586
(Gains)/Losses on the Disposal of Non Current Assets		(6,271)	(6,052)
Total		(4,038)	(3,825)

9. Financing and Investment Income & Expenditure

Following the changes for the Comprehensive Income and Expenditure Statement and introduction of the Expenditure Analysis, internal charges are no longer reported. This has impacted on the Income and Expenditure in Relation to Investment Properties. For comparative purposes, the prior two years (2015/16 and 2014/15) have been included.

Notes to the Core Financial Statements

	Note	2016/17 £'000	2015/16 £'000 RESTATED	2014/15 £'000 RESTATED
Interest Payable and Other Similar Charges		12,248	12,208	11,681
Interest Receivable and Similar Income		(499)	(552)	(456)
Net Interest on the Net Defined Benefit Liability/Asset	17	2,100	2,486	2,662
Income and Expenditure in Relation to Investment Properties and Changes in their Fair Value	19	(5,248)	(30,826)	(4,427)
Total		8,601	(16,684)	9,460

10. Taxation and Non Specific Grant Income

	Note	2016/17 £'000	2015/16 £'000
Council Tax Income		(10,999)	(10,543)
Non Domestic Rates Income & Expenditure		(2,361)	(2,517)
Non-ringfenced Government Grants	10	(5,371)	(5,786)
Capital Grants and Contributions		(4,600)	(3,930)
Total		(23,331)	(22,776)

11. Members' Allowances

The Council paid the following amounts to 52 (2015/16 72) elected Members of the Council during the year. There was a maximum of 51 members at any point during 2016/17.

	2016/17 £'000	2015/16 £'000
Salaries	379	370
Allowances	2	3
Expenses	2	2
Total	383	375

Salaries include basic and special allowances. Allowances include broadband, office equipment and care allowances. Expenses include travel and subsistence.

12. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement.

Non Specific Grant Income	2016/17 £'000	2015/16 £'000
Revenue Support Grant	(971)	(2,070)
New Homes Bonus	(3,491)	(2,620)
Business Rates Retention	(573)	(836)
Other	(336)	(260)
Total	(5,371)	(5,786)

Notes to the Core Financial Statements

Grants Credited to Services	2016/17 £'000	2015/16 £'000
Benefits Subsidy and Administration	(48,160)	(48,823)
Other	(306)	(323)
Total	(48,466)	(49,146)

13. Building Control

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the Building Control function. The Council sets charges for work carried out in relation to Building Regulations, with the aim of recovering all costs incurred over a three year cycle. The cumulative deficit for Chargeable services for the three year period ending 31 March 2017 was £121k, compared with a surplus of £69k for the period to 31 March 2016. The statement below shows the total cost of operating the Building Control unit divided between the chargeable and non-chargeable activities for 2016/17.

Building Control 2015/16	2016/17 Chargeable £'000	2016/17 Non Chargeable £'000	2016/17 Total £'000	2015/16 Total £'000
Employees	431	145	576	522
Transport	1	0	1	4
Supplies & Services	47	16	63	47
Support Services	254	86	340	215
Total Expenditure	733	247	980	788
Building Regulation Charges	(543)	0	(543)	(571)
Other Income	0	(2)	(2)	(2)
Total Income	(543)	(2)	(545)	(573)
Building Control (Surplus)/Deficit	190	245	435	215

14. Community Infrastructure Levy (CIL)

The Council elected to charge a Community Infrastructure Levy (CIL) from 1st July 2015. The levy is charged on new builds (chargeable developments within the Council's administrative area) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, health, and education projects) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions.

The Council received £ 947k CIL (£81k 2015/16) of which £84k (15%) (12k 2015/16) will be paid to Parish and Town Councils and £48k (5%) (£4k 2015/16) applied to costs of administration and collection. The balance of £ 815k (£70k 2015/16) has been retained and is unapplied capital contributions in 2016/17.

Notes to the Core Financial Statements

15. Remuneration of Employees

The following table shows the number of employees whose remuneration, excluding pension costs, exceeded £50,000 for the year, excluding those that have been disclosed individually in the following table of Senior Employees.

Total Remuneration	Number of Employees 2016/17	Number of Employees 2015/16
£50,000 - £54,999	4	9
£55,000 - £59,999	9	4
£60,000 - £64,999	5	6
£65,000 - £69,999	1	0
Total	19	19

The number of exit packages, with total cost per band and total cost of compulsory/other redundancies are set out in the table below.

Exit Package Cost Band (including special payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band £'000	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
£0 - £20,000	1	2	0	0	1	2	9	10
£20,001 - £40,000	0	0	0	0	0	0	0	0
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,000 - £100,000	0	0	0	0	0	0	0	0
£100,000 - £150,000	0	0	0	0	0	0	0	0
£150,000<	0	0	0	0	0	0	0	0
Total	1	2	0	0	1	2	9	10

Notes to the Core Financial Statements

The remuneration paid to the Council's senior employees was as follows:

	Salary (Including Fees & Allowances)	Benefits in Kind (e.g. Lease Car)	Total Remuneration Excluding Pension Contributions	Pension Contributions	Total Remuneration
2016/17	£	£	£	£	£
Posts Employed for Full Year					
Chief Executive	129,692	0	129,692	19,983	149,675
Corporate Director (Housing & Regeneration)	100,540	2,550	103,090	15,881	118,971
Corporate Director (Finance & Operations)	101,676	0	101,676	15,540	117,216
Assistant Director (Neighbourhood Delivery)	79,475	0	79,475	12,224	91,700
Assistant Director (Housing Landlord)	76,392	6,907	83,299	12,223	95,522
Assistant Director (Planning, Development & Regeneration)	76,392	3,638	80,030	12,223	92,252
Assistant Director (Performance & Projects)	81,255	0	81,255	11,265	92,519
Assistant Director (Finance & Resources)	78,660	0	78,660	11,999	90,659
Posts Employed for Part Year					
Solicitor to the Council – (Promoted to post from May 2016)*	65,316	0	65,316	9,850	75,166
Assistant Director (Chief Executives Unit) – (April 2016)	8,247	973	9,220	1,218	10,438

The annualised salaries for posts employed during part of the year were:

- (1) Assistant Director (Chief Executives Unit) - (April 2016) - £92,474
- (2) Solicitor to the Council - (May 2016 until March 2017) - £65,680

Notes to the Core Financial Statements

The following table has been restated for expenses claimed during 2015/16. As per Accounts and Audit Regulation 2015, only expenses that fall within taxable income for the employee should be included. No expenses were claimed during 2015/16 which were taxable for the employee, so this column has been removed.

RESTATED	Salary (Including Fees & Allowances)	Benefits in Kind (e.g. Lease Car)	Total Remuneration Excluding Pension Contributions	Pension Contributions	Total Remuneration
2015/16	£	£	£	£	£
<u>Posts Employed for Full Year</u>					
Chief Executive	128,456	0	128,456	19,785	148,241
Corporate Director (Housing & Regeneration)	99,558	5,062	104,619	15,724	120,343
Corporate Director (Finance & Operations)	96,450	0	96,450	14,696	111,146
Assistant Director (Chief Executive's Unit)	83,838	6,833	90,671	14,495	105,166
Assistant Director (Neighbourhood Delivery)	79,183	0	79,183	12,102	91,285
Assistant Director (Housing Landlord)	75,636	5,091	80,727	0	80,727
Assistant Director (Planning, Development & Regeneration)	74,169	2,691	76,860	11,867	88,727
Assistant Director (Performance & Projects)	71,004	0	71,004	10,761	81,765
<u>Posts Employed for Part Year</u>					
Assistant Director (Finance & Resources) - (June 2015 until March 2016)	62,248	0	62,248	9,471	71,719

The annualised salaries for posts employed during part of the year were:

(1) Assistant Director (Finance & Resources) - (June 2015 until March 2016) - £88,284

Notes to the Core Financial Statements

16. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts and certification of grant claims by the Council's external auditors, Grant Thornton. The 2015/16 audit was delivered by Ernst and Young:

Grant Thornton	2016/17 £'000	2015/16 £'000
External audit services carried out by the appointed auditor for the year	73	0
External audit services carried out by the auditor for an earlier year	0	0
Certification of grant claims and returns for the year	18	0
Total	91	0

Ernst and Young	2016/17 £'000	2015/16 £'000
External audit services carried out by the appointed auditor for the year	0	73
External audit services carried out by the auditor for an earlier year	7	4
Certification of grant claims and returns for the year	0	23
Total	7	100

17. Pensions

Local Government Pension Scheme

As part of the terms and conditions of employment for employees, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments for those benefits, and to disclose them at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered by Hertfordshire County Council (HCC). This is a funded benefit career average salary scheme, meaning that the Council and its employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee of HCC. Policy is determined in accordance with the Local Government Pension Scheme Regulations 2013. The investment managers of the fund are appointed by the Investment sub-committee of HCC and consist of the fifteen Investment Fund Managers.

The principal risks relating to the Council of the scheme are longevity assumptions, statutory changes to the scheme, structural changes to the scheme, changes to inflation, bond yields and the performance of equity investments held by the scheme.

Transactions Relating to Post-employment Benefits

The following transactions have been made in the Comprehensive Income and Expenditure Statement, General Fund Balance and Housing Revenue Account via the Movement in Reserves Statement during the year:

Comprehensive Income & Expenditure Statement	2016/17 £'000	2015/16 £'000
Cost of Services:		
Current Service Cost	4,357	5,006
Past Service Cost/(Gain) – Including Curtailments	0	7
Financing and Investment Income and Expenditure:		
Net Interest Expense	2,100	2,486

Notes to the Core Financial Statements

Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	6,457	7,499
Other Comprehensive Income & Expenditure:		
Return on Plan Assets (excluding amounts included in net interest expense)	(14,119)	2,394
Actuarial (Gains) & Losses Arising on Changes in Demographic Assumptions	(2,457)	0
Actuarial Gains & Losses Arising on Changes in Financial Assumptions	38,443	(19,431)
Other	(9,395)	(3,106)
Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	12,472	(20,143)
	2016/17	2015/16
Movement in Reserves Statement	£'000	£'000
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for Post Employment Benefits in accordance with the Code	(6,457)	(7,499)
Employer's Contributions Payable to the Pension Scheme	4,698	4,660
Total	1,759	(2,839)

Transactions Relating to Post-employment Benefits

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plan is as follows:

	2016/17	2015/16
Pension Assets & Liabilities Recognised in the Balance Sheet	£'000	£'000
Present value of the defined benefit obligation	(235,506)	(203,699)
Fair value of plan assets	161,054	143,478
Sub-total		
Other movements in the liability	0	0
Net liability arising from defined benefit obligation	(74,452)	(60,221)

Assets and Liabilities in relation to Retirement Benefits

Reconciliation of present value of scheme liabilities and assets are set out below:

	2016/17	2015/16
Reconciliation of Present Value of Scheme Liabilities	£'000	£'000
Liabilities as of the Beginning of the Period	(203,699)	(219,940)
Current Service Cost	(4,357)	(5,006)
Interest Cost	(7,092)	(7,026)
Contributions by Scheme Participants	(1,155)	(1,118)
Actuarial (Losses)/Gains	(26,591)	22,536
Losses on Curtailments	0	0
Benefits Paid	7,388	6,862
Past Service Costs	0	(7)
Liabilities as of the End of the Period	(235,506)	(203,699)

Notes to the Core Financial Statements

Reconciliation of Fair Value of Scheme Assets	2016/17 £'000	2015/16 £'000
Assets as of the Beginning of the Period	143,478	142,416
Expected Rate of Return	4,992	4,540
Actuarial Gains/(Losses)	14,119	(2,394)
Employer Contributions	4,698	4,660
Contributions by Scheme Participants	1,155	1,118
Benefits Paid	(7,388)	(6,862)
Assets as of the End of the Period	161,054	143,478

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Fair Value of Employer's Assets

The fair value of the plan assets is shown in the table below:

Fair Value of Employer's Assets	2016/17 £'000	2015/16 £'000
Quoted Prices in Active Markets		
<u>Equity Securities</u>		
Consumer	12,557	11,655
Manufacturing	12,052	10,634
Energy and Utilities	2,902	2,493
Financial Institutions	10,785	10,903
Health and Care	2,181	1,900
Information Technology	8,782	6,786
Other	542	331
<u>Debt Securities</u>		
Corporate Bonds (Investment Grade)	0	0
UK Government	0	0
Other	0	0
<u>Investment Funds and Unit Trusts</u>		
Equities	33,746	29,125
Bonds	44,364	39,286
Commodities	0	678
Other	622	585
<u>Cash and Cash Equivalents</u>		
All	5,315	4,561
Total of Assets with Prices Quoted in Active Markets	133,848	118,937
Quoted Prices not in Active Markets		
<u>Private Equity</u>		
All	7,436	6,159
<u>Real Estate</u>		
UK Property	5,212	6,408
Overseas Property	6,037	3,745
<u>Investment Funds and Unit Trusts</u>		
Infrastructure	366	184
Other	8,475	8,572
<u>Derivatives</u>		
Foreign Exchange	(320)	(527)
Total of Assets with Prices Quoted not in Active Markets	27,206	24,541
Total Fair Value of Employers Assets	161,054	143,478

Notes to the Core Financial Statements

Basis for Estimating Asset and Liabilities

Liabilities have been assessed on an actuarial basis using the Projected Unit Credit Method, an estimate of the pensions that will be payable in future years is dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Fund being based on the latest full revaluation of the scheme as at 31 March 2016.

The principal assumptions used by the actuary in the calculations are:

Principal Assumptions	2016/17 %	2015/16 %
Rate of inflation	3.4	3.1
Rate of increase in salaries	2.5	3.7
Rate of increase in pensions	2.4	2.2
Rate of discounting scheme liabilities	2.5	3.5
Allowance for future retirees to elect to take additional tax-free cash up to HMRC limits pre April 2008 Service	50	50
Allowance for future retirees to elect to take additional tax-free cash up to HMRC limits post April 2008 Service	75	75
Mortality Assumptions	2016/17 Years	2015/16 Years
Longevity at 65 for current pensioners		
Men	22.5	22.3
Women	24.9	24.5
Longevity at 65 for future pensioners		
Men	24.1	24.3
Women	26.7	26.7

Impact on the Council's Cash Flow

The liabilities show the underlying commitments that the Council has to pay retirement benefits. The total liability of £74.5m has an impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the LGPS will be funded by improved investment returns or increased contributions over the remaining working lives of employees, as assessed by the scheme's actuary.

Funding levels are monitored on an annual basis, and the next triennial review is due to be based on 31 March 2019 data. The fund liability may go up or down based on this review, and a sensitivity analysis is set out in note 4. The total value of contributions expected to be made by the Council in 2017/18 is £5.2m.

Notes to the Core Financial Statements

The weighted duration for all members is 16.8 years. The weighted average duration and liability split of the defined benefit obligation for scheme members as at 31 March 2017 is as follows:

	Liability Split	Weighted Average Duration
Active Members	33.6%	22.9
Deferred Members	25.7%	22.2
Pensioner Members	40.7%	11.0
Total	100%	

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned, to be financed as the Council makes employer's contributions to pension funds, or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. A detailed analysis of movements in the Pensions Reserve is provided below:

	2016/17 £'000	2015/16 £'000
Reconciliation of Fair Value of Scheme Assets		
Surplus /(Deficit) as of Beginning of the Period	(60,221)	(77,525)
Actuarial Gains/(Losses) on Pension Assets and Liabilities	(12,472)	20,143
Reversal of Items Relating to Retirement Benefits Debited or Credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(6,457)	(7,499)
Employer's Pension Contributions	4,698	4,660
Surplus/(Deficit) as of End of the Period	(74,452)	(60,221)

Management of Pension Risks

Hertfordshire County Council, having taken appropriate professional advice, has taken steps to mitigate investment risk and to set an investment strategy that is appropriate for the Fund's liabilities. A summary of the key steps taken is provided below:

1. Diversification – the Fund has adopted a strategy that is diversified by asset class, region, sector and investment manager.
2. De-risking plan – the Fund is moving towards a lower risk strategy that will comprise 65% in “growth” assets and 35% in “defensive” assets.
3. Defensive asset portfolio – the Fund has appointed three specialist mandates to manage the defensive assets (absolute return, UK corporate bonds, and liability matching). The liability matching mandate will seek to offer some protection from changes in inflation and interest rates
4. Monitoring – the Fund's investment arrangements are regularly monitored. The Council receives independent reporting from the custodian and the Fund's investment Consultant and the Pensions Committee meets the investment managers on an ongoing basis.

Notes to the Core Financial Statements

18. Leases

Operating Leases - Council as Lessee

The Council leases various land and/or buildings under non-cancellable operating lease agreements. The lease terms range between 3 and 999 years. The operating leases do not have purchase options, although some have rent escalation clauses. The Council paid no contingent rent during the year 2016/17 (2015/16 no contingent rent paid).

The total future minimum lease payments under non-cancellable operating leases for each of the following periods are as follows:

Operating Lease Commitments	2016/17 £'000	2015/16 £'000
Not later than one year	51	51
Later than one year but not later than five years	205	205
Later than five years	180	334
Total Commitments under Operating Leases	436	590

Operating Leases - Council as Lessor

The Council leases various land and/or buildings under non-cancellable operating lease agreements. The lease terms range between 1 and 399 years. The operating leases do not have purchase options, although most have rent escalation clauses. The total future minimum lease payments receivable under non-cancellable operating leases for each of the following periods are as follows:

Operating Lease Income – Other Land & Buildings	2016/17 £'000	2015/16 £'000
Not later than one year	77	39
Later than one year but not later than five years	175	111
Later than five years	266	277
Total Minimum Lease Income under Operating Leases	518	427

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2016/17 no contingent rents were receivable by the Council (2015/16 no contingent rents received)

The Council leases its Investment Properties to lessees under non-cancellable operating lease agreements. The lease terms are between 1 and 200 years. The leases do not have purchase options, although most have escalation clauses.

The total future minimum lease payments to be received by the Council for investment properties under non-cancellable operating leases for each of the following periods as of 31 March are as follows:

Operating Lease Income – Investment Property	2016/17 £'000	2015/16 £'000
Not later than one year	2,716	3,028
Later than one year but not later than five years	8,923	9,673
Later than five years	41,218	43,195
Total Minimum Lease Income under Operating Leases	52,857	55,896

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into. The Council received contingent rent during the year 2016/17 of £0.7m (2015/16 £0.7m).

Notes to the Core Financial Statements

Finance Leases - Council as Lessee

The Council leases three properties under non-cancellable finance lease agreements. The property lease terms range between 125 and 899 years. The leases do not have purchase options, although the lease payments under one of the leases are tied to the sub-lease rental income.

The assets acquired under these leases are carried as Investment Property in the Balance Sheet at the following net amounts:

Finance Lease Assets	2016/17 £'000	2015/16 £'000
Investment Property	188	188
Finance Lease Assets (Council as Lessee)	188	188

The Council is committed to making minimum payments under these leases. These payments comprise settlement of the long-term liability for the interest in the property acquired by the Council, and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

Finance Lease Minimum Payments	2016/17 £'000	2015/16 £'000
Current	0	0
Non-current	188	188
Finance Costs Payable in Future Years	1,652	1,672
Minimum Lease Payments	1,840	1,860

The total future minimum lease payments to be paid under non-cancellable finance leases for each of the following periods are as follows:

Commitments Under Finance Leases	2016/17 £'000	2015/16 £'000
Not later than one year	20	20
Later than one year but not later than five years	80	80
Later than five years	1,740	1,760
Total Commitments Under Finance Leases	1,840	1,860

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into. The Council paid contingent rent during the year of £22k (2015/16 £22k). The Council has sub-let these properties held under finance leases. At 31 March 2017 the minimum payments expected to be received under non-cancellable agreements was £244k (£294k at 31 March 2016).

Notes to the Core Financial Statements

19. Investment Property

Investment Property – Balance Sheet	2016/17 £'000	2015/16 £'000
As of the beginning of the period	74,293	46,123
Additions (Purchases/construction)	183	464
Additions (Subsequent expenditure)	0	231
Reclassifications from Property Plant & Equipment	5,720	305
Disposals	0	0
Net gains/(losses) from fair value movements	1,270	27,170
As at the End of the Period	81,466	74,293

There are no restrictions on the Council's ability to realise the value inherent in its Investment Property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has a contractual obligation to repair and maintain its investment properties. The properties were valued by an independent external valuer using market information to determine the values of the properties as at 31 March 2017.

The following items of income and expense in relation to Investment Property have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

Following the changes for the Comprehensive Income and Expenditure Statement and introduction of the Expenditure Analysis, internal charges are no longer reported. This has impacted on the Income and Expenditure in Relation to Investment Properties. For comparative purposes, the prior two years (2015/16 and 2014/15) have been included.

Investment Property – Comprehensive Income & Expenditure Account	2016/17 £'000	2015/16 £'000 RESTATED	2014/15 £'000 RESTATED
Rental Income From Investment Property	(5,080)	(4,696)	(3,783)
Direct Operating Expenses Arising From Investment Property	1,102	1,038	664
Changes in Fair Value of Investment Property	(1,270)	(27,170)	(1,308)
Net Gain	(5,248)	(30,828)	4,427

20. Usable Reserves

This note details the adjustments that are made to the Comprehensive Income and Expenditure recognised by the Council in the year in accordance with proper accounting practice. These adjustments are made through the usable and unusable reserves as set out by statutory provisions. Descriptions of each of the reserves are set out below:

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and from which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment at the end of the financial year. The balance is not available to be applied to funding HRA services.

Housing Revenue Account Balance

Notes to the Core Financial Statements

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority housing provision in accordance with part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function.

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at year end.

Useable Capital Receipts Reserve

The Useable Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historic capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at year end.

Capital Grants Unapplied Reserve

The Capital Grants Unapplied Reserve holds the grants and contributions received towards capital projects for which the Council has met the appropriate conditions but which has yet to be spent. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Notes to the Core Financial Statements

2016/17	General Fund Balance	Major Repairs Reserve	Housing Revenue Account	Capital Grants Unapplied	Capital Receipts Reserve	Total Impact - Usable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:						
<i>Reversal of Items debited or credited to the Comprehensive Income & Expenditure Account:</i>						
Capital grants and contributions applied	(4,600)	0	0	284	0	(4,316)
Amortisation of Intangible Assets	277	0	0	0	0	277
Charges for depreciation and impairment of Non-current Assets	6,270	0	0	0	0	6,270
Revaluation losses on Property Plant & Equipment (HRA impairment reversal)	0	0	14,489	0	0	14,489
Revenue Expenditure Funded From Capital Under Statute	3,124	0	0	0	0	3,124
Movements in market value of Investment Properties	(1,270)	0	0	0	0	(1,270)
Amounts of non-current assets written off on sale as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	7,803	0	7,875	0	0	15,678
Minimum Revenue Provision	(211)	0	0	0	0	(211)
Lease prepayment amortization	(51)	0	0	0	0	(51)
<i>Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:</i>						
Capital expenditure charged to the General Fund or HRA	(6,301)	0	0	0	0	(6,301)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(4,947)	0	(17,201)	0	22,148	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	2	2
Use of Capital Receipts Reserve to finance capital expenditure.	0	0	0	0	(5,998)	(5,998)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	1,543	0	0	0	(1,543)	0
Adjustments primarily involving the Major Repairs Reserve:						
HRA Depreciation	0	11,561	0	0	0	11,561
Use of the Major Repairs Reserve to Finance Capital Expenditure	0	(22,446)	0	0	0	(22,446)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and expenditure Statement	4,441	0	2,016	0	0	6,457
Employer's pension contributions to pension fund payable in the year	(3,231)	0	(1,467)	0	0	(4,698)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	(1,197)	0	0	0	0	(1,197)
Adjustments primarily involving the Accumulated Absences Reserve:						
Employee Absences Accrual transferred to the Accumulated Absences Account	(89)	0	(26)	0	0	(115)
Adjustments Between Accounting Basis & Funding Basis Under Regulations	1,561	(10,885)	5,686	284	14,609	11,255

Notes to the Core Financial Statements

2015/16	General Fund Balance	Major Repairs Reserve	Housing Revenue Account	Capital Grants Unapplied	Capital Receipts Reserve	Total Impact - Usable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of Items debited or credited to the Comprehensive Income & Expenditure Account:						
Capital grants and contributions applied	(3,905)	0	(25)	70	0	(3,860)
Amortisation of Intangible Assets	325	0	0	0	0	325
Charges for depreciation and impairment of Non-current Assets	4,647	0	0	0	0	4,647
Revaluation losses on Property Plant & Equipment (HRA impairment reversal)	0	0	14,176	0	0	14,176
Revenue Expenditure Funded From Capital Under Statute	5,804	0	0	0	0	5,804
Movements in market value of Investment Properties	(27,170)	0	0	0	0	(27,170)
Amounts of non-current assets written off on sale as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	606	0	6,858	0	0	7,464
Minimum Revenue Provision	(72)	0	0	0	0	(72)
Lease prepayment amortization	(51)	0	0	0	0	(51)
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:						
Capital expenditure charged to the General Fund or HRA	(4,683)	0	(12,442)	0	0	(17,125)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(79)	0	(13,438)	0	13,517	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	5	5
Use of Capital Receipts Reserve to finance capital expenditure.	0	0	0	0	(12,250)	(12,250)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	1,586	0	0	0	(1,586)	0
Adjustments primarily involving the Major Repairs Reserve:						
HRA Depreciation	0	10,749	0	0	0	10,749
Use of the Major Repairs Reserve to Finance Capital Expenditure	0	(9,788)	0	0	0	(9,788)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and expenditure Statement	6,912	0	587	0	0	7,499
Employer's pension contributions to pension fund payable in the year	(4,295)	0	(365)	0	0	(4,660)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	861	0	0	0	0	861
Adjustments primarily involving the Accumulated Absences Reserve:						
Employee Absences Accrual transferred to the Accumulated Absences Account	27	0	0	0	0	27
Adjustments Between Accounting Basis & Funding Basis Under Regulations	(19,487)	961	(4,649)	70	(314)	(23,419)

21. Earmarked Reserves

Notes to the Core Financial Statements

The Council voluntarily earmarks resources for future spending plans. This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure. The following sums have been earmarked as of the reporting date:

	Balance at 31 March 2016	Transfers Out	Transfers In	Transfers to Other Reserves	Balance at 31 March 2017
	£'000	£'000	£'000	£'000	£'000
General Fund Reserves:					
Management of Change	1,440	(189)	582	0	1,834
Local Development Framework	366	(266)	0	0	100
Vehicle Replacement	350	0	350	0	700
Business Rates Equalisation Reserve	2,944	(1,475)	661	0	2,130
Capital Development Reserve	0	0	500	0	500
Uninsured Loss	586	0	0	0	586
Earmarked Grants	274	(98)	27	0	203
The Forum	2,006	(2,006)	0	0	0
Pensions Reserve	1,773	0	0	0	1,773
Dacorum Development Reserve	568	(332)	120	0	356
Invest to Save Reserve	411	(163)	0	0	248
Other Reserves (Under £250k)	1,701	(666)	306	0	1,343
Total General Fund Reserves	12,419	(5,195)	2,546	0	9,771
Housing Revenue Account Reserves:					
Estate Remodelling Reserve	5,000	0	0	0	5,000
Construction Reserve	1,795	0	10,906	0	12,701
Other HRA reserves (Under £250k)	387	(12)	23	0	399
Total HRA Reserves	7,182	(12)	10,930	0	18,100
Total Earmarked Reserves	19,601	(5,206)	13,476	0	27,871

Notes to the Core Financial Statements

	Balance at 31 March 2015	Transfers Out	Transfers In	Transfers to Other Reserves	Balance at 31 March 2016
	£'000	£'000	£'000	£'000	£'000
General Fund Reserves:					
Management of Change	1,356	(270)	354	0	1,440
Local Development Framework	666	(300)	0	0	366
Vehicle Replacement	0	0	350	0	350
Business Rates Equalisation Reserve	1,338	(150)	1,756	0	2,944
Commuted Sums	609	(0)	0	(609)	0
Uninsured Loss	586	0	0	0	586
Technology	348	(185)	0	0	163
Earmarked Grants	299	(30)	5	0	274
The Forum	2,050	(44)	0	0	2,006
Pensions Reserve	1,773	0	0	0	1,773
Dacorum Development Reserve	2,046	(1,478)	0	0	568
Invest to Save Reserve	0	(198)	0	609	411
Other Reserves (Under £250k)	1,463	(179)	254	0	1,538
Total General Fund Reserves	12,534	(2,834)	2,719	0	12,419
Housing Revenue Account Reserves:					
Estate Remodelling Reserve	5,000	0	0	0	5,000
Construction Reserve	1,795	0	0	0	1,795
Other HRA reserves (Under £250k)	400	(34)	21	0	387
Total HRA Reserves	7,195	(34)	21	0	7,182
Total Earmarked Reserves	19,728	(2,868)	2,741	0	19,601

Notes to the Core Financial Statements

22. Property, Plant & Equipment

2016/17	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Cost/Valuation						
As of the beginning of the period	813,808	95,026	18,837	849	25,642	954,162
Depreciation written out to Gross Carrying Amount on Revaluation	(11,446)	(1,186)	0	0	0	(12,632)
Revaluation increases recognised in the Revaluation Reserve	60,546	8,521	0	0	0	69,067
Revaluation decreases recognised in the Revaluation Reserve	0	(658)	0	0	0	(658)
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	670	(2,135)	0	0	0	(1,465)
Additions	15,848	13,280	1,856	238	6,144	37,366
Impairment recognised in the (Surplus)/Deficit on the Provision of Services	(15,160)	0	0	0	0	(15,160)
Reclassifications	4,481	2,458	75	118	(14,428)	(7,296)
Disposals (to Assets Held for Sale)	(7,929)	(173)	(353)	0	0	(8,455)
Disposals (Other)	0	(6,167)	(3,103)	0	0	(9,270)
As of the end of the period	860,818	108,966	17,312	1,205	17,358	1,005,659
Accumulated Depreciation						
As of the beginning of the period	0	(1,838)	(10,410)	(35)	0	(12,283)
Depreciation charge	(11,500)	(2,217)	(1,936)	(29)	0	(15,682)
Reclassifications	0	92	0	0	0	92
Depreciation written out to Gross Carrying Amount on Revaluation	11,446	1,186	0	0	0	12,632
Disposals (to Assets Held for Sale)	54	21	325	0	0	400
Disposals (Other)	0	31	3,096	0	0	3,127
As of the end of the period	0	(2,725)	(8,925)	(64)	0	(11,714)
Net Book Value at 31 March 2017	860,818	106,241	8,387	1,141	17,358	993,945
Nature of Asset Holding						
Owned	860,818	106,241	8,387	1,141	17,358	993,945
Finance Lease	0	0	0	0	0	0
Net Book Value as of 31 March 2017	860,818	106,241	8,387	1,141	17,358	993,945

Notes to the Core Financial Statements

2015/16	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Cost/Valuation						
As of the beginning of the period	732,760	85,496	15,540	1,310	20,998	856,104
Depreciation written out to Gross Carrying Amount on Revaluation	(10,626)	(1,106)	0	0	0	(11,732)
Revaluation increases recognised in the Revaluation Reserve	85,757	12,845	0	0	0	98,602
Revaluation decreases recognised in the Revaluation Reserve	0	(5,334)	0	0	0	(5,334)
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	7,165	(487)	0	0	0	6,678
Additions	22,391	921	2,285	134	15,775	41,506
Impairment recognised in the (Surplus)/Deficit on the Provision of Services	(21,342)	0	0	0	0	(21,342)
Reclassifications	4,611	4,802	1,324	0	(11,131)	(394)
Disposals (to Assets Held for Sale)	(6,908)	(1,481)	(206)	0	0	(8,595)
Disposals (Other)	0	(630)	(106)	(595)	0	(1,331)
As of the end of the period	813,808	95,026	18,837	849	25,642	954,162
Accumulated Depreciation						
As of the beginning of the period	0	(967)	(8,739)	(608)	0	(10,314)
Depreciation charge	(10,676)	(2,017)	(1,970)	(22)	0	(14,685)
Reclassifications	0	0	0	0	0	0
Depreciation written out to Gross Carrying Amount on Revaluation	10,626	1,106	0	0	0	11,732
Disposals (to Assets Held for Sale)	50	0	199	0	0	249
Disposals (Other)	0	40	100	595	0	735
As of the end of the period	0	(1,838)	(10,410)	(35)	0	(12,283)
Net Book Value at 31 March 2016	813,808	93,188	8,427	814	25,642	941,879
Nature of Asset Holding						
Owned	813,808	93,188	8,427	814	25,642	941,879
Finance Lease	0	0	0	0	0	0
Net Book Value as of 31 March 2016	813,808	93,188	8,427	814	25,642	941,879

Notes to the Core Financial Statements

23. Property, Plant and Equipment Valuations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The independent external valuer uses market information to determine the values of the properties. The basis for valuation is set out in Note 1.

The following statement shows the progress of the Council's rolling programme for the revaluation of Property, Plant and Equipment.

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Carried at Historic Cost:	0	0	17,312	1,205	0	17,358	35,877
Valued at fair value as at:							
2016/17	860,818	73,933	0	0	0	0	934,751
2015/16	0	2,434	0	0	0	0	2,434
2014/15	0	10,223	0	0	0	0	10,223
2013/14	0	21,164	0	0	0	0	21,164
2012/13	0	1,212	0	0	0	0	1,212
Total Cost or Valuation	860,818	108,966	17,312	1,205	0	17,358	1,005,661

24. Intangible Assets

Intangible assets consist of purchased software licenses which are measured at historical amortised cost.

Intangible Assets	2016/17 £'000	2015/16 £'000
As of the beginning of the Period		
Gross Carrying Amounts	3,136	3,273
Accumulated Amortisation	(2,337)	(2,264)
Net Carrying Amount as of the Beginning of the Period	799	1,009
Purchases	180	246
Reclassifications	46	89
Impairment Losses	0	(473)
Amortisation for the Period	(291)	(73)
Net Carrying Amount as of the End of the Period	734	799
Comprising:		
Gross Carry Amounts	2,578	3,136
Accumulated Amortisation	(1,844)	(2,337)
Net Carrying Amount as of the End of the Period	734	799

Notes to the Core Financial Statements

25. Assets Held For Sale

The Council sold surplus properties during 2016/17. The Council realised a net profit on disposal of £9.6m (2015/16 £6.6m) which is included in Profit on the Disposal of Non-current Assets in the Comprehensive Income and Expenditure Statement.

Assets Held For Sale	2016/17 £'000	2015/16 £'000
As of the Beginning of the Period	1,478	0
Assets Transferred	8,056	6,868
Reclassification	1,438	1,478
Sold to Other Entities and Individuals	(9,534)	(6,868)
As at the end of the Period	1,438	1,478

26. Long-term Debtors

The Council makes loans to a number of organisations. An analysis of these is shown below.

Long-term Debtors	2016/17 £'000	2015/16 £'000
Other Local Authorities	2,140	0
Other Entities and Individuals	34	1,062
Total Long-term Debtors	2,174	1,062

27. Short-term Debtors

The following table shows the analysis of short term debtors, offset by the bad debt provisions held.

Short-term Debtors	2016/17 £'000	2015/16 £'000
Central Government Bodies	1,981	2,862
Other Local Authorities	2,610	2,299
Other Entities and Individuals	9,787	9,425
Total Short-term Debtors	14,378	14,586

The following Bad Debt Impairment Allowances have been included in the above table.

Bad Debt Impairment Allowances	2016/17 £'000	2015/16 £'000
Sundry Debtors	445	471
Housing Rents	1,972	1,879
Council Tax/Summons Fees	369	394
Business Rates/Summons Fees	300	254
Benefits Overpayments	2,006	2,172
Total Bad Debt Provisions	5,092	5,170

Notes to the Core Financial Statements

28. Cash and Cash Equivalents	2016/17	2015/16
	£'000	£'000

Investments with Original Maturities of 3 Months or Less	22,288	23,219
Cash held by the Council	1	2
Bank Account Balance/(Overdraft)	25	(2,599)
Total Cash and Cash Equivalents	22,314	20,622

29. Short-term Creditors	2016/17	2015/16
	£'000	£'000

Central Government Bodies	5,237	3,581
Other Local Authorities	1,305	1,143
Other Entities and Individuals	17,059	13,357
Total Short-term Creditors	23,601	18,081

30. Long-term Creditors	2016/17	2015/16
	£'000	£'000

Other Local Authorities	2,140	0
Other Entities and Individuals	7,053	7,107
Total Long-term Creditors	9,193	7,107

31. Capital Grants and Other Contributions

The Council has received a number of grants and other contributions that have yet to be recognised as income as they have conditions attached to them which have not been satisfied as of the Balance Sheet date. The in year movements on the account are as follows:

Capital Grants and Other Contributions	2016/17	2015/16
	£'000	£'000
As of the Beginning of the Period	766	2,838
Receipts	2,346	1,631
Conditions Satisfied	(2,861)	(3,703)
Amounts Repaid	0	0
Closing Balance	251	766

The balances of the grants are as follows:

Capital Grants Yet to be Recognised as Income	2016/17	2015/16
	£'000	£'000
Growth Area Fund	251	486
Local Sustainable Transport Fund and Other Contributions	0	280
Total	251	766

Notes to the Core Financial Statements

32. Revenue Grants and Other Contributions

The Council has received a number of grants and other contributions that have yet to be recognised as income as they have conditions attached to them which have not been satisfied as of the Balance Sheet date. The in year movements on the account are as follows:

Revenue Grants and Other Contributions	2016/17 £'000	2015/16 £'000
As of the Beginning of the Period	102	269
Receipts	312	156
Conditions Satisfied	(306)	(323)
Closing Balance	108	102

The balances of the grants are as follows:

Revenue Grants Yet to be Recognised as Income	2016/17 £'000	2015/16 £'000
Statutory Notices for the 21 st Century	0	21
Public Health District Officer	14	39
Refugee Grant	38	0
Other	56	42
Total	108	102

33. Provisions

The Council maintains the following provisions as of 31 March 2017:

	Balance as at 31 March 2016 £'000	Contribution to Provision £'000	Use of Provision £'000	Amounts Reversed Unused £'000	Balance as at 31 March 2017 £'000
Short-term General Fund Provisions					
Insurance	395	378	(233)	(94)	446
Litigation Provision	25	0	(25)	0	0
Pension Strain	7	0	0	0	7
Business Rates Appeals	3,890	1,438	(258)	(1,428)	3,642
Total Short-term General Fund Provisions	4,317	1,816	(517)	(1,522)	4,095
Short-term HRA Provisions					
Insurance	405	439	(386)	(104)	354
Total Short-term HRA Provisions	405	439	(386)	(104)	354
Total Short-term Provisions	4,722	2,255	(903)	(1,626)	4,448

The Insurance Provisions (General Fund and HRA) represent the Council's view as to liabilities that have been incurred, but have yet to be settled, for insurance excess payments relating to claims made against the Council.

The Litigation Provision represents outstanding litigation claims against the Council as at the end of the financial year.

Notes to the Core Financial Statements

On 1 April 2013, Local Authorities assumed the liability for refunding ratepayers who have successfully appealed against the Business Rates rateable value of their properties. This includes amounts that were paid over (to Central Government) in respect of 2012/13 and prior years. The Business Rates provisions (short and long-term) represent the Council's share of the estimated liability of successful appeals.

The Pension Strain provision relates to the additional payments required to be made into the pension fund in relation to early retirements granted or committed by the Balance Sheet date. The sums involved have been confirmed by the administrators of the pension scheme in which the Council participates and are payable within the next financial year.

The Committed Redundancy provisions work on a similar basis, making provision for redundancy costs committed, but not yet paid, by the balance sheet date. The sums involved are payable within the next financial year.

34. Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance of the Capital Adjustment Account.

Revaluation Reserve	2016/17 £'000	2015/16 £'000
Balance as of the beginning of the period	209,122	112,656
Upward revaluation of assets	69,067	104,720
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(658)	(5,334)
Surplus/(Deficit) on Revaluation of Non-Current Assets not posted to the Surplus/Deficit on the Provision of Services	68,409	99,386
Difference between fair value depreciation and historical cost depreciation	(3,614)	(2,168)
Amount written-off to Comprehensive Income and Expenditure Statement	(3,070)	(752)
Closing Balance	270,847	209,122

35. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Notes to the Core Financial Statements

Capital Adjustment Account	2016/17 £'000	2015/16 £'000
As of the beginning of the period	459,360	429,289
Capital grants and contributions applied	4,316	3,860
Amortisation of intangible assets	(277)	(325)
Charges for depreciation and impairment of Non-current Assets	(6,270)	(4,647)
Revaluation losses on Property Plant & Equipment (HRA impairment reversal)	(14,489)	(14,176)
Difference between fair value depreciation and historical cost depreciation	3,614	2,168
HRA depreciation	(11,561)	(10,749)
Amounts of non-current assets written off on sale as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	(15,678)	(7,464)
Transfer from the Revaluation Reserve on Disposal of Assets	3,070	752
Revenue Expenditure Funded From Capital Under Statute	(3,124)	(5,804)
Movements in market value of Investment Properties	1,270	27,170
Capital Receipts applied to capital expenditure	5,998	12,250
Revenue contribution to capital	6,301	17,125
Use of MRR to finance capital expenditure	22,446	9,788
Minimum Revenue Provision(MRP)	211	72
Lease prepayment amortization	51	51
Closing Balance	455,238	459,360

36. Deferred Capital Receipts

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the authority does not treat these gains as useable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

Deferred Capital Receipts	2016/17 £'000	2015/16 £'000
As of the Beginning of the Period	4	10
Transfer to the Capital Receipts Reserve	(2)	(6)
Balance as at End of the Period	2	4

37. Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Business Rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax and Business Rates payers, compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Collection Fund Adjustment Account	2016/17 £'000	2015/16 £'000
As of the beginning of the period	(1,761)	(900)
Amount by which Business Rates income credited to the Comprehensive Income and Expenditure Statement is different from Business Rates income calculated for the year in accordance with statutory requirements	1,153	(856)
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	44	(5)
Balance as at End of the Period	(564)	(1,761)

Notes to the Core Financial Statements

38. Accumulated Absences Account

The Accumulated Absences Account represents payments to be made to employees by the Council in the future years for leave earned prior to the reporting date. It absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year (e.g. annual leave entitlement carried forward at 31 March). Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

Accumulated Absences Account	2016/17 £'000	2015/16 £'000
As of the Beginning of the Period	229	203
Net Change During the Year	(115)	26
Balance as at End of the Period	114	229

39. Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the following table (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

Capital Financing Requirement	2016/17 £'000	2015/16 £'000
Opening Capital Financing Requirement	353,150	346,728
Capital Investment:		
Property, Plant and Equipment	37,166	41,506
Capital Loans	0	0
Investment Property	183	695
Intangible Assets	180	247
Heritage Assets	73	1,264
Revenue Expenditure Funded from Capital under Statute	3,124	5,804
Total Expenditure	40,726	49,516
Sources of Finance:		
Capital Receipts	(5,798)	(12,250)
Government Grants and Other Contributions	(4,316)	(3,860)
Sums Set Aside (MRR, Deferred Capital Receipts etc)	(22,446)	(9,859)
Direct Revenue Contributions (including statutory provision for repayment of debt)	(6,512)	(17,125)
Total Financing	(39,072)	(43,094)
Closing Capital Financing Requirement	354,804	353,150
Capital Financing Requirement	2016/17 £'000	2015/16 £'000
Increase/(Decrease) in underlying need to borrow (Supported by government financial assistance)	0	(19,781)
Increase/(Decrease) in underlying need to borrow (Unsupported by government financial assistance)	(1,654)	13,360
Assets Acquired Under Finance Lease	0	0
Increase in Capital Financing Requirement	(1,654)	(6,421)

Notes to the Core Financial Statements

40. Financial Instruments

The Council is obliged to analyse any Financial Instruments that it holds (whether liabilities such as borrowings or assets such as investments) into certain categories.

The Investments and Debtors disclosed in the Balance Sheet, as set out below (adjusted to exclude statutory debtors), are all categorised as Loans and Receivables, and are carried in the Balance Sheet at amortised cost.

Financial Assets – Amortised Cost	2016/17 £'000	2015/16 £'000
Short-term Debtors	10,922	8,873
Long-term Debtors	1,976	1,062
Short-term Investments	59,583	44,124
Long-term Investments	0	0
Total	72,481	54,059

The investments, cash at bank and accrued interest are not yet due for repayment. No breaches of the Council's counterparty criteria occurred during the reporting period, and the Council does not expect to suffer any financial losses from default on its financial instruments. The Council's maximum potential exposure to credit risk is the carrying value of the financial assets in the Balance Sheet.

Amounts owed by customers represent sums which have been reviewed for impairment and are presented net of any impairment in the Balance Sheet.

The Short-term Creditors are carried at contract value, Long-term Creditors and Long-term Borrowings are carried at amortised cost in the Balance Sheet, as set out in the following table.

Financial Liabilities – Amortised Cost	2016/17 £'000	2015/16 £'000
Short-term Creditors	22,666	17,486
Long-term Creditors	2,128	188
Short-term Borrowings	1,065	894
Long-term Borrowings	364,816	365,754
Total	390,675	384,322

The fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the investments, using the following assumptions:

- Ranges of premature repayment discount rates as at 31 March 2017 between -0.09% and 1.68% for loans from the Public Works Loan Board (PWLB).
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate fair value.
- Trade and other receivables are taken to be the invoiced or billed amount.

The fair values are as follows:

Financial Liabilities – Fair Value	2016/17 £'000	2015/16 £'000
Short-term Creditors	22,666	17,486
Long-term Creditors	2,128	188
Short-term Borrowings	1,065	896
Long-term Borrowings	475,682	445,906
Total	501,541	464,476

Notes to the Core Financial Statements

The Authority has used a transfer value for the fair value of financial liabilities. The exit price fair value of £476.63m has been calculated using early repayment discount rates. The Authority has no contractual obligation to pay these penalty costs and would not incur any additional cost if the loans run to their planned maturity date.

Refinancing and Maturity Risk

The Council maintains a significant investment portfolio. The prudential indicator limiting the amount of funds placed in investments for terms exceeding one year is a key factor limiting this risk, as is the medium term financial policy on reducing the Council's reliance on interest earnings to fund its core activities.

Trade creditors and debtors are due to be settled within one year. The long-term debtors principally comprise amounts owed by parish councils (under the Council's small loan scheme) and amounts due under council mortgages. These are considered to be low risk payments as local parish councils are traditionally accorded low risk of default on payments, while the mortgages are secured by first charges on the proceeds of the sale of the property concerned.

Most of the current borrowing by the Council is fixed-term from the PWLB in relation to Self Financing at a preferential fixed rate. The repayment of these loans is factored into the Housing Revenue Account 30-year plan and as such there is minimal risk that the Council will need to refinance these loans at a time of unfavourable interest rates. Around £19m of the borrowing relates to financing of the General Fund Capital Programme, with repayments and interest costs factored into the Councils Medium Term Financial Strategy.

The following table sets out the maturity analysis of financial liabilities held by the Council:

Duration	Repayment Type	Interest Frequency	2016/17 £'000	2015/16 £'000
Less than 1 Year	On Maturity	Half Yearly	1,065	894
Between 1 and 2 Years	On Maturity	Half Yearly	2,788	938
Between 2 and 5 Years	On Maturity	Half Yearly	12,348	11,314
Between 5 and 10 years	On Maturity	Half Yearly	18,762	16,604
More than 10 Years	On Maturity	Half Yearly	330,917	336,898
Total			365,881	366,648

Liquidity Risk

The Council has access to the money markets for short-term debt to cover revenue expenditure and to the money markets and PWLB for longer-term borrowing. The Council's short and medium term cash forecasting procedures are aimed at ensuring that sufficient funds mature at the right time to cover expenditure. There is no significant risk that the Council would be unable to raise finance to meet its commitments under financial instruments.

Interest Rate/Credit Risk

The Council is exposed to interest rate movements on its investments, and has a number of strategies for managing interest rate risk. The annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. As part of this strategy, the Council sets the prudential indicators which provide maximum and minimum limits for fixed and variable interest rate exposure.

The in-house Treasury Team monitors market and forecast interest rate movements, and selects the most advantageous investments allowed within the limits of the Council's treasury policies.

Notes to the Core Financial Statements

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be easily assessed, generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all the Council's deposits, but there was no evidence at the 31 March 2017 that this risk was likely to crystallise.

Price Risk

The Council does not invest in equity holdings or in financial instruments whose capital value is subject to market fluctuations. It therefore has no exposure to losses arising through price valuations.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

Gains and Losses on Financial Instruments

Gains and losses on financial instruments are limited to interest received and paid on Loans and Receivables (investments) and Borrowings. The gain arising from interest income, as recorded in the Comprehensive Income and Expenditure Statement, was £0.50m (£0.55m 2015/16). The expense arising from interest payments, as recorded in the Comprehensive Income and Expenditure Statement, was £12.2m (£12.2m 2015/16).

Notes to the Core Financial Statements

41. Heritage Assets

41a. Reconciliation of the Carrying Value of Heritage Assets Held by the Council

2016/17	Sculptures/ Artwork	Land Assets Managed by Dacorum Heritage Trust	Civic Treasuries / Regalia	Total Heritage Assets
	£'000	£'000	£'000	£'000
Cost/Valuation				
1 April 2016	1,747	7,069	3	211
Additions	73	0	0	0
Revaluation increases recognised in the Revaluation Reserve	0	0	0	0
Depreciation	0	0	0	0
31 March 2017	1,820	7,069	3	211

2015/16	Sculptures/ Artwork	Land Assets Managed by Dacorum Heritage Trust	Civic Treasuries / Regalia	Total Heritage Assets
	£'000	£'000	£'000	£'000
Cost/Valuation				
1 April 2015	483	990	3	173
Additions	1,264	0	0	0
Revaluation increases recognised in the Revaluation Reserve	0	6,079	0	38
Depreciation	0	0	0	0
31 March 2016	1,747	7,069	3	211

Housing Revenue Account

41b. Five Year Movements

Heritage Assets held by the Council and its policy for recognition and measurement are outlined in the accounting policies of Note 1. The following table provides details of the valuations of the different groups of assets. There have been no disposals, revaluations or impairments of Heritage Assets.

	2016/17	2015/16	2014/15	2013/14
	£'000	£'000	£'000	£'000
Assets Valued at Cost – Sculptures/Artwork	1,820	1,747	483	483
Assets Valued on Existing Use – Land (Valued March 2016)	7,069	7,069	990	990
Assets Valued on Insurance Valuations – Assets managed by Dacorum Heritage Trust (Valued March 2012)	3	3	3	3
Assets Valued by Specialist Valuation - Civic Treasuries/Regalia (Valued May 2016)	211	211	173	173
Total	9,103	9,030	1,649	1,649

Further Information on Land Heritage Assets

The Council holds three areas of land which form part of the Borough's history. These are Gadebridge Park, Tring Park and The Water Gardens. These areas of land are constantly accessible by the public. Within these areas of land various sculptures and other cultural and historical assets are on display. These include the Walled Garden and a re-interred Roman archaeological site. These sites have been valued by a qualified external valuer using the Existing Use Valuation method as at 31 March 2016.

Tring Park is managed by the Woodland Trust. It is believed to date back to 1066. Wealthy banker Lionel de Rothschild bought the estate at auction in 1872 and his son Nathaniel – the first Lord Rothschild – made sweeping changes to the mansion, and surrounding farms and cottages. Lord Rothschild opened a zoological museum on the site as a gift to his son Walter, who was responsible for introducing numerous exotic animals to the park.

Gadebridge is managed and preserved by the Council. It is sited on the northern edges of Hemel Hempstead and is Dacorum's principal park, forming a green wedge of urban countryside running into the heart of the town. The history of the area dates back to the late Iron Age. Excavations in 1963 and 2000 on the field north of Galley Hill revealed a farmhouse which was extended after the Roman invasion of AD43 to include stone built wings around a courtyard, a bathhouse, heated rooms and, unusually, a large swimming pool. The Walled Garden is the location of the original Bury House. The first Bury was referred to in the 1289 Ashridge Charter where "Burymilne", the Mill near the Bury, was included. Prior to 1539 the Bury was the home of the Waterhouse family, whose name today is remembered by Waterhouse Street. The Walled Garden is sometimes also known as the Charter Gardens, after the stone porch-way leading to the gardens. The Charter Tower was originally the entrance into the second Bury House, which was rebuilt between 1540 and 1595.

The Water Gardens were designed by Geoffrey Jellicoe as an integral part of his master plan for Hemel Hempstead New Town and were placed on English Heritage's Register of Parks and Gardens of Special Historic Interest in 2010 as one of the very important post war urban landscapes. The Council manages and preserves the site. This site is currently closed to the public whilst renovation works are carried out.

Further Information on Assets managed by The Dacorum Heritage Trust

The Dacorum Heritage Trust is the accredited museum organisation for the borough of Dacorum, based at the Museum Store in Clarence Road, Berkhamsted. The Museum Store is the home of over 100,000 objects relating to Dacorum. Of these objects, around 2,900 belong to the Council. All items are accessible to the public by appointment. These items have been valued based on the insured value as assessed by The Dacorum Heritage Trust.

Further Information on Civic Regalia and Treasuries

Dacorum holds, manages and preserves various items of Civic Regalia with historical relevance to the Borough. Most of these items are displayed in units outside the Council Chamber at the Forum Hemel Hempstead, and are accessible for viewing by the public during office hours. These include objects such as a silver mace, silver candlesticks, silver cups, the Mayors badges and Chains of Office and various other smaller items. These were valued In May 2016 by external valuers that specialise in antiques and fine arts.

Further Information on Sculptures and Artwork Held at Cost

There are various sculptures and pieces of art work which hold historical and cultural value to the Borough. For five of these historical cost information is available, and so the assets are held on the Balance Sheet at cost. These are all preserved and managed by the Council, and are constantly accessible to the public.

The Residents' Rainbow is located in the centre of the Royal British Legion's Memorial Garden in Hemel Hempstead Town Centre. The 9ft x 18ft sculpture was originally created by artist Colin Lambert, and was installed in 1993. The piece symbolised the optimism and aspirations of the first people to settle in the New Town after the Second World War.

The Water Feature, by Michael Rizzello OBE, celebrates youth and sport with a bronze sculpture of three children playing in the water. The location of the water feature at the junction of Marlowes and Bank Court was chosen to provide views from both ends of Marlowes as well as from the water gardens.

The steel tree stands 6 metres (20 feet) high and is located near the Roundhouse in Hemel Hempstead Town Centre. The tree, named 'New Town Growth', was designed by Peter Parkinson and created by Richard Quinnell OBE. Each panel of the tree represents a different aspect of Hemel Hempstead's past and present.

The bronze relief map depicting Hemel Hempstead as it was in 1947 is another art feature representing the past. The designer was Graham Thompson and the sculptor was John Ravera. This is located in Hemel Hempstead Town Centre.

The Phoenix Sculpture was designed to reflect the recovery of Hemel Hempstead, and the Maylands business estate in particular, from the Buncefield oil depot explosion in 2005. It was designed by Jose Zavala. It is situated on the roundabout at the entrance to Hemel from the M1 Motorway at Junction 8, which is visible in the distance.

Further Information on Sculptures and Artwork not Held on Balance Sheet

The Council holds a further seventeen pieces of artwork and sculptures for which no historic cost information is available. These are managed and preserved by the Council. These include sculptures and artwork in Highfield, Adeyfield and the Town Centre. There are also seven posters depicting types of music hall acts framed and displayed at the Old Town Hall, Hemel Hempstead. The majority of these are constantly available to the public, the exceptions being the few held at the Old Town Hall which are on display during opening hours. As no historic cost is available, and these assets cannot be valued at a cost which is commensurate to the users of the accounts, these are not held on the Balance Sheet.

Further Information on Other Heritage Assets not Held on Balance Sheet

The Council manages and preserves 29 war memorials throughout the Borough and two stone carved memorials in Little Gaddesden. It also holds seven miscellaneous assets including Cranstone's Water Fountain in Boxmoor, Cranstone's Pump in the High Street and a Milestone in Little Gaddesden. These are managed and preserved by the Council. As no historic cost is available, and these assets cannot be valued at a cost which is commensurate to the users of the accounts, these are not held on the Balance Sheet.

42. Contingencies

Contingent Liabilities

Dacorum Sports Trust has identified an increase in its pension fund deficit for employees' service as at 31 March 2016. The deficit of 0.263m, whilst a notional one based on actuarial assumptions, will be borne by the Council if the Sports Trust were to cease trading.

The Council is involved in a number of court cases the outcome of which may require the payment of compensation and/or costs. Total liabilities in this area are not material to the Council.

Contingent Assets

The Council is currently holding negotiations with a company regarding the share of proceeds from the potential disposal of a plot of land. Should these negotiations fail, the Council may choose to take legal action. These negotiations and potential legal action could provide the Council with a receipt of anything up to £4m.

43. Related Party Transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides a large proportion of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from Government departments are set out in Notes 8 and 10. Grant receipts unapplied are set out in Note 29.

Dacorum Sports Trust

With effect from 1 April 2004 Dacorum Sports Trust, a registered charity and company limited by guarantee, was established to manage some of Dacorum Borough Council's leisure facilities including its leisure centres. The Trust is a separate legal entity and is not restricted from managing other facilities within Dacorum or elsewhere. The Trust uses Council support services (Legal Services, Insurance, and Landscape and Recreation services) paying for these under Service Level Agreements totalling £16k.

Housing Revenue Account

The following councillors were nominated to serve on the board of the Sports Trust during the year:

- Councillor Michael Hicks
- Councillor Peter Mathews
- Councillor Israel Imarni

Dacorum Borough Council and the Sports Trust are obliged under the transfer to agree a Development Plan and Funding Agreement. Under the Funding Agreement the Council paid a grant of £0.275m to the Trust in 2016/17 towards managing those facilities (2015/16: £0.325m). Under the transfer agreement the ownership of the Council assets, leased to the Trust at a peppercorn rent, remain with the Council. Thus, the capital charges for the Council-owned assets continue to be included in the Council's accounts. The assets also remain in the Council's Fixed Assets. Hertfordshire County Council owns Longdean and Tring Sports Centre; under a joint use agreement with the Borough Council, the Trust manages the leisure services at those venues.

As there is no group relationship between the Council and the Trust, the Trust's accounts are not consolidated with the Council's own Accounts.

Members and Senior Officers of the Council

Members and Senior Officers of the Council have direct control over the Council's financial and operating policies. Disclosures of interest have been made in respect of the following organisations to which payments were made or from which payments were received (payments to major and local precepting authorities are excluded). The payments are not exclusively in respect of grants but where grants were given, they were made with proper consideration of declarations of interest and the relevant Members did not take part in any discussion or decision relating to the grants. In addition, two Members are trustees of the Dacorum Sports Trust (see above). The Register of Members' Interests shows both potential financial and other interests, including involvement with voluntary organisations, public authorities and representation on various bodies. It is open to public inspection by appointment – email member.support@dacorum.gov.uk or telephone 01442 228222.

Organisation	Name	Payable	Receivable	Amount	Nature of Payment
		£	£	£	
Stage Two	Cllr Terrence Douris	123	0	123	Supplies & Services
The Receipt Book Company	Julie Still (Group Manager Resident Services)	3,768	0	3,768	Supplies & Services
DP Taylor	Chris Taylor (Group Manager Strategic Planning & Regeneration)	6,051	0	6,051	Supplies & Services
Tring Market Auctions	Cllr Penelope Hearn & Cllr Stephen Hearn		(600)	(600)	Supplies & Services
South Hill Centre	Cllr Neil Harden	4,852	0	4,852	Supplies & Services

Housing Revenue Account

South Hill Centre	Cllr Neil Harden	11,500	0	11,500	Grants
Sutton envelopes	Cllr Graham Sutton & Rosie Sutton	0	(9,991)	(9,991)	Supplies & Services

44. Capital Commitments

The estimated maximum contractual commitments for capital expenditure for significant schemes (annual value over £250k) that had started, or where legal contracts had been entered into, as of 31 March 2017 are as follows:

Contract	Contractor	End Date	Maximum Estimated Annual Value £'000
Total Asset Management	Osborne Property Services	30/06/2019	23,500
Replacement, repair and maintenance services of boilers	Sun Realm Ltd	31/03/2019	3,500
Water Gardens	Casey group	31/03/2017	300
Maylands Urban Realm	T. Loughman	31/03/2017	378

45. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Corporate Director (Finance and Operations) on 28 June 2017. Events taking place after this date are not reflected in the financial statements or notes. No events have taken place after this date which provided information about conditions existing at 31 March 2017.

Housing Revenue Account

Housing Revenue Account – Income & Expenditure Account

HRA Note	2016/17 £'000	2015/16 £'000
Income		
	(55,107)	(56,094)
	(121)	(70)
	(911)	(847)
	(797)	(1,026)
	0	0
Total Income	(56,936)	(58,037)
Expenditure		
	11,181	11,366
	11,050	11,484
	26	13
	0	0
	400	289
8	26,048	24,925
	0	0
	0	0
Total Expenditure	48,705	48,077
Net Expenditure/(Income) of HRA Services as Included in the Comprehensive Income & Expenditure Statement	(8,231)	(9,960)
	0	1
	239	236
Net Expenditure/(Income) of HRA Services	239	(9,723)
HRA Share of Operating Income and Expenditure Included in the Comprehensive Income & Expenditure Account		
	(9,326)	(6,580)
	(212)	(208)
	11,643	11,657
	656	195
	0	(25)
(Surplus)/Deficit for the Year on HRA Services	(5,231)	(4,684)

Housing Revenue Account

Statement of Movement on the Housing Revenue Account

HRA Note	2016/17 £'000	2015/16 £'000
Balance as at 1 April	2,893	2,846
Movement in Reserves:		
Surplus/(Deficit) on Provision of Services	5,231	4,684
Other Comprehensive Income & Expenditure	0	0
Total Comprehensive Income & Expenditure	5,231	4,684
Adjustments Between Accounting Basis and Funding Basis Under Regulations:		
Capital Grants and Contributions Applied	0	(25)
Revenue Expenditure Funded from Capital Under Statute	0	0
Depreciation and Impairment of Non-current Assets	0	0
Reversal of Employee Leave Accrual	(26)	0
Reversal Revaluation & Impairment (Gains)/Losses on Property Plant & Equipment	14,489	14,176
Amounts of non-current assets written off on sale as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	7,875	6,858
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(17,201)	(13,438)
Revenue Contribution to Capital	0	(12,442)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and expenditure Statement	2,016	587
Employer's Pension Contributions to Pension Fund Payable in the year	(1,467)	(365)
Total Adjustments Between Accounting Basis and Funding Basis Under Regulations	5,686	(4,649)
Net Increase/(Decrease) Before Transfers to Earmarked Reserves	10,917	35
Transfer (to)/from Earmarked Reserves	(10,918)	12
Increase/(Decrease) in Year	(1)	47
Balance as at 31 March	2,892	2,893

Housing Revenue Account

1. Balance Sheet Value of HRA Assets

2016/17	<u>Operational Assets</u>				<u>Non-Operational Assets</u>	
	Council Dwellings	Vehicle Plant & Equipment	Intangible Assets	Other Land & Buildings	Assets Under Construction	Total Assets
	£'000	£'000		£'000	£'000	£'000
As at 1 April 2016	810,773	215	101	1,242	13,675	826,006
Additions	5,168	17	0	0	3,283	8,468
Assets Previously Omitted		26	0	0	0	26
Disposals	(7,929)	0	0	0	0	(7,929)
Disposals – Appropriations to General Fund	0	0	0	0	0	0
Impairment	0	0	0	0	0	0
Reclassifications		0	0	0	(4,587)	(4,587)
Depreciation written out to Carrying Value on Revaluation	(11,403)	0	0	0	0	(11,403)
Revaluations to the Income & Expenditure Account	670	0	0	0	0	670
Revaluations to the Revaluation Reserve	60,313	0	0	0	0	60,313
As at 31 March 2017	857,593	258	101	1,242	12,371	871,565
Depreciation and Other Impairment						
As at 1 April 2016	0	(135)	(70)	(35)	0	(240)
Assets Previously Omitted	0	(25)	0	0	0	(25)
Charge for the Year	(11,457)	(33)	(14)	(17)	0	(11,521)
Disposals	54	0	0	0	0	54
Disposals – Appropriations to General Fund	0	0	0	0	0	0
Other Impairment	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Depreciation written out to Carrying Value on Revaluation	11,403	0	0	0	0	11,403
As at 31 March 2017	0	(193)	(84)	(52)	0	(329)
Net Book Value as at 31 March 2017	857,593	65	17	1,190	12,371	871,236
Net Book Value as at 1 April 2016	810,773	80	31	1,207	13,675	825,766

Housing Revenue Account

2. Vacant Possession Value of HRA Dwellings

Council dwellings had a valuation of £2,079 million as at 1 April 2016 on the basis of existing use value assuming vacant possession. To comply with the requirements of the Resource Accounting regulations, a regional adjustment factor of 38% has to be applied to the Existing Use Value for Social Housing (EUV-SH) valuation. This is to reflect the fact that local authority housing is let at sub-market rents. The reduction in value shows the economic cost to the Government of providing council housing at less than open market rents.

3. Number and type of dwelling

2016/17	31 March 2016	Reclassified	Additions	Sales & Demolitions	31 March 2017
1 bedroom flats	2,448	0	15	(15)	2,448
2 bedroom flats	1,085	0	25	(17)	1,093
3 bedroom flats	166	0	0	(2)	164
1 bedroom houses	582	0	0	(1)	581
2 bedroom houses	1,639	0	0	(16)	1,623
3 bedroom houses	3,799	0	1	(43)	3,757
4+ bedroom houses	446	(1)	0	(4)	441
Chiltern Hostel – equivalent	17	0	0	0	17
Total Dwellings	10,182	(1)	41	(98)	10,124

4. Major Repairs Reserve (MRR)

Regulation 7(5) of the Accounts and Audit Regulations 2003 (as amended) establishes arrangements for the Major Repairs Reserve (MRR) under which the MRA is effectively restricted to being applied towards new capital expenditure, the repayment of debt or meeting liabilities under credit arrangements. The regulation requires a credit to the MRR of an amount in respect of the depreciation charged to the Housing Revenue Account for the year. Together with the Item 8 Determination provisions for transferring the difference between the MRA and depreciation to the MRR, the net effect is to credit a net amount equal to the MRA each year to the MRR.

	2016/17 £'000	2015/16 £'000
Balance as at 1 April	18,531	17,570
Income		
Release from Capital Adjustment Account	11,561	10,749
Expenditure		
Financing of Capital Expenditure	(19,236)	(7,041)
Transfers to Capital Adjustment Account	(3,210)	(2,747)
Balance as at 31 March	7,646	18,531

5. Rent Arrears

	2016/17 £'000	2015/16 £'000
Rents - Current Tenants	1,901	1,838
Rents - Former Tenants	874	792
Supporting People and Other	147	180
Total Arrears	2,922	2,810
Provision for Bad and Doubtful Debts	(1,972)	(1,879)
Total Housing Arrears	950	931

6. Capital Expenditure and Financing

	2016/17	2015/16
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Housing Revenue Account

	£'000	£'000
Capital Expenditure		
Reroofing	935	2,317
New Build Housing	4,077	9,188
Aids & Adaptations	1,681	1,209
Kitchens & Bathrooms	2,153	3,933
Doors, Windows, Soffits and Fascias	1,786	1,444
Heating	2,900	2,433
Balconies and Walkways	133	2,410
Decent Homes and Other Capital Schemes	5,572	8,589
Total Capital Expenditure	19,237	31,523
Financed by:		
Capital Receipts	0	(12,015)
Major Repairs Reserve	(19,237)	(7,041)
Capital Grants	0	(25)
Revenue Contributions	0	(12,442)
Total Financing	(19,237)	(31,523)

7. Capital Receipts

Receipts received from the sale of HRA assets were as follows:

	2016/17	2015/16
	£'000	£'000
Sale of Land and Freehold	243	0
Easements Granted	85	45
Sales of HRA Dwellings	16,695	12,911
Discounts Repaid	179	0
Total Capital Receipts	17,202	12,956

Mortgage capital receipts of £2k were released in 2016/17 (2015/16 £4k) from the Deferred Capital Receipts Reserve to the Useable Capital Receipts Reserve in respect of mortgage repayments received during the year.

8. Depreciation and Impairment

Depreciation is charged on Housing Revenue Account assets in accordance with IAS 16. Depreciation is charged with reference to Balance Sheet values and the expected life remaining on the housing stock and other assets. Impairment arises when assets are revalued at a figure below their carrying value. In certain circumstances this fall in carrying value is chargeable to the Income and Expenditure Account.

	2016/17	2015/16
	£'000	£'000
Operational Assets		
Depreciation on Council Dwellings	11,500	10,676
Revaluation on Council Dwellings	(670)	(7,166)
Impairment	15,160	21,342
Depreciation on Vehicles Plant and Equipment	28	36
Amortisation of Intangible Assets	14	20
Depreciation on Other Land and Buildings	17	17
Total Depreciation and Impairment	26,049	24,925

Depreciation on council dwellings has been charged on a straight line basis over the life of the dwellings, estimated by the valuer of the dwellings at 60 years.

Collection Fund – Income and Expenditure Account 2016/17

	Council Tax £'000	Business Rates £'000	Total £'000
Income:			
Council Tax Receivable	85,704	0	85,704
Business Rates Receivable	0	62,592	62,592
Total Income	85,704	62,592	148,296
Expenditure			
<u>Precepts, Demands and Shares</u>			
Hertfordshire County Council	65,599	6,152	71,751
Hertfordshire Police & Crime Commissioner (Council Tax Only)	8,126	0	8,126
Dacorum Borough Council	10,908	24,609	35,517
Central Government (Business Rates Only)	0	30,762	30,762
<u>Charges to Collection Fund</u>			
Less Transitional Payment Protection receivable	0	222	222
Less costs of collection	0	217	217
Less write offs of uncollectable amounts	486	462	948
Less increase/(decrease) allowances for impairment	(127)	118	(9)
Less increase/(decrease) provision for appeals	0	(622)	(622)
<u>Contribution towards previous year surplus/deficit</u>			
Hertfordshire County Council	305	(221)	84
Hertfordshire Police & Crime Commissioner (Council Tax Only)	39	0	39
Dacorum Borough Council	49	(885)	(836)
Central Government (Business Rates Only)	0	(1,106)	(1,106)
Total Expenditure	85,385	59,708	145,093
Movement on fund balance	(318)	(2,884)	(3,202)
Balance at beginning of year	(427)	4,536	4,109
Balance at end of year	(745)	1,652	907
Shares of balance			
Hertfordshire County Council	(578)	165	(413)
Hertfordshire Police & Crime Commissioner (Council Tax Only)	(72)	0	(72)
Dacorum Borough Council	(95)	661	566
Central Government (Business Rates Only)	0	826	826
	(745)	1,652	907

Collection Fund – Income and Expenditure Account 2015/16

	Council Tax £'000	Business Rates £'000	Total £'000
Income:			
Council Tax Receivable	81,957	0	81,957
Business Rates Receivable	0	61,715	61,715
Total Income	81,957	61,715	143,672
Expenditure			
<u>Precepts, Demands and Shares</u>			
Hertfordshire County Council	62,346	6,018	68,364
Hertfordshire Police & Crime Commissioner (Council Tax Only)	8,076	0	8,076
Dacorum Borough Council	10,467	24,073	34,540
Central Government (Business Rates Only)	0	30,092	30,092
<u>Charges to Collection Fund</u>			
Less Transitional Payment Protection receivable	0	420	420
Less costs of collection	0	218	218
Less write offs of uncollectable amounts	396	1,152	1,548
Less increase/(decrease) allowances for impairment	57	(335)	(278)
Less increase/(decrease) provision for appeals	0	(1,415)	(1,415)
<u>Contribution towards previous year surplus/deficit</u>			
Hertfordshire County Council	450	363	813
Hertfordshire Police & Crime Commissioner (Council Tax Only)	60	0	60
Dacorum Borough Council	80	1,453	1,533
Central Government (Business Rates Only)	0	1,817	1,817
Total Expenditure	81,932	63,856	145,788
Movement on fund balance	(25)	2,141	2,116
Balance at beginning of year	(402)	2,395	1,993
Balance at end of year	(427)	4,536	4,109
Shares of balance			
Hertfordshire County Council	(332)	453	121
Hertfordshire Police & Crime Commissioner (Council Tax Only)	(42)	0	(42)
Dacorum Borough Council	(53)	1,815	1,762
Central Government (Business Rates Only)	0	2,268	2,268
	(427)	4,536	4,109

1. General

This account represents 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, council tax and the distribution to the major preceptors and the General Fund. The account is consolidated with other accounts of the Council.

In 2013/14 there was a change to the method for distributing and accounting for business rates income. Prior to 1st April 2013 Non-Domestic Rates were collected by the Council and then completed paid over to the Government, who then redistributed these sums across the country in the form of the Non-Domestic rates grant.

From 1st April 2013 Business Rates Retention applies, whereby local authorities Dacorum Borough Council (40%) and Hertfordshire County Council (10%) retain 50% of the business rates collected for the area and pay the remaining 50% to central government. In addition the government has set a level of business rates funding deemed to be applicable to each area and every Council receives a top-up (if business rates collected are below this deemed level of funding) or pays a tariff (if business rates collected are above this deemed level of funding).

With the introduction of business rates retention if a local authority increases its business rates base, and thereby increases its business rate income, it is allowed to retain a proportion of this increased income, whilst paying up to a maximum of 50% across to central government. This payment where it occurs is known as a levy payment.

The Government has also stated that no local authority will suffer a reduction in business rate income or more than 7.5% of its Business Rates funding baseline. If business rates income falls below this 7.5% level (£150k for Dacorum Borough Council) then the Government will make a safety net payment.

2. Business Rates

Business Rates is a local tax that is paid by the occupiers of all non-domestic/business property.

Business rates are calculated and collected by the Council. The Government specifies an amount (49.7p in 2016/17; 48.4p for small businesses) and, subject to the effects of transitional arrangements, local businesses pay NNDR calculated by multiplying their rateable value by that amount. The income raised in Dacorum is distributed between Dacorum Borough Council, Hertfordshire County Council and Central Government in line with the distribution rules set out in Business Rates legislation.

NNDR income was £62.6m in 2016/17 (£61.7m in 2015/16). The rateable value for the Council's area was £149.8m at 31 March 2017 (2015/16: £151.0m).

3. Council Tax

The Council tax base (i.e. the number of chargeable dwellings in each valuation band, adjusted for dwellings where discounts apply, converted to an equivalent number of Band D dwellings) for 2016/17 was calculated as 55,282.0 dwellings as follows:

Band	Estimated equivalent no. of taxable properties after effect of discounts	Ratio	Band D Equivalent Dwellings
A*	1.0	5/9ths	0.6
A	1,012.3	6/9ths	674.8
B	6,542.3	7/9ths	5,088.4
C	17,328.6	8/9ths	15,403.2
D	13,662.8	9/9ths	13,662.8
E	7,954.5	11/9ths	9,722.2
F	5,160.3	13/9ths	7,453.7
G	4,561.0	15/9ths	7,601.7
H	697.8	18/9ths	1,395.5
Totals	56,920.60		61,002.90
Adjustment for collection rate and contributions in lieu (0.5%)			(333.60)
Council Tax Support			(5,387.3)
Council Tax Base 2016/17			55,282.0
Council Tax Base 2015/16			54,637.7

A* = Disabled Band A

The total collectable income from Council Tax for 2016/17 was £85.7m.

The Council Tax payable at each band is shown below. This does not include parishes.

Band	Multiplier	Dacorum Borough Council	Hertfordshire County Council	Hertfordshire Police & Crime Commissioner	Total
A	6/9	123.22	791.08	98.00	1,012.30
B	7/9	143.76	922.93	114.33	1,181.02
C	8/9	164.29	1,054.77	130.67	1,349.73
D	9/9	184.83	1,186.62	147.00	1,518.45
E	11/9	225.90	1,450.31	179.67	1,855.88
F	13/9	266.98	1,714.01	212.33	2,193.32
G	15/9	308.05	1,977.70	245.00	2,530.75
H	18/9	369.66	2,373.24	294.00	3,036.90

Glossary of Terms

For the purposes of this Statement of Accounts, the following definitions have been adopted:

Accounting Period	The period of time covered by the accounts, normally a period of twelve months, commencing on 1 April for local authority accounts. The end of the accounting period is the Balance Sheet date.
Accrual	A sum included in the final accounts attributable to the accounting period but for which payment has yet to be made or income received.
Appointed Auditors	The Council's appointed auditors are Grant Thornton.
Approved Institutions	Funds that are not immediately required may be invested but only with third parties meeting the credit rating criteria approved annually as part of the Council's Treasury Management Policies and Practices.
Asset	An item having value measurable in monetary terms. Assets can either be defined as fixed or current. A fixed asset has use and value for more than one year whereas a current asset (e.g. stocks or short-term debtors) can readily be converted into cash.
Audit of Accounts	An independent examination of the Council's accounts to ensure that the relevant legal obligations, accounting standards and codes of practice have been followed.
Balance Sheet	A financial statement that summarises the Council's assets, liabilities and other balances at the end of the accounting period.
Budget	A budget is a financial statement that expresses an organisation's service delivery plans and capital programme in monetary terms.
SeRCOP	Service Reporting Code of Practice. The system of local authority accounting and reporting which reflects, in particular, the duty to secure and demonstrate 'best value' in the provision of services. SeRCOP lays down the required content and presentation of costs of service activities.
Capital Expenditure	Expenditure to acquire or enhance fixed assets that will be used in providing services for more than one year.
Capital Financing	The raising of money to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, direct revenue financing, usable capital receipts, capital grants, capital contributions and revenue reserves. Dacorum is debt free and does not borrow to meet capital expenditure.
Capital Programme	The capital schemes the Council intends to carry out over a specified time period.
Capital Receipt	The proceeds from the disposal of land and other assets, as long as the amount is £10,000 or more. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government, but they cannot be used for revenue purposes.
Cashflow Statement	A statement that summarises the inflows and outflows of cash within the Council's accounts.
CIPFA	Chartered Institute of Public Finance and Accountancy. The principal accountancy body dealing with local government finance.

Glossary of Terms

Collection Fund	A separate fund maintained by a billing authority that records the expenditure and income relating to council tax and non-domestic rates, including the amounts raised on behalf of Precepting Authorities
Community Assets	Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions in their disposal. Examples of community assets are parks and historical buildings. The value of the assets in the Balance Sheet is usually nil.
Contingent Liability	A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. Alternatively, a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of that obligation cannot be measured with sufficient reliability.
Contingent Asset	A possible asset that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.
Core Financial Statements	The main accounting statements of the Council comprising the Comprehensive Income and Expenditure Statement, Statement of the Movement on the General Fund Balance, Balance Sheet and Cash Flow Statement. Together with the Supplementary Financial Statements these comprise the Council's Accounting Statements.
Council Tax	This is one of the main sources of income to a local authority. Council tax is levied on households within its area by the billing authority and the proceeds are paid into the Collection Fund for distribution to precepting authorities and for use by the billing authorities own General Fund
Creditor	Amounts owed by the Council for works done, goods received or services rendered before the end of the accounting period but for which payments have not been made by the end of that accounting period.
Debtor	Amounts due to the Council for works done, goods received or services rendered before the end of the accounting period but for which payments have not been received by the end of that accounting period.
Depreciation	The measure of the cost of the benefits of a fixed asset which have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of the asset whether arising from use, passage of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.
Estimates	Where definitive figures are not available /cannot be found, estimates are used to produce the statement of accounts. These estimates are based on the best information available at the time of production.
Events After The Balance Sheet Date	Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue. Also referred to as Post Balance Sheet Events.
Exceptional Items	Material items deriving from events or transactions that fall within the ordinary activities of the Council needing to be disclosed separately by virtue of their size or incidence so that the financial statements give a true and fair view.

Glossary of Terms

Finance Lease	A lease which transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.
Financial Year	Period of time to which the Statement of Accounts relates. The financial year for Local Authorities runs from 1 April to 31 March.
Fixed Assets	Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.
Government Grants	Grants made by central government towards either revenue or capital expenditure to help with the cost of providing services and capital projects. Some government grants have restrictions on how they may be used whilst others are general purpose.
Gross Expenditure	The total cost of providing the Council's services before taking into account income from fees and charges and government grants.
Housing Benefits	A system of financial assistance to individuals towards certain housing costs administered by local authorities and subsidised by central Government.
Housing Revenue Account	A separate, statutory account inside the General Fund which includes the expenditure and income arising from the provision of housing accommodation by the Council acting as landlord.
Impairment	This is a reduction in value of a fixed asset as shown in the balance sheet to reflect its true value.
Income	This is the money that the Council receives or expects to receive from any source, including fees, charges, sales, grants and investment interest.
Comprehensive Income and Expenditure Statement	An account which summarises resources generated and consumed in the provision of services for which Dacorum Council is responsible.
Infrastructure Assets	Fixed assets belonging to the Council which do not necessarily have a resale value (e.g. highways) and for which a useful life span cannot be readily assessed.
Intangible Assets	These are non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the authority through custom or legal rights e.g. computer software.
International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS)	International Financial Reporting Standards cover particular aspects of accounting practice, and set out the correct accounting treatment, for example, of depreciation. Compliance with these statements is mandatory and any departure from them must be disclosed and explained. The standards originated in the commercial sector and some are not directly relevant to local authority accounts.
Inventory	These comprise one or more of the following categories: goods or other assets purchased for resale; consumable stores; raw materials and components purchased for incorporation into products for sale; products and services in intermediate stages of completion; long term contract balances and finished goods.
Liability	A liability arises when the Council owes money to others and it must be included in financial statements.

Glossary of Terms

Long Term Investments	These are investments intended to be held for use on a continuing basis in the activities of the authority. They should be classified as long term only where an intention to hold the asset for longer than one year can be clearly demonstrated.
Materiality	This is one of the main accounting concepts. It ensures that the statement of accounts includes all the transactions that, if omitted, would lead to a significant distortion of the financial position at the end of the accounting period.
Minimum Revenue Provision	The amount set aside out of our revenue to repay loans.
National Non-Domestic Rate (NDR)	A standard rate in the pound set by the Government payable on the assessed rateable value of properties used for business purposes. Also known as Non-Domestic or Business rates.
Operating Lease	A lease whereby the ownership of the fixed asset remains with the lessor.
Post Balance Sheet Event	These are events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is authorised for issue.
Precept	The levy made by precepting authorities on billing authorities, e.g. Dacorum Borough Council. The major precepting authorities are Hertfordshire County Council and Hertfordshire Police & Crime Commissioner. Parish Councils, e.g. Tring Parish Council, also raise money by means of a precept on the relevant billing authority.
Provision	An amount set aside for liabilities or losses that are certain to arise but owing to their inherent nature cannot be quantified with any certainty.
Prudential Code	The Prudential Code, introduced in April 2004, sets out the arrangements for capital finance in local authorities. It constitutes 'proper accounting practice' and is recognised as such by statute.
Rateable Value	The annual assumed rental value of a property that is used for business purposes.
Related Parties	Two or more parties are related parties when at any time during the financial period: <ul style="list-style-type: none">• One party has direct or indirect control of the other party;• The parties are subject to common control from the same source;• One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing its own interests; and• The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own interests.
Related Party Transactions	The transfer of assets, liabilities or services between the Council and its related parties irrespective of whether a charge is made.
Reserves	The accumulation of surpluses and deficits over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council.

Glossary of Terms

Residual Value	This is the net realisable value of an asset at the end of its useful life.
Revaluation Reserve	An account containing any unrecognised gains or losses arising from the revaluation of fixed assets held by the Council. When assets are sold, the gain or loss on sale will be recognised in the Income and Expenditure Account once all previous entries relating to unrecognised gains or losses have been removed from the accounts.
Revenue Expenditure	The day to day expenses associate with the provision of services.
Revenue Expenditure funded from Capital under Statute	Capital expenditure which may be properly treated as such, but which does not result in, or remain matched with, tangible fixed assets. An example would be capital expenditure on improvement grants.
Revenue Support Grant	A grant paid by the Government to councils, contributing towards the costs of their services.
Code of Practice	Since the adoption of International Financial Reporting Standards in 2010/11, local authorities required to produce their accounts in accordance with the Code of Practice on Local Authority Accounting.
Statement of the Movement in Reserves	Reconciliation between the Comprehensive Income and Expenditure Statement and the General Fund or Housing Revenue Account to show the effect of spending against Council Tax or Housing Rents raised.
Supplementary Financial Statements	Additional financial statements comprising the Housing Revenue Account and Collection Fund. Together with the Core Financial Statements comprise the Council's Accounting Statements.
Trust Funds	Funds administered by the Council for such purposes as prizes charities and specific projects usually as a result of individual legacies and donations.
Useful Life	This is the period over which an organisation will derive benefits from the use of an asset.



DACORUM BOROUGH COUNCIL

Internal Audit Annual Report

For the year ended: 31 March 2017

Presented to Audit Committee meeting of: 28 June 2017

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Appendices

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- A2 Summary of Priority 1 Recommendations
- A3 Statement of Responsibility

In the event of any questions arising from this report please contact Mark Towler, Director, mark.towler@mazars.co.uk or Sarah Knowles, Senior Manager sarah.knowles@mazars.co.uk

Status of our reports

This report and the work connected therewith are subject to the Terms and Conditions of the Contract dated 1 April 2015 between Dacorum Borough Council and Mazars Public Sector Internal Audit Limited. This report is confidential and has been prepared for the sole use of Dacorum Borough Council. This report must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law, we accept no responsibility or liability to any third party who purports to use or rely, for any reason whatsoever, on this report, its contents or conclusions.

01 Introduction

Scope and purpose of internal audit

The Accounts and Audit Regulations 2015 came into effect on 1 April 2015 and require councils to undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards or guidance.

This opinion forms part of the framework of assurances that is received by the Council and should be used to help inform the Annual Governance Statement. Internal Audit also has an independent and objective consultancy role to help line managers improve risk management, governance and control.

Our professional responsibilities as internal auditors for the year ended 31 March 2017 are set out within Public Sector Internal Audit Standards (PSIAS) produced by the Internal Audit Standards Advisory Board and which replaced GIAS from the 1 April 2013.

The report summarises the internal audit activity and, therefore, does not include all matters which came to our attention during the year. Such matters have been included within our detailed reports to the Audit Committee during the course of the year.

Acknowledgments

We are grateful to the Chief Executive, Corporate Directors, Assistant Director (Finance and Resources), and other staff throughout the Council for the assistance provided to us during the year.

02 Internal Audit Work undertaken in 2016/17

Our Internal Audit Plan for 2016/17 was considered and approved by the Audit Committee at its meeting on 10 February 2016. The Plan was for a total of 273 days including ten days Follow Up, 30 days for Contingency and 25 days Audit Management. Ten of the contingency days were used to undertake the Housing Maintenance audit requested by management.

The audit findings in respect of each review, together with our recommendations for action and the management response were set out in our detailed reports. A summary of the reports we have issued is included at *Appendix A1*. The appendix also describes the levels of assurance we have used in assessing the control environment and effectiveness of controls and the classification of our recommendations.

A summary of the Priority 1 recommendations made during the course of the year is included at *Appendix A2*.

03 Annual Opinion

Scope of the Internal Audit Opinion

In giving our annual audit opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the Council is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

In arriving at our opinion, we have taken the following matters into account:

- The results of all audits undertaken during the year ended 31 March 2017;
- Whether any Priority 1 or Priority 2 recommendations have not been accepted by management and the consequent risks;
- The effects of any material changes in the organisation's objectives or activities;
- Matters arising from previous reports to the Audit Committee and/or Board;
- Whether or not any limitations have been placed on the scope of internal audit;
- Whether there have been any resource constraints imposed upon us which may have impinged on our ability to meet the full internal audit needs of the organisation; and
- What proportion of the organisation's internal audit needs have been covered to date.

Annual Opinion

From the internal audit work undertaken in compliance with the PSIAS in 2016/17, it is our opinion that we can provide **Substantial Assurance** that the system of internal control in place at Dacorum Borough Council for the year ended 31 March 2017 accords with proper practice, except for the significant control environment issues as documented in Appendix 2. This matter has been discussed with management, to whom we have made recommendations which have been, or are in the process of being

addressed, as detailed in our individual reports.

In reaching this opinion, the following factors were taken into particular consideration:

Corporate Governance and Risk Management

Following the development of the Assurance Framework in 2015/16, we selected a sample of "key questions" to confirm the evidence to support the statements is in place. Our opinion in this area from an operational perspective has been impacted by the results of a number of audits within the Plan, some of which were aligned to the risks and mitigating controls recorded on the Council's Strategic and Operational Risk Registers. For example, the review of Community Infrastructure Levy was completed as it was a mitigating control for one of the Council's key risks (I3) relating to the Council's approach to investment in infrastructure.

Internal Control

Of the twenty audits undertaken in the year where we provided a formal assurance level, seven were given a 'Full' level of assurance, twelve were given a 'Substantial' level of assurance and one was given a 'Limited' level of assurance (Housing Maintenance).

During the year, we have made one 'Priority 1' and 26 'Priority 2' recommendations. The Priority 1 recommendation is included in *Appendix A2* of this report. 18 recommendations categorised as 'Priority 3' were also made.

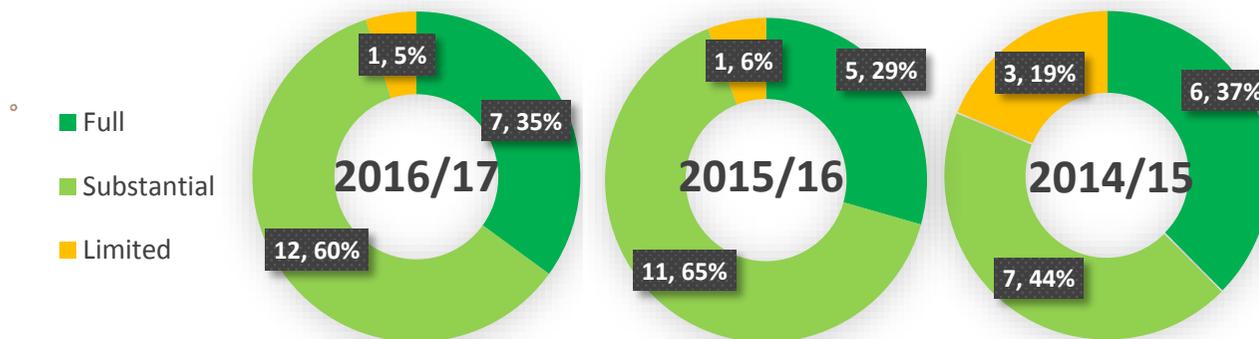
In respect of follow up of recommendations, internal audit has an established process for tracking the implementation of recommendations made in their audit reports and report on their status to each Audit Committee. During the year we reviewed the implementation of recommendations as they fell due.

All recommendations made during the year were accepted by Management.

04 Benchmarking

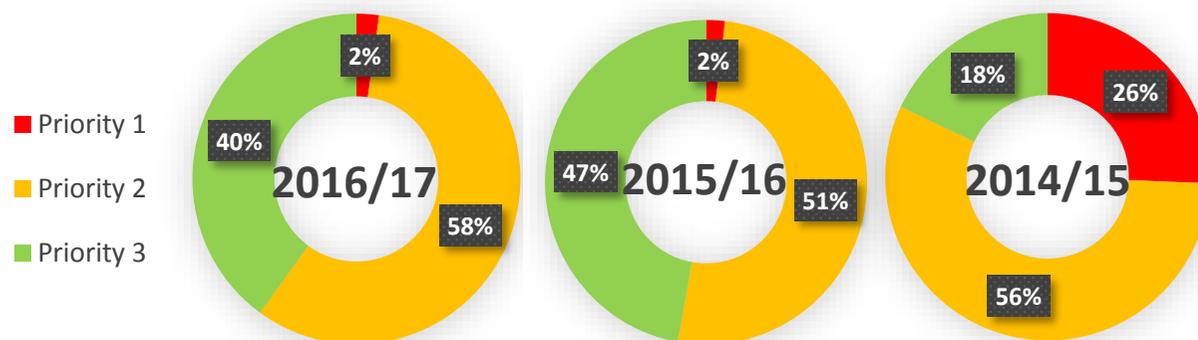
This section compares the Assurance Levels (where given) and categorisation of recommendations made at Dacorum Borough Council.

Comparison of Assurance Levels (where given)



Of the 53 audits where an assurance level has been provided in the past three years, 'Full' assurance has been provided in 18 cases, 'Substantial' assurance has been provided in 30 cases and five audits provided 'Limited' assurance.

Comparison of Recommendations by categorisation



Over the past three years, a total of 137 recommendations have been made. 12 Priority One recommendations have been raised, 75 recommendations were categorised as Priority 2 and 50 categorised as 'Priority 3'.

05 Performance of Internal Audit

Compliance with professional standards

We employed a risk-based approach to determining the audit needs of the Council at the start of the year and used a risk based methodology in planning and conducting our audit assignments. Our work has been performed in accordance with the requirements of PSIAS and the Global Institute of Internal Auditors International Professional Practices Framework (IPPF).

Internal Audit Quality Assurance

In order to ensure the quality of the work we perform, we have a programme of quality measures which includes:

- Supervision of staff conducting audit work;
- Review of files of working papers and reports by managers and partners;
- Annual appraisal of audit staff and the development of personal development and training plans;
- Sector specific training for staff involved in the sector;
- Regular meetings of our Sector Strategy Groups, which issues technical guidance to inform staff, and provide instruction with regard to technical issues; and
- The maintenance of the firm's Internal Audit Manual.

Conflicts of Interest

There have been no instances during the year which have impacted on our independence and/or lead us to declare any interest.

Performance Measures

We have completed our audit work in accordance with the agreed revised plan and each of our final reports has been reported to the Audit Committee.

Satisfaction surveys have been issued to the Council for each audit together with the final report. Of the six surveys completed, five surveys have been returned as "very good" and one has been returned as "good".

Regular progress meetings have been held with the Assistant Director (Finance and Resources). No major issues have been raised.

A1 Summary of internal audit work undertaken in 2016/17

The following reviews were undertaken during the 2016/17 audit year:

Auditable Area	Level of Assurance (if appropriate)	Days		Recommendations				
		Budget	Actual	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total	Total agreed by Management
Main Accounting	Full / Full	15	15			1	1	1
Accounts Payable	Full / Full						0	0
Accounts Receivable	Full / Substantial			1	1	1	1	1
Treasury Management, Cash & Bank	Full / Full						0	0
Budgetary Control	Full / Full	7	7				0	0
Benefits Realisation	Substantial / Full	10	10		1		1	1
Council Tax	Full / Full	8	8			1	1	1
NNDR	Full / Substantial	6	6		1		1	1
Housing Benefit and Council Tax Support	Full / Substantial	10	10			3	3	3
Payroll and Pensions Administration	Full / Full	8	8				0	0
Homelessness	Substantial / Substantial	10	10		3		3	3
Contract Management	Full / Substantial	10	10	1	1	1	3	3

Housing Register and Housing Allocations	Full / Substantial	10	10		1	2	3	3
Housing Rents	Full / Substantial	10	10		2	3	5	5
Human Resources	Full / Substantial	10	10		1		1	1
Community Infrastructure Levy	Substantial / Substantial	15	15		3	3	6	6
Delivery of Digital Dacorum Strategy and Associated Projects and Activities	Full / Full	15	15			1	1	1
Commercial Asset Management	Substantial / Substantial	14	14		3	2	5	5
ICT Security	c/f into 2017/18							
Customer Relationship Management	Full / Substantial	15	15		1	1	2	2
Housing Maintenance	Limited / Limited	10	10		8		8	8
Totals					1	26	18	45
%					2%	60%	38%	100%

We use the following levels of assurance and recommendation classifications within our audit reports:

Level	Symbol	Evaluation Assessment	Testing Assessment
Full		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial		Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited		Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
Nil		Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

The assessment gradings provided here are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full' does not imply that there are no risks to the stated control objectives.

Grading of recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
Priority 1	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
Priority 2	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Priority 3	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
System Improvement Opportunity	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

A2 Summary of Priority 1 Internal Audit Recommendations

Report	Observation and Risk	Recommendation	Priority	Management Response	Timescale / responsibility
Contract Management	<p>Off-contract spend should be monitored to ensure that value for money is achieved and also to ensure that the Council does not breach the terms and conditions of the existing contract and/or procurement rules (internal policy and EU Procurement Directives).</p> <p>Analysis of spend between the Council's main agency (where there is a corporate contract in place) and another agency (without a corporate contract) showed that the total spend with the main agency in 2015/16 was £335,740.90, compared to the total spend with another agency of £321,652.90 (inclusive of hourly rates to the worker and agency fees).</p> <p>Where the Council has significant spend on agencies with no contractual agreement, the Council may incur additional costs if the fees are not negotiated properly. In addition, there is a risk that the Council's spend may exceed the Public Procurement Threshold and require a formal procurement process to be followed.</p>	<p>Off-contract spend relating to Agency and Temporary Staff should be reviewed and analysed to ensure that Agency and Temporary Staff are appointed through the Council's approved agency where possible. Where the level of off-contract spend is high, the Council should determine whether a separate contract is required to fulfil the Council's needs and also whether a formal tender process is required.</p>	1	<p>To support compliance with the Council's commissioning & procurement processes, the Council have recently increased the level of governance in relation to third party expenditure; this includes the 'No PO, No Pay' policy, the introduction of Electronic Purchasing Cards, focussed approach on requisition authorisation and an increase in in the scrutiny of contractor expenditure.</p> <p>The Council's current Temporary Agency contract is coming to an end and a new contract is close to being awarded. The existing contract utilised a 'vendor neutral'</p>	<p>Group Manager - Procurement, Compliance & Commissioning</p> <p>30 November 2016</p>

Report	Observation and Risk	Recommendation	Priority	Management Response	Timescale / responsibility
	<p>Where the main agency is not used as a first preference, the Council may not be fulfilling the terms and conditions of the contract</p>			<p>approach which can sometimes limit the number of applications we receive and has caused the Council some issues in that the supplier has not always been able to provide the appropriate calibre of staff. This is coupled with dwindling external labour markets in some professional areas such as planning, Housing and Building Control which has resulted in the Council having to look for alternative supply arrangements. The new contract will be based upon a 'Supply Chain Optimisation' approach which broadens the agency reach and should address all of the issues that the Council has faced with the current contract.</p> <p>It is likely that there will</p>	

Report	Observation and Risk	Recommendation	Priority	Management Response	Timescale / responsibility
				<p>still be the odd occasion where a specialist or bespoke requirement will arise that will not be able to be satisfied from this corporate contract and that this requirement will need to be fulfilled utilising another approach. Where this is the case, it is important that the client officer complies with the Council's commissioning and procurement processes.</p> <p>The increased focus on the requisition authorisation process will identify any potential expenditure prior to the expenditure being committed.</p>	

A3 Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited

London

June 2017

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DACORUM BOROUGH COUNCIL

INTERNAL AUDIT PROGRESS REPORT

Audit Committee – June 28 2017

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Introduction

This progress report to the Audit Committee covers the work carried out during the period February 1st to May 31st 2017 by Mazars Public Sector Internal Audit Limited.

Appendix 1 outlines progress to date against the 2017/18 Internal Audit Plan.

Background

The purpose of the internal audit plan is to identify the work required to achieve a reasonable level of assurance to be provided by Mazars Public Sector Internal Audit Limited in compliance with the Code of Practice for Internal Audit.

The fundamental role of Internal Audit is to provide senior management and Members with independent assurance on the adequacy, effectiveness and efficiency of the system of internal control, and to report major weaknesses together with recommendations for improvement. This role is fulfilled by carrying out appropriate audit work, normally in accordance with a strategic plan and an annual operational plan, as approved by the Director of Finance and the Audit Committee.

As internal audit is a major source of assurance that the Council is effectively managing the principal risks to the achievement of its corporate objectives, a key rationale for the development of the internal audit plan was the Council's own Corporate and Service Risk Registers and how the internal audit plan can provide this assurance.

Progress to Date

Audit fieldwork on the 2017/18 Internal Audit Plan is progressing well and audit coverage has been in line with the Plan, as shown in Appendix 1.

We have issued the following Final reports for 2016/17:

- Housing Benefit and Council Tax Support (Evaluation assurance: **Full**. Testing assurance: **Substantial**);
- Payroll and Pensions Administration (Evaluation assurance: **Full**. Testing assurance: **Full**);
- Human Resources (Evaluation assurance: **Full**. Testing assurance: **Substantial**)
- Housing Allocations (Evaluation assurance: **Full**. Testing assurance: **Substantial**)
- Budgetary Control (Evaluation assurance: **Full**. Testing assurance: **Full**)
- Core Financial Systems (Evaluation assurance: **Full**. Testing assurance: **Substantial**)
- Benefits Realisation (Evaluation assurance: **Full**. Testing assurance: **Substantial**)

We have issued the following 2017/18 draft report, for which we are awaiting the final management responses before issuing the Final Report:

- Housing Rents

Follow-up of Recommendations

2015/16 and 2016/17

The table below details the recommendations raised in the audit reports for 2015/16 and 2016/17. The summary of the outcome of our follow up work to the 31st May 2017 is shown in the table below:

Year	Total Recommendations	Implemented / no longer relevant	%	Implemented / partly implemented / no longer relevant	%
2015/16	53	53	100%	53	100%
2016/17	45	29	64%	30	67%
Total	98	82	84%	83	85%

Appendix 2 provides a summary of the status of all recommendations where the proposed implementation date was before 31st May 2017.

Definition of Assurance & Priorities

Audit assessment

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used:

Level	Symbol	Evaluation Assessment	Testing Assessment
Full		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial		Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited		Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
Nil		Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

The assessment gradings provided here are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full' does not imply that there are no risks to the stated control objectives.

Grading of recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
Priority 1	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
Priority 2	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Priority 3	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
System Improvement Opportunity	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

Priority 1 Recommendations

No Priority 1 recommendations have been raised in the final reports issued since the last Audit Committee meeting.

Appendix 1 – Status of Audit Work 2017/18

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	Area	Scope	Plan Days		Start of Fieldwork	Status	Opinion		Recommendations			Comments
				Days Delivered			Evaluation	Testing	1	2	3	
Core Financial Systems	Main Accounting	Audits previously given Full Assurance: the audit will cover the adequacy and effectiveness of the Key Controls in place across the four areas. Other controls tested will include any new controls operating for the first time in 2017/18, any controls where there is perceived to be a weakness, and a judgmental sample of other controls in operation across the four areas.	15		Q3							
	Treasury Management, Cash & Bank											
	Accounts Receivable											
	Accounts Payable											
	Budgetary Control	To cover strategic approach to co-ordinating budgetary control, monitoring and reporting, and also testing a sample of departments.	7		Q4							
	Council Tax	Covering adequacy and effectiveness of controls including liabilities, billing, cash collection, recovery and accounting. CRSA to be applied.	8		Q3							
	NNDR	Covering adequacy and effectiveness of controls including Business Rate Retention Scheme, liabilities, billing, cash collection, recovery and accounting. CRSA to be applied.	6		Q3							
	Housing Benefit and Council Tax Support	Covering adequacy and effectiveness of controls including new claims, size criteria, benefit caps, amendments, backdated benefits, payments and reconciliations. CRSA to be applied.	10		Q4							
Core Financial Systems Total			46									

	Area	Scope	Plan Days		Start of Fieldwork	Status	Opinion		Recommendations			Comments
				Days Delivered			Evaluation	Testing	1	2	3	
Operational Risks	Empty Homes	Covering adequacy and effectiveness of controls over management of the empty homes process, including statutory checks.	10		Q3							
	Community Infrastructure Levy	Covering adequacy and effectiveness of controls over the introduction of the levy, including its forecasting, collection and accounting processes.	10		Q4							
	Housing Rents	Covering adequacy and effectiveness of controls over the management of housing rents and service charges, including collection of rent arrears.	10	9	Q1	Draft Issued						
	Off-Payroll Engagement	Specific audit of the authority's arrangements to review and record the intermediary status of existing and future personal service companies (PSC).	5	1	Q1	Scope Issued						
Operational Risks Total			35	10								
Strategic Risks	Information Governance	Covering adequacy and effectiveness of controls over the preparations for General Data Protection Regulation, compliance with the Freedom of Information Act and Transparency.	15	15	Q1							
	Community Contracts	Partnership / contract management assurance in respect of new Community Contracts. A sample of projects in the programme will be selected.	15	15	Q2							

	Area	Scope	Plan Days		Start of Fieldwork	Status	Opinion		Recommendations			Comments
				Days Delivered			Evaluation	Testing	1	2	3	
	Capital Programme	To review the Council's controls in place to prevent slippage of significant capital projects. The review will also look at the whole approach that the Council takes with a focus on particular projects.	14	14	Q3							
Strategic Risks Total			44									
Governance, Fraud & other Assurance Methods	Governance and Risk Management	The use of CRSA to provide assurance that managers understand their requirements and take ownership of their responsibilities.	10		All							
	Counter Fraud	Internal Audit will continue to work with the Council in the development of a fraud risk register, the provision of fraud awareness training, pro-active fraud exercises, etc.	10		All							
	Continuous Auditing/Data Mining	Data analysis scripts will be written on which both identify anomalies as well as comparing the number of anomalies occurring on a period by period basis. Suggested areas of review are Payroll and Asset Management.	12		Q2-4							
	Benefits/Savings Realisation	To provide assurance that processes are in place to measure such initiatives. Suggested areas of review are the CSU and PAYE/VAT health checks.	10		Q3							
Governance, Fraud & other Assurance Methods			42									

	Area	Scope	Plan Days		Start of Fieldwork	Status	Opinion		Recommendations			Comments
				Days Delivered			Evaluation	Testing	1	2	3	
ICT	ICT Cyber Security	The specific scope will be agreed with management but would look to provide assurance over policies and procedures, access controls and incident management.	15	5	Q1							
	Social Media	The review will focus on governance, policies, procedures, training and awareness functions related to social media	15		Q3							
ICT total			30	5								
Other	Follow-up of Recommendations	Follow-up of all priority 1 and 2 recommendations made in final reports issued.	10	2								
	Management (including Audit Committee Training)		22	3								
	Ad Hoc	Contingency allocation to be utilised upon agreement of the Assistant Director (Finance & Resources).	30									
Other total			62	5								
TOTAL			259	20								

Appendix 2 – Follow-up of Recommendations 2016/17

A follow-up audit has been undertaken in accordance with the 2016/17 audit plan. The objective was to confirm the extent to which the recommendations made in 2016/17 internal audit final reports have been implemented.

The table below provides a summary of the status of all 2016/17 recommendations raised in final reports issued as at 31st May 2017.

Title	Raised	Implemented	Partly Implemented	Outstanding	No longer relevant	Original Due Date	Revised Due Date	Not yet due	Resp. Officer
Housing Rents	5	5	-	-	-	31 Oct 2016	-	-	Katie Kiely
Commercial Asset Management	5	5	-	-	-	31 Oct 2016	-	-	Nick Brown
Homelessness	3	3	-	-	-	31 Dec 2016	-	-	Natasha Brathwaite
Housing Maintenance	8	8	-	-	-	31 Jan 2017	-	-	Fiona Williamson
Community Infrastructure Levy	6	5	1	-	-	31 Mar 2017	30 Jun 2017	-	Chris Taylor
Contract Management	3	2	-	1	-	31 Mar 2017	30 Sep 2017	-	Ben Hosier
NNDR	1	-	-	-	-	30 Jun 2017	-	1	Stuart Potton
Council Tax	1	-	-	-	-	31 Dec 2017	-	1	Chris Baker
Core Financial Systems	2	-	-	-	-	31 June 2017	-	2	Richard Baker
Benefits Realisation	1	-	-	-	-	30 Sep 2017	-	1	Richard Baker
Housing Benefit and Council Tax Support	3	-	-	-	-	30 June 2017	-	3	Chris Baker
Housing Register and Housing Allocations	3	-	-	-	-	30 Sept 2017	-	3	Natasha Brathwaite

Human Resources	1	-	-	-	-	30 Sep 2017	-	1	Anne Stunell
Customer Relationship Management	2	-	-	-	-			2	Robert Smyth
Delivery of Digital Dacorum Strategy and Associated Projects and Activities	1	1	-	-	-	28 Feb 2017	-	-	Robert Smyth
Total	45	29	1	1	0	-	-	14	

Appendix 3 - Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited

London

June 2017

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Dacorum Borough Council

Final Internal Audit Report

Benefits and Savings Realisation

June 2017

This report has been prepared on the basis of the limitations set out on page 8.

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Distribution List:

Dave Skinner – Assistant Director (Finance and Resources)
Richard Baker - Group Manager (Financial Services)
Caroline Souto – Financial Planning and Analysis Team Leader
James Deane – Corporate Director (Finance and Operations)
(Final Report Only)
Sally Marshall – Chief Executive (Final Report only)

Key Dates:

Date of fieldwork: March 2017
Date of draft report: May 2017
Receipt of responses: June 2017
Date of final report: June 2017

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1. Executive Summary

1.1. Background

As part of the Internal Audit Programme for 2016/17, we have undertaken an audit of the Council's systems of internal control in respect of Benefits and Savings Realisation.

1.2. Audit Objective and Scope

The overall objective of this audit was to provide assurance over the adequacy and effectiveness of current controls over the management of savings and growth targets (benefits and savings realization) process and provide guidance on how to improve the current controls going forward.

In summary, the scope covered the following areas: Governance Arrangements, Three Year Savings/Growth Target, and Monitoring and Management Reporting.

1.3. Summary Assessment

Our audit of the Council's internal controls operating over the management of savings and growth targets (Benefits and Savings Realisation) found that whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk. However, the controls are being consistently applied.

Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below:

Evaluation Assessment	Testing Assessment
Substantial	Full

Management should be aware that our internal audit work was performed according to UK Public Sector Internal Audit Standards (PSIAS) which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Similarly, the assurance gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Similarly, the assessment gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board. The classifications of our audit assessments and priority ratings definitions for our recommendations are set out in more detail in Appendix A, whilst further analysis of the control environment over Benefits Realisation are shown in Section 3.

1.4. **Key Findings**

We have raised one Priority 2 recommendation where we believe there is scope for improvement within the control environment. The recommendation raised has been set out below:

- Risks, impact and proposed benefits relating to savings/growth proposals should be tracked (Priority 2).

During 2016/17, DBC has introduced a new process to manage medium term financial strategy and this included a launch of the Chief Officer Group challenge on the savings/growth proposals. The new process is intended to strengthen the budget management process through increased scrutiny and also promote strategic thinking amongst the budget holders.

The savings tracker indicates the following:

- In 2016/17, a total of savings/growth proposals from services amounted to £2.174M* (net savings) and forecast as at the beginning of March 2017 is £2.024M.*; and
- For 2017/18, savings/growth proposals totalling £1.011M* (net saving) have been approved to support the Council's savings requirement.

*It should be noted that the amounts quoted relate to savings/growth proposals submitted from services and there are other corporate savings/growth that are factored into the overall budget.

Full details of the audit findings and recommendations are shown in Section 4 of the report.

1.5. **Management Response**

The management responses have been received in a timely manner and have been included in the main body of our report.

1.6. **Acknowledgement**

We would like to take this opportunity to thank all staff involved for their time and co-operation during the course of this visit.

2. Scope of Assignment

2.1. Objective

The overall objective of this audit was to provide assurance that the systems of control in respect of benefits and savings realisation, with regards to the areas set out in section 2.3, are adequate and being consistently applied.

2.2. Approach and Methodology

The following procedures were adopted to identify and assess risks and controls and thus enable us to recommend control improvements:

- Discussions with key members of staff to ascertain the nature of the systems in operation;
- Evaluation of the current systems of internal control through walk-through and other non-statistical sample testing;
- Identification of control weaknesses and potential process improvement opportunities;
- Discussion of our findings with management and further development of our recommendations; and
- Preparation and agreement of a draft report with the process owner.

2.3. Areas Covered

The audit was carried out to evaluate and test controls over the following areas:

Governance Arrangements

There is a clear accountability and adequate structure is in place to facilitate an efficient, effective and transparent delivery of the benefit/savings targets.

Three Year Savings/Growth Target

Savings/growth targets support the delivery of the DBC's financial strategy whilst also ensuring that they are realistic and achievable.

Key risks threatening the achievement of savings/growth targets and any potential adverse impacts arising from the proposed targets are identified correctly and preventative measures or response plans are put in place to manage these risks.

Monitoring and Management Reporting

Progress against the achievement of the proposed targets is monitored regularly and preventative measures are put in place where possible to avoid overspend or underachievement of the growth targets and corrective actions are taken as appropriate.

Impacts materialising as a result of changes introduced to achieve the proposed targets are monitored regularly and remedial actions are taken where appropriate.

Evaluation of success for each proposal takes account of any impacts suffered as a result of changes to ensure that the overall benefit achieved from each proposal is correctly assessed.

Information need of management is clarified and complete, accurate and relevant performance information is provided to facilitate effective and efficient management oversight and decision making.

3. Assessment of Control Environment

The following table sets out in summary the control objectives we have covered as part of this audit, our assessment of risk based on the adequacy of controls in place, the effectiveness of the controls tested and any resultant recommendations.

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

Control Objectives Assessed	Design of Controls	Operation of Controls	Recommendations Raised
Governance Arrangements			
Three Year Savings/Growth Target			
Monitoring and Management Reporting			See Recommendation 1.

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

4. Observations and Recommendations

Recommendation 1: Tracking risks, impact and proposed benefits relating to savings/growth proposals (Priority 2)

<p>Recommendation</p> <p>Risks and potential impacts relating to savings/growth proposals should be tracked and corrective actions should be taken promptly as required to manage these risks or to rectify any negative impacts that are beyond tolerance. In order to facilitate this, where relevant, the budget holder should specify within the proposal the triggers for any adverse impact requiring management intervention, and status against the triggers should be monitored. In addition, potential benefits proposed from proposals (other than savings or growth achieved) should also be tracked, and this along with any adverse impact should be considered in evaluating the success of each proposal.</p>
<p>Observation</p> <p>A savings template is completed for each proposal, and this document captures summary, financial implications, alternative options, project benefits, project risk and governance.</p> <p>However, these are currently not fed through to any other reports or monitoring process and the main focus is currently on whether the budget including the savings/growth target has been achieved. Whilst acknowledging that this is the key element of the savings and growth targets, managing other aspects such as risks relating to the proposal and any potential adverse impacts are equally important.</p> <p>Where risks relating to proposal and potential adverse impacts are not tracked through, there is a risk that an intolerable level of adverse impacts may materialise and management may be unable to take corrective actions promptly.</p>
<p>Responsibility</p> <p>Group Manager (Financial Services)</p>
<p>Management response / deadline</p> <p>The financial risks (e.g. non delivery of savings or under achievement of income) are robustly monitored through monthly reports to the Corporate Management Team, and quarterly reports to Overview and Scrutiny Committees and Cabinet.</p> <p>Other key risks identified, such as risks around service failure or reputational risk arising from a savings initiative, should be monitored and reviewed as part of the Councils Operational Risk Registers.</p> <p>As part of the budget setting for 2018/19, a reminder will be sent to those responsible for Operational Risk Registers, to ensure any savings proposals approved are incorporated into the registers.</p> <p>It should be noted that there were no material non-financial risks arising from the 2017/18 budget proposals.</p> <p>We will work to incorporate the tracking of risks through operational risk registers in 2017/18 with conclusion by February 2018 to allow for inclusion in 2018/19 budgeting cycle.</p>

Appendix A - Reporting Definitions

Audit assessment

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used:

Level	Symbol	Evaluation Assessment	Testing Assessment
Full		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial		Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited		Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
Nil		Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

The assessment gradings provided here are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full' does not imply that there are no risks to the stated control objectives.

Grading of recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
Priority 1	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
Priority 2	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Priority 3	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
System Improvement Opportunity	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

Appendix B - Staff Interviewed

The following personnel were consulted:

- Richard Baker - Group Manager (Financial Services)
- Caroline Souto - Financial Planning and Analysis Team Leader

We would like to thank the staff involved for their co-operation during the audit.

Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

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London

June 2017

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Dacorum Borough Council

Final Internal Audit Report

Core Financial Systems

June 2017

This report has been prepared on the basis of the limitations set out on page 10.

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Key Dates:

Date of fieldwork: November/December 2016
Date of draft report: January / March 2017
Receipt of responses: March/June 2017
Date of final report: June 2017

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1. Executive Summary

1.1. Background

As part of the Internal Audit Programme for 2016/17, we have undertaken an audit of the Council's systems of internal control in respect of the Core Financial Systems.

1.2. Audit Objective and Scope

The overall objective of this audit was to provide assurance over the adequacy and effectiveness of current controls over the Core Financial Systems, and provide guidance on how to improve the current controls going forward.

In summary, the scope covered the following areas: Accounts Receivable, Accounts Payable, Main Accounting and Treasury Management.

1.3. Summary Assessment

Our audit of the Council's internal controls operating over the Core Financial Systems found that there is a sound system of internal control designed to achieve the system objectives. There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below:

Evaluation Assessment	Testing Assessment
Full	Substantial

Management should be aware that our internal audit work was performed according to UK Public Sector Internal Audit Standards (PSIAS) which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Similarly, the assurance gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Similarly, the assessment gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board. The classifications of our audit assessments and priority ratings definitions for our recommendations are set out in more detail in Appendix A, whilst further analysis of the control environment over the Core Financial Systems are shown in Section 3.

1.4. **Key Findings**

We have raised one Priority 2 , one Priority 3 recommendation and one System Improvement Opportunity (SIO) where we believe there is scope for improvement within the control environment. The recommendations raised have been set out below:

- Review of the Financial Regulations – Namely Credit Notes (Priority 2);
- Review of the balances stored in the Holding Accounts (Priority 3); and
- Supporting Documentation for Journals being carried forward into 2017/18 (SIO).

Full details of the audit findings and recommendations are shown in Section 4 of the report.

1.5. **Management Response**

The management responses have been included in the main body of the report.

1.6. **Acknowledgement**

We would like to take this opportunity to thank all staff involved for their time and co-operation during the course of this visit.

2. Scope of Assignment

2.1. Objective

The overall objective of this audit was to provide assurance that the systems of control in respect of the Core Financial Systems, with regards to the areas set out in section 2.3, are adequate and being consistently applied.

2.2. Approach and Methodology

The following procedures were adopted to identify and assess risks and controls and thus enable us to recommend control improvements:

- Discussions with key members of staff to ascertain the nature of the systems in operation;
- Evaluation of the current systems of internal control through walk-through and other non- statistical sample testing;
- Identification of control weaknesses and potential process improvement opportunities;
- Discussion of our findings with management and further development of our recommendations; and
- Preparation and agreement of a draft report with the process owner.

2.3. Areas Covered

The audit was carried out to evaluate and test controls over the following areas:

Accounts Receivable

Invoice request forms are matched to invoices. BACS payment notification reports regularly checked to the bank statements. Aged debtor reports are reviewed regularly. Refunds and write- offs are approved prior to action being taken. Any enforcement action is monitored appropriately.

Accounts Payable

Formal and robust procedures are in place for making amendments to supplier information. Invoices are matched to purchase orders prior to payment. Retrospective purchase orders are monitored and any persistent non-compliance with the new process is escalated. Any duplicate payments are regularly identified and investigated. Exception reports are designed to identify high level purchase orders which potentially should have gone through the Procurement function in line with the Council's Standing Orders. BACS payment runs are appropriately checked and authorised. Regular reconciliations with the main accounting system take place.

Main Accounting

Requests to amend or create new codes are authorised by an appropriate officer. Journals are appropriately authorised and fully supported by documentation. Suspense accounts are checked and cleared regularly. All feeder systems (other than those above) are reconciled regularly and any variances investigated in a timely manner.

Treasury Management

Any transactions/deals are made only with approved institutions, and are signed off appropriately. The cash flow position is monitored on a daily basis. The Treasury Management system is regularly reconciled to the cash book and the main accounting system. Investment performance reports are produced and reviewed regularly. Investment strategy and performance is regularly reported to senior management and members as required.

3. Assessment of Control Environment

The following table sets out in summary the control objectives we have covered as part of this audit, our assessment of risk based on the adequacy of controls in place, the effectiveness of the controls tested and any resultant recommendations.

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

Control Objectives Assessed	Design of Controls	Operation of Controls	Recommendations Raised
Accounts Receivable			Recommendation 1
Accounts Payable			
Main Accounting			Recommendation 2 System Improvement Opportunity 1
Treasury Management			

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

4. Observations and Recommendations

Recommendation 1: Review of the Financial Regulations (Priority 2)

<p>Recommendation</p> <p>The Council should complete a review of the Financial Regulations to ensure that procedures are up to date, relevant and appropriate. This may include introduction of a further delegate powers policy document. Where procedures have been rated as relevant and appropriate, the Council should ensure compliance with the Financial Regulations.</p>
<p>Observation</p> <p>The Financial Regulations should be reviewed to ensure that appropriate and up to date working practices are adopted by staff.</p> <p>Financial Regulations Annex E 2.w) states that <i>where an invoice is cancelled, the reason for cancellation must be recorded in a written instruction and signed by the relevant Assistant Director.</i></p> <p>Testing of five credit notes issued confirmed that all had been authorised by a member of the Accounts Receivable Team. It was also confirmed that no credit note for 2016/17 has followed this process as the Accounts Receivable Team were not aware of this requirement. From the sample tested, values of credit notes ranged from £0.66 to £3,600.00 and further delegated responsibilities beyond Assistant Director for approving credit notes could not be provided. Whilst it is acknowledged that it may not be economical or practical for the Assistant Director to approve low value transactions, the current practice does not comply with the Financial Regulations as they currently stand.</p> <p>Where the Financial Regulations are not up to date, relevant or appropriate, there is a risk of ineffective, inefficient and / or out dated working practices being adopted by staff.</p>
<p>Responsibility</p> <p>Group Manager Financial Services</p>
<p>Management response / deadline</p> <p>The credit notes tested have been investigated, and are all valid amendments to supplier accounts/invoices.</p> <p>The Financial Regulations will be reviewed to ensure an appropriate approval level is incorporated for amendments and cancellations of invoices. As part of this review, the processes in Accounts Receivable will be reviewed to ensure that the processes meet the requirements of the Financial regulations.</p> <p>Deadline: March 2017</p>

Recommendation 2: Review of the Holding Accounts (Priority 3)

<p>Recommendation</p> <p>The Council should review the entries held in the holding accounts and ensure appropriate action is taken to match outstanding items or move items from the holding accounts.</p>
<p>Observation</p> <p>The holding accounts should be used in the short term to store unmatched items whilst they are being investigated or new cost centres set up. Items should not remain in the holding account for longer than three months in accordance with the Council’s policy.</p> <p>At the time of the audit in November 2016, there were three items from January, May and July 2016 and we were informed that there was delay in investigating these due to resource constraints.</p> <p>Where the holding accounts are not monitored and cleared in a timely manner, items may remain unmatched for a prolonged period of time and not assigned to the appropriate account.</p>
<p>Responsibility</p> <p>Team Leader (Regulatory & Financial Accounting)</p>
<p>Management response / deadline</p> <p>Holding accounts will be cleared on a timely basis with reports to the Team Leader of items older than 3 months requiring action and decision.</p> <p>Deadline: July 2017</p>

Systems Improvement Opportunity 1: Supporting Documentation for Journals

<p>Recommendation</p> <p>The Council should ensure that supporting documentation is attached to the central master spreadsheet for journals as and when they are processed.</p>
<p>Observation</p> <p>There should be supporting documentation available for journals being carried forward for review by external audit at year end.</p> <p>Testing of 10 journals identified in one case (relating to a Payment in Advance journal carried forward to the 2017/18 financial year), appropriate supporting documentation for a journal was not attached to the central master spreadsheet. Further testing identified a total of 16 journals between Sundry Creditors (1), Sundry Debtors (5) and Payments in Advance (10) where the supporting documentation had not been uploaded to the master spreadsheet.</p> <p>Where supporting documentation is not retained and stored centrally as and when journals are processed, there is a risk of inefficient use of officer's time in preparation for the external audit.</p> <p>N.B. For the exception found in our sample of 10 journals, supporting document was subsequently provided to us. However, supporting evidence should be retained in the correct location (attachment to the master spreadsheet) to ensure that it can be accessed easily and efficiently. Given that the issue relates to the location of where the supporting evidence is retained, the priority of this recommendation has been lowered to 3.</p>
<p>Responsibility</p> <p>Team Leader (Financial Planning and Analysis)</p>
<p>Management response / deadline</p> <p>The central control spreadsheet is specifically designed to hold a log of specific journals and supporting evidence for the annual external audit. Reconciliations between the log of data and control accounts is completed on a monthly basis. As the Council stores all images and data electronically on its Finance systems, there is no risk of not being able to provide evidence at year end.</p> <p>This is demonstrated by the excellent annual audit results, and feedback on the strength of the Councils working papers.</p> <p>It is agreed that it would be better practice to link the documents more frequently to the central control log, in advance of year end, and this is what Finance have been working towards, as demonstrated by the fact that some of the documents had already been added. The team will continue to work towards having a fully comprehensive working paper for year-end as it has done in previous years, and will look to link the documents on a monthly basis at the start of the new financial year.</p> <p>Deadline: May 2017</p>

Appendix A - Reporting Definitions

Audit assessment

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used:

Level	Symbol	Evaluation Assessment	Testing Assessment
Full		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial		Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited		Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
Nil		Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

The assessment gradings provided here are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full' does not imply that there are no risks to the stated control objectives.

Grading of recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
Priority 1	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
Priority 2	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Priority 3	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
System Improvement Opportunity	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

Appendix B - Staff Interviewed

The following personnel were consulted:

- Sally Nunn Team Leader – Financial Services
- Catherine Hamilton Finance Lead Officer
- Clare Dempsey Sundry Debtors Lead Officer
- Tracy Claridge Assistant Accountant
- Yamini Krishnan Assistant Accountant
- Robbie File Business Systems Developer
- Elaine Bowman Finance Assistant
- Katherine Thomas-Brightman Finance Assistant
- Andrew Linden Procurement Team Leader
- Laura Keyte Procurement Support and Analyst
- Richard Baker Group Manager (Financial Services)
- David Skinner Assistant Director (Finance and Resources)

We would like to thank the staff involved for their co-operation during the audit.

Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited

London

June 2017

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