

Audit Agenda



Wednesday 29 July 2015 at 7.30 pm

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 Taylor (Chairman)
Councillor Adshead
Councillor Barnes

Councillor Douris
Councillor Tindall
Councillor Wyatt-Lowe

Substitute Members:

Councillors Anderson, Brown, Link and Ransley

For further information, please contact or

AGENDA

1. APOLOGIES FOR ABSENCE

To receive any apologies for absence

2. DECLARATIONS OF INTEREST

To receive any declarations of interest

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

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

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

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

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

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

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

3. MINUTES AND ACTIONS (Pages 1 - 6)

To confirm the minutes of the previous meeting and consider the actions

4. PUBLIC PARTICIPATION

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

5. LG OMBUDSMAN LETTER (Pages 7 - 16)

6. AUDIT RESULTS REPORT

Hard copy report to follow

7. DEFERRED INTERNAL AUDIT - PROCUREMENT (Pages 17 - 32)

8. PROGRESS REPORT - INTERNAL AUDIT (Pages 33 - 46)

9. 2014-15 AUDITED STATEMENT OF ACCOUNTS AND THE COUNCIL'S LETTER OF REPRESENTATION TO THE EXTERNAL AUDITORS (Pages 47 - 158)

10. FINANCIAL REGULATIONS UPDATE (Pages 159 - 234)

DACORUM BOROUGH COUNCIL

AUDIT COMMITTEE MINUTES

24 JUNE 2015

Present:

Councillors: Barnes
Brown
Douris
Tindall
Taylor (Chairman)
W Wyatt-Lowe

Councillor Elliot (Portfolio Holder for Finance and Resources)

Officers:

J Deane
J Doyle
Corporate Director (Finance & Operations)
Group Manager - Democratic Services

Others: S Bladen
M Clarkson
EY LLP
Mazars (Internal Audit)

The meeting began at 7.30 pm

28. APOLOGIES FOR ABSENCE

Apologies for absence were submitted on behalf of Councillor Adshead. Cllr Brown substituted for Councillor Adshead.

29. DECLARATIONS OF INTEREST

None.

30. MINUTES

The minutes of the meeting on 11 February 2015 were confirmed as amended by the members present and signed by the Chair.

31. PUBLIC PARTICIPATION

None.

32. DRAFT INTERNAL AUDIT ANNUAL REPORT 2014/15

Mike Clarkson (MC) of Mazars took the meeting through the Draft Internal Audit Annual Report. He began by saying it makes good reading and is, overall, a positive

message.

He drew attention to the summary on page 3 of the report and the slight increase in projects rated 'full assurance' as well as 81% being rated either 'full' or 'substantial' assurance. He pointed out that there had been a slight increase in projects rated 'limited assurance' but that these had been specifically requested by the managers to identify improvements. These were set out in appendix 1 of the report.

Councillor W Wyatt-Lowe requested details of any cancelled or deferred audits and was given the information.

Resolved

That the Draft Internal Audit Annual Report be noted and approved with some satisfaction.

33. THE DRAFT INTERNAL AUDIT OPERATIONAL PLAN15/16

The internal Auditors submitted their Plan setting out how they intend to carry out the 2015/16 audits. The plan was developed in consultation and after discussions with DBC management, taking into consideration the strategic risk register. The draft plan is intended to be flexible and can include any matters that may arise through the year. The draft plan was included in the appendix booklet and identifies some audits already ongoing.

Councillor Douris returned to the flexibility in the plan and the days included for 'contingency' and questioned if they would be enough to deal with anything which may arise, for example something arising out of scrutiny. James Deane, Corporate Director Finance & Operations (JD) pointed out that ten of the thirty possible days had been allocated to the Risk Workshop, but that this left sufficient for anything that may arise. If necessary the plan has been developed to enable less pressing matters to be deferred and free up appropriate days.

Councillor Douris alluded to the fact that the council's dependency on ITC is increasing and suggested that ICT may need more audit resources devoted to it. MC acknowledged the councillor's point but felt that the number of days was sufficient and if any extra was required then the plan is flexible enough to deal with it.

Councillor W Wyatt-Lowe enquired how the audit of Housing Repairs would be able to demonstrate value for money. MC advised that they would look at controls and in addition performance management to form an opinion. Cllr Wyatt-Lowe asked if they would consider consulting those that we did not choose from the tenders submitted and was informed that this option had not been included as part of this audit.

Councillor W Wyatt-Lowe moved on to a proposed audit of Expenses For Members and suggested that, as most members do not bother to claim expenses, the amounts are too small to worry about.

The committee then moved on to the subject of Project Management Assurance. Members wanted to know if this will include any 'retrospective analysis'. Will the

auditors' opinion include an assessment of project management in earlier times e.g. as far as Regeneration is concerned? JD advised that the audit will look at past audits for trends and possible future controls.

Councillor W Wyatt-Lowe questioned whether the decision not to participate in the County-wide Counter Fraud Initiative will be examined. JD gave some background to the DBC decision and the alternative adopted. However he went on to say that we have not written off participation in the scheme and may review this decision when we have a clearer view of the effectiveness of participation.

Mazars' Framework for Governance has now been 'built' and is being tested. The aim is to use it this year to provide the evidence to support the Annual Governance Statement.

Resolved:

That the Audit Plan and the Auditors strategy for the 2015/16 Audit be noted and endorsed.

34. FINAL OUTTURN

J Deane (Corporate Director: Finance & Operations) introduced this item which sets out minor changes since the provisional outturn. The Audit committee has full delegated authority to approve the changes as set out in the appendices and detailed in the report to the committee.

The committee then raised some issues arising from the report.

Councillor Tindall referred to the Building Control Reserve and asked if it is a result of staffing issues in Building Control. JD informed him that it is more the result of an increase in turnover rather than a staffing issue.

Councillor Douris asked if what was known as the VAT reserve still existed or was it used for something. JD explained that it had been incorporated into the pension reserve.

Councillor W Wyatt-Lowe wanted to know if the capital slippages would result in delays for DBC receiving rents and if this is referred to in the accounts. JD was of the opinion that they would be minimal and is immaterial in accounting terms.

Councillor W Wyatt-Lowe then moved on to the general fund reserve and asked if any s106 monies are likely to be lost due to being close to the deadline for their use. JD doubted that monies would be lost as s.106 arrangements are now closely monitored and officers get monthly reminders to spend the money.

Councillor Tindall took up this point and asked if there regular communication between DBC and HCC on the allocation of s.106 funds as both parties are closely involved in their application.

Councillor Barnes received a short explanation of the position regarding Highbarns and was referred to the appropriate papers.

Resolved:

1. That the financial outturn position for 2014/15 as set out in the report to the committee be noted;
2. That the movements on earmarked reserves be approved ; and
3. That the capital slippage as set out in Appendix C of the report be noted and approved.

35. PRE AUDIT STATEMENT OF ACCOUNTS

The Corporate Director: Finance & Operations took the committee through the Statement of Accounts.

He drew attention to the full evaluation of buildings and council houses; and explained how the council housing is valued using beacon groups.

He felt members needed to note the considerable increase in assets under construction, which has gone up by £11m due to the number of significant projects being undertaken by the Council.

JD also drew attention to Business Rates Appeals and the fact that DBC now get to retain a proportion of the rates collected. However there has been a considerable increase in appeals up to April 2015. The appeals take a good deal of time and can often be for considerable amounts.

The Chairman thanked the Corporate Director for his report and asked that those thanks be extended to R Baker: Group Manager – Financial Services and A Keyte (Accountant) for their work in producing these accounts.

The members noted the line dealing with External Audit costs which referred to an earlier year. S Bladen explained that this was a refund on the fees which could not be assessed until after the audit of last year's accounts. He explained that this was due to the ease of last year's audit due to quality of the accounts submitted.

The members noted the line dealing with External Audit costs which referred to an earlier year. S Bladen explained that this was a refund on the fees which could not be assessed until after the audit of last year's accounts. He explained that this was because work on the certification of claims and returns had taken less time than had been planned.

Councillor W Wyatt-Lowe was surprised by the assumption on page 12 of a reduction in the anticipated age of pensioners, as it flies in the face of all the evidence. He asked if we ever questioned these figures. JD understood the councillor's point but added that the figure is provided to Herts County Council by actuaries and consequently is the figure that has to be incorporated in the accounts. Councillor Tindall offered to speak with the County Council regarding this.

Councillor Brown asked if the accounts incorporate an estimate of how many council houses are empty and costing us money? JD explained that Housing would be able

to provide figures on 'voids' and their impact on the HRA.

Councillor Douris went back to the issue of the revaluation of the Housing Stock and the issues this had caused DBC in the past with the process for establishing the values being questioned by the external auditors.

JD pointed out that unlike previous occasions when the valuation was arrived at via a desktop exercise, this year there is to be an actual site visit to instances of the relevant property groups to establish actual values. The External Auditor went on to say that this is a risk identified in their audit plan and they will do work around the figure provided.

Councillor Douris sought some assurance that External Audit are broadly comfortable with the values arrived at this year. The External Auditor felt it would not be possible to say at this time as he did not wish to pre-judge this year's audit.

The Chair said he is hopeful as DBC are carrying on with a process agreed from previous years with the internal and external auditors.

Resolved:

1. That the Statement of Accounts 2014/15 be noted and, members being provide with the assurance that they needed, the Statement be approved on behalf of the Council; and
2. That the Annual Governance Statement included in the Accounts be approved.

36. WORK PROGRAMME 15/16

Internal Audit Report on Procurement - deferred to July meeting.

The committee finished at 8.30.

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AGENDA ITEM: 5

SUMMARY

Report for:	Audit Committee
Date of meeting:	29th July 2015
PART:	1
If Part II, reason:	

Title of report:	Local Government Ombudsman – Annual Review Letter 2015
Contact:	<p>Cllr Neil Harden, Portfolio Holder for Residents and Regulatory Services</p> <p>Author/Responsible Officers: Steven Baker, Assistant Director (Chief Executive’s Unit)</p> <p>Robert Smyth, Assistant Director (Performance & Projects)</p>
Purpose of report:	To provide Members of the Committee for consideration a copy of the Local Government Ombudsman – Annual Review Letter 2015.
Recommendations	<ol style="list-style-type: none"> 1. That the report be noted. 2. That the complaints referred to the Local Government Ombudsman be reported to the relevant Overview and Scrutiny Committee for consideration.
Corporate objectives:	Dacorum Delivers Engagement with the public.
Implications:	<p><u>Financial</u></p> <p>None arising from this report.</p>
‘Value For Money Implications’	<p><u>Value for Money</u></p> <p>None arising from this report.</p>
Risk Implications	None arising from this report.

Equalities Implications	None arising from this report.
Health And Safety Implications	None arising from this report
Consultees:	Corporate Management Team
Background papers:	Attached Local Government Ombudsman Annual Review Letter 2015

1. Members will find attached to this report the Annual Review Letter 2015 published by the Local Government Ombudsman (LGO). The Annual Review Letter contains the LGO's annual summary of statistics on the complaints about this Council for the year ended 31 March 2015.
2. One of the purposes of the annual letter is to help ensure that learning from complaints informs scrutiny at the local level. The LGO has recently worked with the Local Government Association to produce a workbook for councillors which explains how they can support their constituents with their complaints and identifies opportunities for using complaints data as part of their scrutiny toolkit. The annual letter contains a link to the workbook and asks that elected members are encouraged to make use of this resource.
3. It is therefore suggested that Members may want to consider recommending that the complaints referred to the LGO be reported to the relevant Overview and Scrutiny Committee so that learning from them can inform the scrutiny of the services falling within their remit.
4. Members may be interested to see the following tables which provide a comparison of complaints and LGO decisions with other local authorities for 2014/15. In summary, performance appears average or 'upper' average, however the numbers are so small that it is difficult to draw firm conclusions.

Section 1: Decisions Made (by Local Authority) – 2014/15 – Hertfordshire

	Advice given	Closed after Initial enquiries	Incomplete/invalid	Referred back for local resolution	Upheld	Not upheld	% upheld	Total
Broxbourne BC	0	4	2	9	1	1	50.0%	17
Dacorum BC	2	5	0	8	1	1	50.0%	17
East Herts DC	0	4	0	10	2	3	40.0%	19
Hertsmere BC	0	6	0	8	1	2	33.3%	17
North Herts DC	0	4	2	7	2	6	25.0%	21
St Albans City C	2	11	2	10	3	0	100.0%	28
Stevenage BC	1	2	0	5	1	2	33.3%	11
Three Rivers DC	1	8	1	7	1	1	50.0%	19
Watford BC	0	6	0	6	3	2	60.0%	17
Welwyn Hatfield BC	0	7	0	7	4	4	50.0%	22

Decisions Made (by Local Authority) – 2014/15 – Comparing Dacorum to 4 Comparable Local Authorities (By Population)

	Advice given	Closed after Initial enquiries	Incomplete/invalid	Referred back for local resolution	Upheld	Not upheld	% upheld	Total
Cherwell DC	0	7	1	3	0	3	0.0%	14
Dacorum BC	2	5	0	8	1	1	50.0%	17
Poole BC	0	10	1	12	4	11	26.7%	38
Slough BC	2	9	2	22	5	3	62.5%	43
South Cambs DC	0	4	0	12	0	1	0.0%	17

Decisions Made (by Local Authority) – 2014/15 – Comparing Dacorum to 4 Comparable Local Authorities (By Area)

	Advice given	Closed after Initial enquiries	Incomplete/invalid	Referred back for local resolution	Upheld	Not upheld	% upheld	Total
Arun DC	1	8	2	8	4	6	40.0%	29
Bromsgrove DC	0	4	0	6	1	0	100.0%	11
Dacorum BC	2	5	0	8	1	1	50.0%	17
Kettering BC	2	5	1	11	2	1	66.7%	22
Newcastle-under-Lyme	2	5	0	8	2	4	33.3%	21

Section 2: Complaints and Enquiries Received by Category – 2014/15 – Hertfordshire

Local Authority	Adult care services	Benefits & Tax	Corporate & Other Services	Education & Childrens Services	Environmental Services & Public Protection & Regulation	Highways & Transport	Housing	Planning & Development	Total
Broxbourne BC	0	4	1	1	5	1	3	4	19
Dacorum BC	0	7	1	0	4	3	4	2	21
East Herts DC	0	3	1	0	2	2	3	7	18
Hertsmere BC	0	3	2	0	1	3	4	3	16
North Herts DC	0	6	3	0	2	2	6	2	21
St Albans City C	0	4	1	0	6	4	4	8	27
Stevenage BC	1	1	0	1	1	0	3	5	12
Three Rivers DC	0	6	3	0	3	0	1	4	17
Watford BC	0	6	2	1	0	1	3	4	17
Welwyn Hatfield BC	1	5	1	0	2	1	4	9	23

Complaints and Enquiries Received by Category – 2014/15 – Comparing Dacorum to 4 Comparable Local Authorities (By Population)

Local Authority	Adult care services	Benefits & Tax	Corporate & Other Services	Education & Childrens Services	Environmental Services & Public Protection & Regulation	Highways & Transport	Housing	Planning & Development	Total
Cherwell DC	0	3	0	0	0	5	1	7	16
Dacorum BC	0	7	1	0	4	3	4	2	21
Poole BC	8	0	4	6	2	3	2	10	35
Slough BC	3	8	0	9	2	5	18	3	48
South Cambs DC	0	4	1	1	3	1	4	10	24

Complaints and Enquiries Received by Category – 2014/15 – Comparing Dacorum to 4 Comparable Local Authorities (Area)

Local Authority	Adult care services	Benefits & Tax	Corporate & Other Services	Education & Childrens Services	Environmental Services & Public Protection & Regulation	Highways & Transport	Housing	Planning & Development	Total
Arun DC	0	2	2	1	3	1	9	5	23
Bromsgrove DC	0	2	0	0	2	0	1	8	13
Dacorum BC	0	7	1	0	4	3	4	2	21
Kettering BC	0	8	1	0	4	1	5	4	23
Newcastle-under-Lyme	0	9	4	0	2	1	1	2	19

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18 June 2015

By email

Ms Sally Marshall
Chief Executive
Dacorum Borough Council

Dear Ms Marshall

Annual Review Letter 2015

I am writing with our annual summary of statistics on the complaints made to the Local Government Ombudsman (LGO) about your authority for the year ended 31 March 2015. This year's statistics can be found in the table attached.

The data we have provided shows the complaints and enquiries we have recorded, along with the decisions we have made. We know that these numbers will not necessarily match the complaints data that your authority holds. For example, our numbers include people who we signpost back to the council but who may never contact you. I hope that this information, set alongside the data sets you hold about local complaints, will help you to assess your authority's performance.

We recognise that the total number of complaints will not, by itself, give a clear picture of how well those complaints are being responded to. Over the coming year we will be gathering more comprehensive information about the way complaints are being remedied so that in the future our annual letter focuses less on the total numbers and more on the outcomes of those complaints.

Supporting local scrutiny

One of the purposes of the annual letter to councils is to help ensure that learning from complaints informs scrutiny at the local level. Supporting local scrutiny is one of our key business plan objectives for this year and we will continue to work with elected members in all councils to help them understand how they can contribute to the complaints process.

We have recently worked in partnership with the Local Government Association to produce a workbook for councillors which explains how they can support local people with their complaints and identifies opportunities for using complaints data as part of their scrutiny tool kit. This can be found [here](#) and I would be grateful if you could encourage your elected members to make use of this helpful resource.

Last year we established a new Councillors Forum. This group, which meets three times a year, brings together councillors from across the political spectrum and from all types of local authorities. The aims of the Forum are to help us to better understand the needs of councillors when scrutinising local services and for members to act as champions for learning from complaints in their scrutiny roles. I value this direct engagement with elected members and believe it will further ensure LGO investigations have wider public value.

Encouraging effective local complaints handling

In November 2014, in partnership with the Parliamentary and Health Service Ombudsman and Healthwatch England, we published *'My Expectations'* a service standards framework document describing what good outcomes for people look like if complaints are handled well. Following extensive research with users of services, front line complaints handlers and other stakeholders, we have been able to articulate more clearly what people need and want when they raise a complaint.

This framework has been adopted by the Care Quality Commission and will be used as part of their inspection regime for both health and social care. Whilst they were written with those two sectors in mind, the principles of *'My Expectations'* are of relevance to all aspects of local authority complaints. We have shared them with link officers at a series of seminars earlier this year and would encourage chief executives and councillors to review their authority's approach to complaints against this user-led vision. A copy of the report can be found [here](#).

Future developments at LGO

My recent annual letters have highlighted the significant levels of change we have experienced at LGO over the last few years. Following the recent general election I expect further change.

Most significantly, the government published a review of public sector ombudsmen in March of this year. A copy of that report can be found [here](#). That review, along with a related consultation document, has proposed that a single ombudsman scheme should be created for all public services in England mirroring the position in the other nations of the United Kingdom. We are supportive of this proposal on the basis that it would provide the public with clearer routes to redress in an increasingly complex public service landscape. We will advise that such a scheme should recognise the unique roles and accountabilities of local authorities and should maintain the expertise and understanding of local government that exists at LGO. We will continue to work with government as they bring forward further proposals and would encourage local government to take a keen and active interest in this important area of reform in support of strong local accountability.

The Government has also recently consulted on a proposal to extend the jurisdiction of the LGO to some town and parish councils. We currently await the outcome of the consultation but we are pleased that the Government has recognised that there are some aspects of local service delivery that do not currently offer the public access to an independent ombudsman. We hope that these proposals will be the start of a wider debate about how we can all work together to ensure clear access to redress in an increasingly varied and complex system of local service delivery.

Yours sincerely



Dr Jane Martin
Local Government Ombudsman
Chair, Commission for Local Administration in England

Local authority report – Dacorum Borough Council

For the period ending – 31/03/2015

For further information on interpretation of statistics click on this link to go to <http://www.lgo.org.uk/publications/annual-report/note-interpretation-statistics/>

Complaints and enquiries received

Local Authority	Adult Care Services	Benefits and tax	Corporate and other services	Education and children's services	Environmental services and public protection	Highways and transport	Housing	Planning and development	Total
Dacorum BC	0	7	1	0	4	3	4	2	21

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Decisions made

Local Authority	Detailed investigations carried out		Advice given	Closed after initial enquiries	Incomplete/Invalid	Referred back for local resolution	Total
	Upheld	Not Upheld					
Dacorum BC	1	1	2	5	0	8	17

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Dacorum Borough Council Final Internal Audit Report Procurement

June 2015

This report has been prepared on the basis of the limitations set out on page 14.

CONFIDENTIAL

Distribution List:

James Deane – Corporate Director (Finance and Operations)
Ben Hosier – Group Manager (Procurement, Commissioning and Compliance)
Steve Baker – Assistant Director (Chief Executive's Unit)
Sally Marshall – Chief Executive (Final Report only)

Key Dates:

Date of fieldwork: April/May 2015
Date of draft report: June 2015
Receipt of responses: June 2015
Date of final report: June 2015

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1. Executive Summary

1.1. Background

As part of the Internal Audit programme for 2014/15, we have undertaken an audit of the Council’s systems of internal control in respect of Procurement.

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 Procurement, and provide guidance on how to improve the current controls going forward.

In summary, the scope covered the following areas: Legislation, Category Management, Commissioning, Tendering and Management reporting / Reporting to relevant Committees / Board. Further detail on the scope of the audit is provided in Section 2 of the report.

1.3. Summary Assessment

Our audit of DBC’s internal controls operating over Procurement 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. Also, there is evidence that the level of non-compliance puts 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
Substantial	Limited

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 Housing Rents is shown in Section 3.

1.4. Key Findings

We have raised one priority 1, three priority 2 and one priority 3 recommendation where we believe there is scope for improvement within the control environment. These are set out below:

- Procedures should be in place for Procurement to match the expenditure identified from the contracts register, with contractors actual spend on Agresso. (Priority 2)
- When savings have been identified between contracts and actual supplier expenditure, this should be added to the Council's savings tracker. (Priority 3)
- The “commission to procure” documentation should be formally approved by budget holders prior to all tendering projects beginning. (Priority 2)
- All purchases and contracts should be procured and/or tendered in line with the Commissioning and Procurement Standing Orders. (Priority 1)

- The Procurement team’s performance, based on objectives and cost savings identified for each procurement activity, should be monitored and reported to the appropriate forum. (Priority 2)

Full details of the audit findings and recommendations are shown in Section 4 of the report.

1.5. **Management Response**

We will include a summary of any management response in our Final 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 Procurement, with regards the areas set out in section 2.3, are adequate and are 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:

- Legislation, policies and procedures (including Procurement Strategy)

Robust procedures are in place to ensure that key legislation, policies and procedures are in place and available to all members of staff involved in the procurement process. Roles and responsibilities are clearly defined and communicated and that members of staff involved in procurement have the appropriate skills or that the procurement section is consulted to advise on all strategic procurement matters, act as the source of the organisation's procurement expertise, and also to monitor and steer the organisation's procurement
- Category Management:

Procedures are in place to help ensure that procurement is clearly identified against the Council's designated categories. Procedures are in place to manage the Council's spend profile, whilst achieving the objectives of the procurement. Savings identified should be linked to the Council's savings tracker procedure.
- Commissioning:

Robust procedures are in place to identify the need for the procurement activity. Procedures are in place to ensure that the procurement activity to be carried out is in line with the Council's stated corporate objectives. The case for the procurement activity includes the identification of any potential cost savings. Procedures are in place to enable the Council to perform market testing, and that consideration of various factors such as economic viability, pricing versus affordability etc. has taken place. Confirmation should be retained that options have been considered and appraised to give management information to make an informed decision when selecting the most suited option for the Council. The commission to procure should be formally approved.
- Tendering:

Procedures are in place to enable procurement to be carried out in accordance with Council policy and legislative requirements. Procurement should where possible seek to innovate. Formal tendering process should be adopted and an audit trail maintained. Tenders received are evaluated in a timely and accurate manner. The award of contract is formally approved and a signed contract is in place before work commences.











- Management reporting / Reporting to relevant Committees / Board

Robust procedures are in place to confirm that key decisions are assessed and reviewed throughout the procurement lifecycle. Key decisions are scrutinised before being reported to Senior Management Team and relevant Committees/Board, and the Cabinet for consideration. Procedures are in place to ensure that the objectives and cost savings identified for each procurement activity are achieved and are reported to the appropriate forum.

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
Legislation, Policies and Procedures			
Category Management			Recommendations 1 and 2
Commissioning			Recommendation 3
Tendering			Recommendation 4
Management reporting / Reporting to relevant Committees / Board			Recommendation 5

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: Procedures (Priority 2)

<p>Recommendation</p> <p>Procedures should be in place for Procurement to match the expenditure identified from the contracts register to the actual expenditure on Agresso.</p>
<p>Observation</p> <p>Procedures help ensure that staff are aware of how to perform their duties and working practices are consistent across the teams.</p> <p>Audit confirmed that the procurement team have recently undertaken a spend analysis on all suppliers to identify firstly ones which do not have contracts in place but should, and secondly whether the contract value matches the actual spend with the supplier. However, formal procedures have not been created.</p> <p>Where procedures are not in place there is a risk that work will be performed that is not to the adequate standard and does not comply with standing orders.</p>
<p>Responsibility</p> <p>Group Manager (Procurement, Commissioning and Compliance)</p>
<p>Management response / deadline</p> <p>Agreed.</p> <p>As part of the Council’s category management approach we have now set up a manual process (May 15) to review actual expenditure on a rolling monthly basis with contracts (initially valued greater than £100k) to track and identify under/over spend and will raise any issues/concerns that we have with the relevant budget holder and request an explanation for the change in expenditure. The change in expenditure and explanation for the change will also be reported at the quarterly Procurement Board.</p> <p>Ongoing, we will look to see if a ‘contracts register’ field can be added to the Council’s FMS (Agresso) so that we can run reports on contract value vs spend. This will enable us to monitor contracts below £50k.</p>

Recommendation 2: Contract Savings Tracker (Priority 3)

<p>Recommendation</p> <p>When savings have been identified between contracted amount and actual spend with the supplier, this should be added to the Council's savings tracker.</p>
<p>Observation</p> <p>Efficiencies and value for money is key for the Council in achieving its objectives. Therefore, where savings have been identified, previously allocated funds can be freed up and used for other projects.</p> <p>Audit confirmed that the procurement team has recently undertaken a spend analysis on all suppliers to identify those which do not have contracts in place but should, and whether the contract value matches the actual spend with the supplier. However, cases where supplier spend is under the contract value have not been highlighted.</p> <p>Where savings are not tracked there is a risk that money which could be available for use on other projects has not been made available in budgets.</p>
<p>Responsibility</p> <p>Group Manager (Procurement, Commissioning and Compliance)</p>
<p>Management response / deadline</p> <p>Agreed.</p> <p>As part of the Council's category management approach we have now set up a manual process (May 15) to review actual expenditure on a rolling monthly basis with contracts (initially valued greater than £100k) to track and identify under/over spend and will raise any issues/concerns that we have with the relevant budget holder and request an explanation for the change in expenditure. The change in expenditure and explanation for the change will also be reported at the quarterly Procurement Board.</p> <p>If the Procurement Board agree that any reported underspend should be removed from the budget, then this will be entered on to the Council's 'saving's tracker'</p> <p>Ongoing, we will look to see if a 'contracts register' field can be added to the Council's FMS (Agresso) so that we can run reports on contract value vs spend. This will enable us to monitor contracts below £50k.</p>

Recommendation 3: Commission to Procure Approval (Priority 2)

<p>Recommendation</p> <p>The “commission to procure” documentation should be formally approved by budget holders prior to all tendering projects beginning.</p>
<p>Observation</p> <p>To help ensure that budget is available for potential contracts and the need for the contract is justified, the “commission to procure” documentation should be formally approved by budget holders.</p> <p>Departments should complete a tender requisition form which is Appendix One of the Commissioning and Procurement Standing Orders. One part of this form confirms that the proposed budget and cost centre/s to which the contract will be charged has been checked and approved by Finance. Another part is the budget holder’s approval to proceed, which needs to be signed before the whole form is passed to procurement.</p> <p>In one case out of five tested, we were unable to obtain formal approval of the commissioning. We were, however, provided with meeting minutes which demonstrated that discussions between procurement and the budget holder took place prior to the tender.</p> <p>Where approval for commission to procure is not obtained, there is a risk that commissioning and procurement activity takes place which has not been correctly costed.</p>
<p>Responsibility</p> <p>Group Manager (Procurement, Commissioning and Compliance)</p>
<p>Management response / deadline</p> <p>Agreed.</p> <p>The Tender Requisition Form was introduced to initiate the procurement process back in 2008 to mitigate the risks associated with undertaking activities which had not been properly costed or planned. Following a discussion with the AD Finance & Operations in June 2014, the form was amended and a section was added whereby the form needed the signature of the budget holders accountant to confirm that there was sufficient budget.</p> <p>All Commissioning & Procurement Officers are aware that they require a TRF that has been signed by both the client officer and the budget holder’s accountant before commencing any activities.</p> <p>I can confirm that an email reminding all members of the team of the importance of obtaining the signed copies of the TRF has been sent out today (11/06/15)</p>

Recommendation 4: Procurement Standing Orders Compliance (Priority 1)

<p>Recommendation</p> <p>All purchases and contracts should be procured and/or tendered in line with the Commissioning and Procurement Standing Orders.</p>
<p>Observation</p> <p>The Council should be able to show that it is getting value for money with its purchases and is keeping in line with legislation.</p> <p>Out of a sample of 10 suppliers with significant spend in the 2014/15 financial year it was identified that in 3 cases formal procurement and/or tendering activities should have taken place and contracts should have been formalised.</p> <p>Streetmaster Products - £10,085</p> <p>There was no formal procurement procedure to the knowledge of the officers concerned. The supplier has been used regularly for many years and they would not consider using another supplier as they would not be able to supply the exact same benches which have been used across the Borough.</p> <p>Egbert H Taylor & Company LTD - £33,971</p> <p>There is currently no contract in place for the supply of Euro Containers of the type supplied by Egbert Taylor. As there are few companies that manufacture this type of bin, the Council has merely sought quotes from Egbert Taylor before placing an order.</p> <p>This financial year the Council will need further additional supplies and will be purchasing through an existing framework agreement. Either through Braintree or YPO frameworks.</p> <p>EC Harris LLP - £97,000</p> <p>EC Harris is a Built Asset Consultancy firm and the Council has paid them 9 invoices in the 2014/15 financial year. They helped produce the Council's Asset Management Strategy. We were unable to obtain a contract with the supplier or evidence that any formal tendering process was undertaken.</p> <p>Where appropriate procurement and tendering activity does not take place there is a risk that the Council is not receiving value for money for its purchases.</p>
<p>Responsibility</p> <p>Group Manager (Procurement, Commissioning and Compliance)</p>
<p>Management response / deadline</p> <p>Agreed.</p> <p>Compliance with the commissioning & procurement standing orders is the responsibility of all officers who carry out commissioning & procurement activities.</p> <p>The Council use a clear set of commissioning and procurement procedures, rules and policies that have been designed to protect both the Council and the Officers responsible for Council expenditure and to be simple to use and follow.</p> <p>By complying with these rules and the commissioning & procurement strategy, this not only demonstrates that the Council is mitigating the risks associated with public procurement, but that it also strives to deliver value for money.</p> <p>During 2014 the Council agreed a new commissioning & procurement strategy and standing orders and the implications of these new rules have been shared with officers across the Council</p> <p>In addition to these new documents being uploaded onto Sharepoint, a user friendly 'short guide' has been produced and sent out to all AD'S & GM's asking that they disseminate this document to their teams and encourage their staff to read the document.</p>

Guidance on the commissioning & procurement quotation & tendering thresholds was also included in the corporate publication 'The Review' which is sent out to all members of staff.

As well as offering our services to any Departmental Team Meetings, procurement officers have also been meeting with teams and providing them with training and awareness of the new governance arrangements and will continue to do so when requested.





Recommendation 5: Performance Reporting (Priority 2)

<p>Recommendation</p> <p>The Procurement team’s performance, based on objectives and cost savings identified for each procurement activity, should be monitored and reported to the appropriate forum.</p>
<p>Observation</p> <p>Performance objectives and reporting help identify where both good and bad performance exists and allows the Council to improve or reward teams as required.</p> <p>The Commissioning and Procurement Strategy lays out several quantifiable objectives for the Procurement team.</p> <ul style="list-style-type: none"> ○ Cashable savings from improved commissioning and procurement activities - 2015/16 target - 0.38% of revenue expenditure only - £200,000. ○ % of spend via collaborative contracts - 2015/16 target - 6.5% of revenue expenditure - £3,465,381. ○ % of spend with Dacorum-based small to medium sized enterprises - 2015/16 target - 4.5% of capital and revenue expenditure only - £3,266,844. ○ Number of apprenticeships via contracts - 2015/16 target - 10 ○ % of spend with the third sector - 2015/16 target - 3.5% - £1,865,974 <p>However, these objectives have yet to be incorporated into the Council’s Corvu system which tracks performance and gives items for discussion to the Finance and Resources Scrutiny Committee.</p> <p>Where performance is not reported there is a risk that poor performance will not be identified and rectified.</p>
<p>Responsibility</p> <p>Group Manager (Procurement, Commissioning and Compliance)</p>
<p>Management response / deadline</p> <p>Agreed.</p> <p>I have been working with officers from the performance team and can confirm that in May 2015 the service performance objectives were uploaded on to the Council’s performance management system (Corvu). The performance of the service will now be monitored and reported on a quarterly basis to the relevant Scrutiny committee.</p> <p>I have also just received more accurate financial data from 2014/15 and as a consequence this will result in the 2015/16 targets needing to be amended slightly. These updated targets will be published on the procurement page of the Council’s website.</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:

Ben Hosier - Group Manager (Procurement, Commissioning and Compliance)

Andrew Linden - Team Leader (Procurement, Commissioning and Compliance)

Laura Badham - Technical Assistant (Strategic Planning & Regeneration)

Neil Brown - Team Leader (Programme and Procurement, Property & Place)

Nicholas Egerton - Team Leader (Environmental Protection & Housing)

Craig Thorpe - Group Manager (Environmental Services)

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 2015

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DACORUM BOROUGH COUNCIL

INTERNAL AUDIT PROGRESS REPORT

Audit Committee – July 29 2015

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Introduction

This progress report to the Audit Committee covers the work carried out during the period April 1st 2015 to July 10th 2015 by Mazars Public Sector Internal Audit Limited.

Appendix 1 outlines progress to date against the 2015/16 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 2014/15 Internal Audit Plan is now completed with the Procurement final report being issued. (Evaluation assurance: **Substantial**. Testing assurance: **Limited**).

Audit fieldwork on the 2015/16 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 Draft report, for which we are awaiting the final management responses before issuing the Final Report:

- Regeneration

Other Work:

Assurance Framework

The approach we are taking is based upon us supporting the Council in the development of its draft Assurance Framework and in future years, driving the Internal Audit plan from this framework. The Assurance Framework will provide enhanced assurance around governance procedures and will further enhance the assurance needs of the senior management and other key stakeholders of the Council.

The Key Questions in the framework have now been agreed by management, and we are currently working to identify the evidence needed to support the statements made. In future years management will need to update the evidence trail and this will be reviewed by Internal Audit.

Anti-Fraud Arrangements

In light of both national changes following the introduction of Single Fraud Investigation Service, the increased financial risks that Dacorum Borough Council (the Council) now faces following the introduction of Council Tax and Business Rates Support, and a desire to develop the Council's corporate fraud approach; the Council sought to undertake a review of its arrangements for preventing and detecting fraud. A draft report summarising our work in this area has now been completed.

Risk Management

We will be facilitating a workshop with Cabinet, Leader of the Opposition and Chief Officer Group to repopulate the strategic risk register for the year ahead.

Follow-up of Recommendations

2014/15

The table below details the recommendations raised in the audit reports for 2014/15. It should be noted that progress in implementing recommendations raised has been followed up, as part of the 2014/15 audit plan and summary of the outcome is shown in the table below:





Year	Total Recommendations	Implemented	%	Implemented or partly implemented	%
2014/15	39	24	62%	29	74%
Total	39	24	62%	29	74%

Appendix 3 provides a summary of the status of all 2014/15 recommendations where the proposed implementation date was at or before 30th June 2015.

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

We have raised one Priority 1 recommendation in the Procurement final report issued since the last Audit Committee meeting.

- All purchases and contracts should be procured and/or tendered in line with the Commissioning and Procurement Standing Orders. (Priority 1)

Appendix 1 – Status of Audit Work 2015/16

	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 2015/16, any controls where there is perceived to be a weakness, and a judgmental sample of other controls in operation across the four areas.	21		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.	8		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.	8		Q4								
	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			55										
Operational Risks	Housing Repairs	Covering adequacy and effectiveness of controls over the management of planned and responsive repairs and the demonstration of value for money. The audit will also cover contract management arrangements in place.	12		Q2								
	Parking	Covering adequacy and effectiveness of the controls in place over income collection for on street and off street parking. The audit will also cover contract management arrangements in place.	12		Q2								

	Licensing	Covering adequacy and effectiveness of key controls over applications for and granting of licences and enforcement of those licences.	8		Q2								
	Members' Training and Expenses	Covering adequacy and effectiveness of key controls over training and expenses following the elections.	8		Q4								
	Housing Lettings	Covering adequacy and effectiveness of key controls over the allocations process once properties are available to let.	10		Q4								
Operational Risks Total			50										
Strategic Risks	Regeneration	Project management assurance in respect of significant regeneration schemes and assurance over grant spending.	10	10	Q1	Draft							
	Partnership Arrangements	Review the arrangements in place for joint strategic needs assessments and the changes in commissioning services and the controls in place for data and information sharing..	10		Q3								
	Health and Safety	Covering adequacy and effectiveness of controls over Health and Safety	7		Q3								

	Performance Management	Covering adequacy and effectiveness of controls in place regarding the performance management framework and progress in delivering strategic objectives.	10		Q3								
	Data Security	Covering adequacy and effectiveness of the Council's strategic approach to data security.	7		Q2								
Strategic Risks Total			44	10									
Governance, Fraud & other Assurance Methods	Control Risk Self Assessment including the Corporate Governance Framework	The use of CRSA to provide assurance that managers understand their requirements and take ownership of their responsibilities. To be utilised on a number of the core financials and will be issued prior to fieldwork and used to scope the audit.	13		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. part of the annual governance statement.	10		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			43										
ICT	PCI DSS	The specific scope will be agreed with management but would look to provide assurance over the information governance, customer data security and adherence to Caldicott.	15		Q2								
	Digital Dacorum (Including CRM)	The specific scope will be agreed with management but would look to provide assurance over pre and post implementation reviews and focus on strength of controls.	15		Q4								
ICT total			30										
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)		25	3									
	Ad Hoc	Contingency allocation to be utilised upon agreement of the Assistant Director (Finance & Resources). Risk Management Workshops Right to Buy	30										
Other total			65	5									
TOTAL			287	15									

Appendix 2 - Summary of Final Reports

Brief outlines of the work carried out, a summary of our key findings raised and the assurance opinions given in respect of the final reports issued since the last meeting of the Audit Committee are provided in this section.

Procurement (2014/15)

Our audit of DBC's internal controls operating over Procurement 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. There is evidence that the level of non-compliance puts 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
Substantial	Limited

We have raised one priority 1 recommendation, two priority 2 recommendations and one priority 3 recommendation where we believe there is scope for improvement within the control environment. These are set out below:

- Procedures should be in place for Procurement to match the expenditure identified from the contracts register, with contractors actual spend on Agresso. (Priority 2)
- When savings have been identified between contracts and actual supplier expenditure, this should be added to the Council's savings tracker. (Priority 3)
- The "commission to procure" documentation should be formally approved by budget holders prior to all tendering projects beginning. (Priority 2)
- All purchases and contracts should be procured and/or tendered in line with the Commissioning and Procurement Standing Orders. (Priority 1)
- The Procurement team's performance, based on objectives and cost savings identified for each procurement activity, should be monitored and reported to the appropriate forum. (Priority 2)

Appendix 3 – Follow-up of Recommendations 2014/15

A follow-up audit has been undertaken in accordance with the 2014/15 audit plan. The objective was to confirm the extent to which the recommendations made in 2014/15 internal audit final reports have been implemented.

The tables below provide a summary of the status of all outstanding 2014/15 recommendations where the proposed implementation date was at or before 30th June 2015 and had not been reported as implemented at the previous Audit Committee meeting.

Title	Raised	Implemented	Partly Implemented	Outstanding	No longer relevant	Original Due Date	Revised Due Date	No Response	Not yet due	Resp. Officer
Performance Management	2	2								Rob Smyth
Risk Management	4	4								James Deane
Community Infrastructure Levy	4	4								James Doe
Trees and Woodlands	9	4	3	1					1	Craig Thorpe
Regeneration	1	1								Chris Taylor
Budgetary Control	3	3								Marie Stokes
Customer Services	9	4	2						3	Mark Housden Ben Trueman
Accounts Payable	1	1								Richard Baker
Treasury Management	1	1								Richard Baker
Procurement	5								5	Ben Hosier
Total	39	24	5	1					9	

Appendix 4 - 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

July 2015

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Dacorum Borough Council

Audited Statement of Accounts 2014/15

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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 2014/15.

Over the last 12 months the Council has continued to work hard for the people of Dacorum, striving to deliver our vision of working 'in partnership to create a borough which enables the communities of Dacorum to thrive and prosper through our five main priorities.

Our five main priorities are:

- Building community capacity
- Affordable housing
- Regeneration
- Dacorum Delivers (internal operations)
- Clean and Safe environment

Throughout 2014/15 we continued to achieve the successes which will help us to shape the future and realise our ambitions. These achievements reflect the Council's commitment to a High Performance Environment which focuses on helping our employees to unlock their full potential and serve Dacorum residents to the best of their ability. Notable achievements over the last year include:

- The first new council homes in over 20 years were completed in March 2015. This includes over 30 new homes and a homeless hostel. These homes are all part of the 'Building for the Future' programme which will see the Council invest £50m in building 300 new homes across the Borough by 2020.
- We received national recognition in the form of a Certificate of Excellence at the National Housing Maintenance Forum for creating a carbon free 'green' street in Hemel Hempstead. Dacorum invested £0.5m in 64 homes to improve energy efficiency and reduce bills for residents. The work included applying external wall insulation, replacing roofs, installing solar panels and upgrading loft insulation.
- The future of Hertfordshire's sole remaining ice rink was secured thanks to investment from Dacorum Borough Council and the Tesco Pension Fund. The rink in Hemel Hempstead was refurbished late 2014, and will be run by the operator Planet Ice. Through a commercial agreement the Council found a solution that secures the ice rink facility for at least the next ten years, with current operators, Planet Ice, running the rink.
- We successfully secured a grant of £2.4m from the Heritage Lottery Fund (HLF) and the Big Lottery Fund for the restoration project of Jellicoe Water Gardens. The project which aims to restore Jellicoe's important new town garden into an outstanding public space and source of pride to local residents. Initial ground work commenced early 2015 before major works commence in the spring.
- A grant of £250k was secured from Sport England towards 'Get set, Go Dacorum' - a three year programme of activity sessions in various locations across the borough for individuals and families. The programme was put together with input from local people and community groups, where residents can simply turn up and have fun being active and getting healthy.
- We worked closely with the organisers of the Tour of Britain to welcome the world's top cyclists in hosting a stage of Britain's biggest professional bike race. This was a first for Hemel Hempstead, and saw competitors' race into Gadebridge Park on Friday 12 September 2014, live on ITV4. The number of spectators along the route from Berkhamsted to Hemel Hempstead exceeded 25,000.
- Promoted the borough as a good place to live, work and visit. The aim to drive tourism and bring local businesses together continued to be achieved through initiatives like Dacorum's Den and apprenticeships. For the third year running, Dacorum's Den, run jointly by Dacorum

Introduction

Borough Council and Maylands Partnership, offered £1000 grant funding to local small businesses that impressed the panel of experts with their business proposals.

- Work started on the Hemel Hempstead exciting town centre regeneration project, aimed at improving the experience for visitors. Over the next three years residents can expect to see a large screen display in the town centre where major sporting events will be screened, an interactive fountain, a performance area and a more centrally located bus station.
- Putting the government's One Public Estate initiative into practice, we began work coordinating a cross-sector collaboration to release land, co-locate, make savings and encourage regeneration. Public and voluntary sector community services have been given the go-ahead to create a new modern and efficient home together in the heart of Hemel Hempstead. The new 70,000 square feet three-storey council building, named The Forum, is a key part of the Council's Hemel Evolution programme that is currently transforming the town centre.

The achievements outlined in this introduction demonstrate that Dacorum has continued to thrive through difficult times, and I am confident that our plans for the future will inspire the Borough to go from strength to strength. I look forward to the Council playing a key role in delivering the prosperous future our residents deserve.

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 2014/15.

After working with the Council's Financial Services team for over four years I was delighted to be appointed to the post of Corporate Director (Finance & Operations) in February 2015. Throughout my time with the team I have been extremely impressed by their professionalism and their enthusiasm to work closely with colleagues across the Council to help deliver the best value for money services for our residents. I am excited to lead the team as they continue to play a key role in dealing with the financial challenges ahead.

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, and it is likely that there will be further reductions in support from Central Government in the coming years. However, by reviewing the Medium Term Financial Strategy and financial forecasts the Council has been able to anticipate the core funding reductions and developed positive and ambitious plans for developing the Borough by creating financial capacity to invest in economic and housing growth. The number of investment and regeneration projects presents a unique and exciting opportunity. Financial services will continue to proactively support project teams to ensure that budgets are managed effectively and that the appropriate levels of governance are maintained throughout.

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 straightforward 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)

Borough Profile

The Borough approximately has a population of around 148,000 living in 62,295 homes and around 109,000 residents on the Electoral Register.

The Council holds elections for all Members once every four years. As at 31 March 2015, the Council was made up of 43 Conservatives, 7 Liberal Democrats and 1 Labour Councillor with the last full election held in May 2011.

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 2012-2015

The Council's five priorities for the community were reviewed and set during 2012/13 for the period 2012-2015. The priorities drive the Council Improvement Plan and enable the Council and partners to deliver the Community Plan.

The five priorities are:-

Regeneration

- Supporting the growth of businesses, jobs and investment in the area

Affordable Housing

- Improve and increase affordable homes for local people

Safe and Clean Environment

- Create a tidy and safe place for people to live, work and visit

Building Community Capacity

- Enable self-help and volunteering to build communities

Dacorum Delivers (internal operations)

- Ensuring an efficient, effective and modern Council.

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 2014/15 (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.

Explanatory Foreword

This foreword 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 2014/15, and the financial position of the Council as at 31 March 2015. 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 2015. 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:

- **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 to cover expenditure in accordance with regulations; this is different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- **Balance Sheet**
The Balance Sheet shows the value as at 31 March 2015 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.

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- **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 2014/15. 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 2014/15, 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.
- **Glossary**
A glossary is provided to give definitions for the technical terms used throughout this Statement of Accounts.

Review of the Year

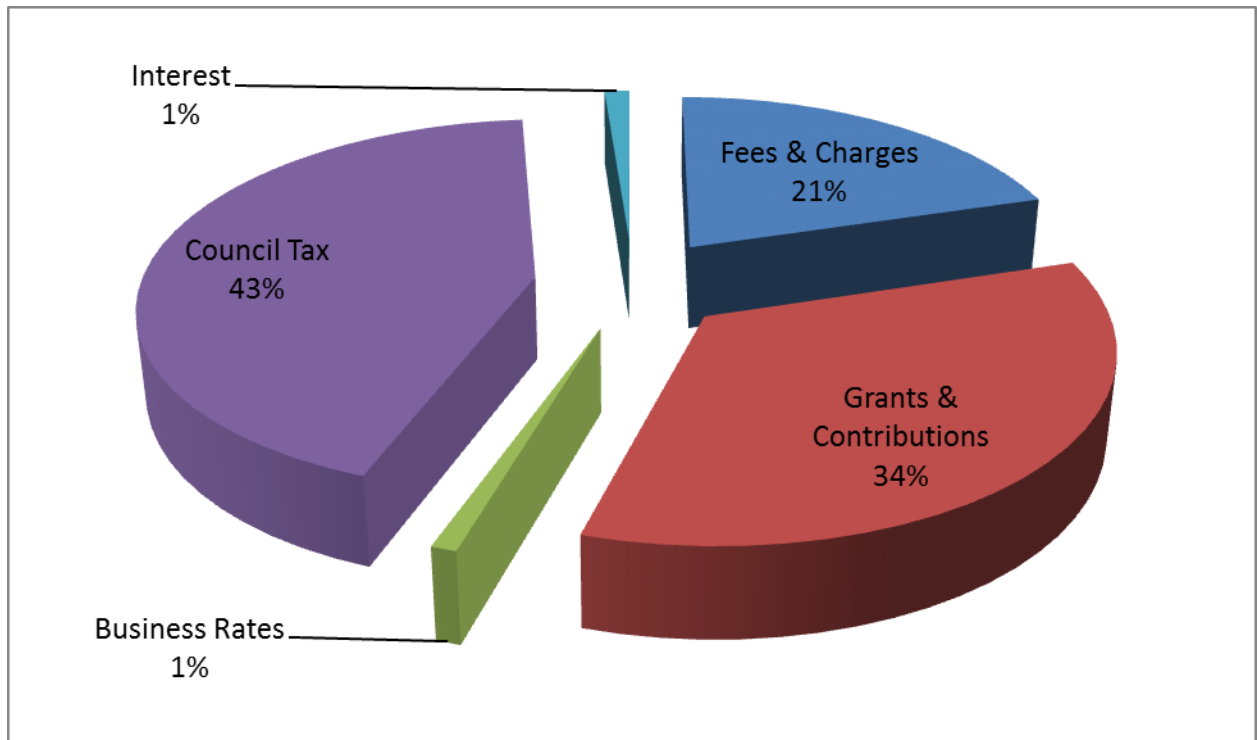
The review of the year for 2014/15 details performance within the Council's three main accounts:

- **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.

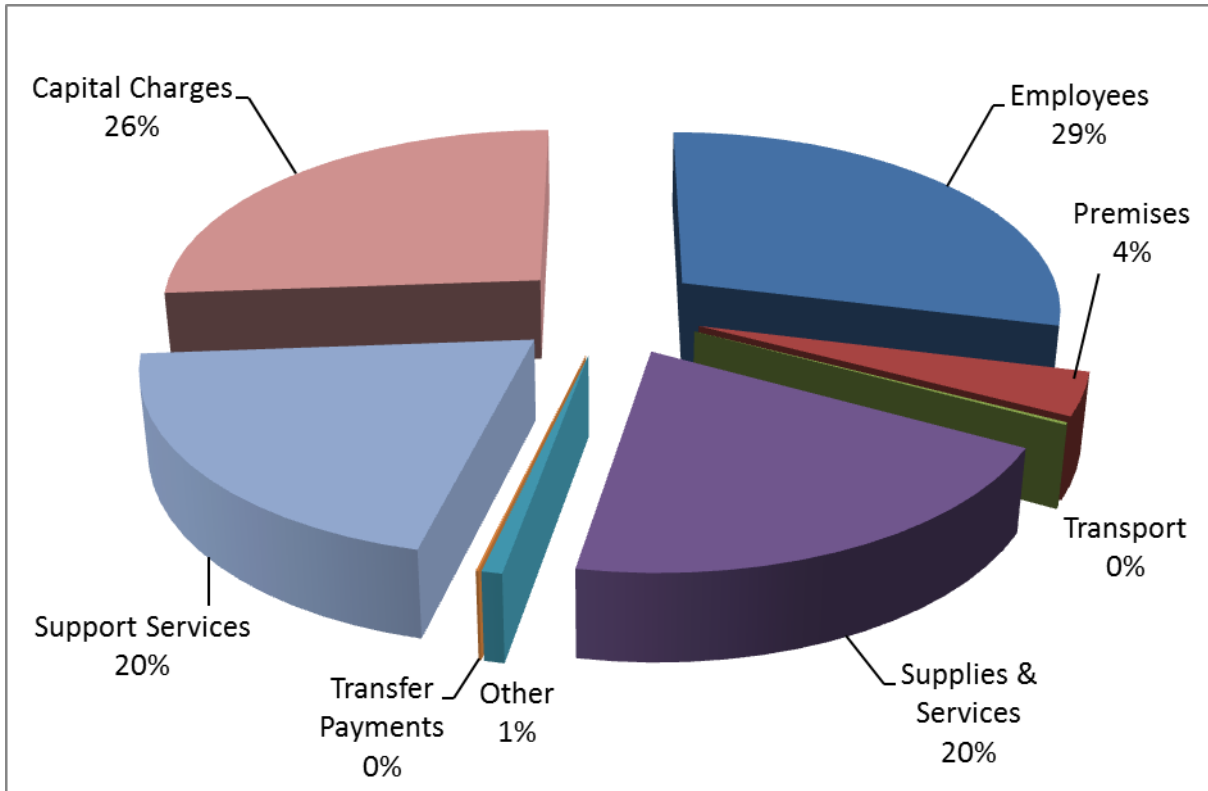
General Fund Revenue Account

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

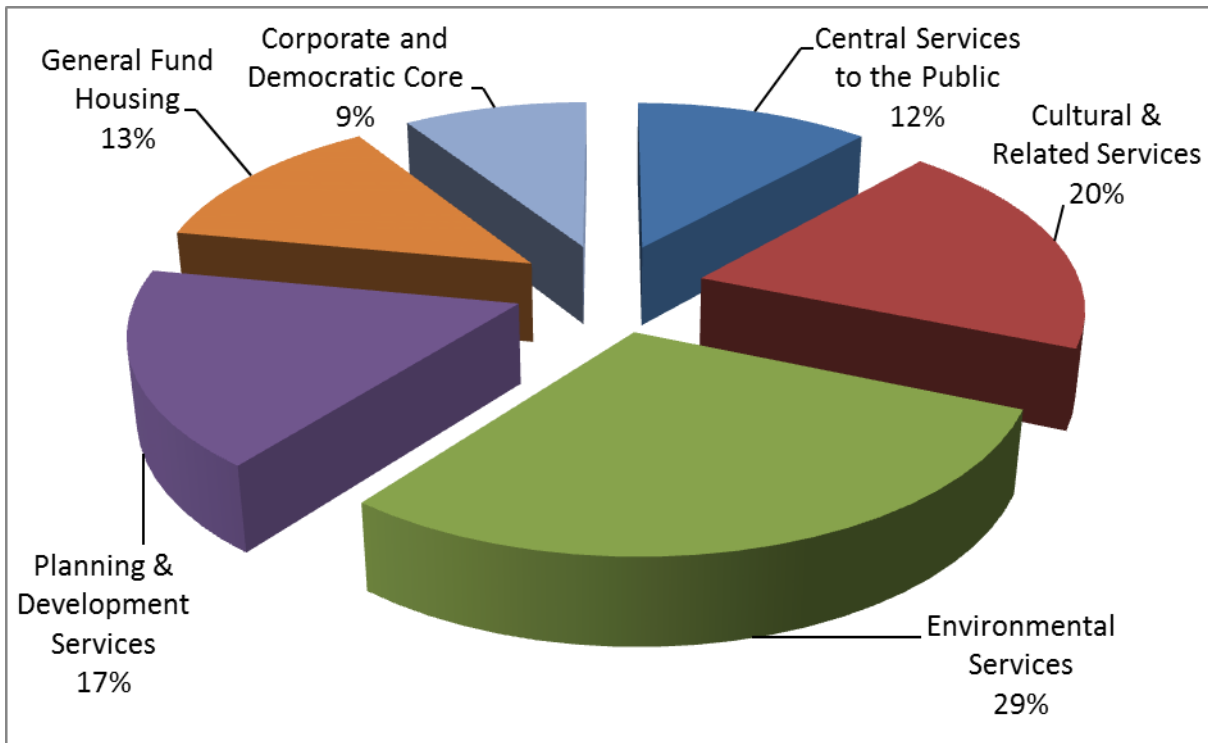
Where the Money Came From



How the Money was Spent



What Services Have Been Provided with the Money?



Explanatory Foreword

GENERAL FUND

The table below summarises the Council's General Fund Revenue Account for 2014/15:

	Budget	Actual	Variance
	£'000	£'000	£'000
Net Cost of Services	20,302	21,391	1,089
Interest (Receipts)/Payments	(187)	(263)	(76)
Capital Charge Adjustments	(3,586)	(5,765)	(2,179)
Other General Government Grants	(2,196)	(4,668)	(2,472)
Pension Adjustments	0	524	524
Revenue Contributions to Capital	472	2,205	1,733
Contributions to/(from) Earmarked Reserves	(274)	(1,798)	(1,524)
Net Council Budget	14,531	11,626	(2,905)
Parish Precepts	628	628	0
Net Council Budget (Incl. Precepts)	15,159	12,254	(2,905)
Revenue Support Grant	(3,017)	(3,017)	0
Retained Business Rates	(1,898)	(212)	1,686
Council Tax	(10,134)	(10,134)	0
Collection Fund Deficit/(Surplus)	(110)	1,154	1,264
Total Income	(15,159)	(12,209)	2,950
(Surplus) / Deficit for the year	0	45	45
Working Balance Brought Forward	(2,697)	(2,697)	
Working Balance Carried Forward	(2,697)	(2,652)	

The overall deficit on the account reduces the Council's working balance by £45k; however this 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 18 to the Accounts.

The Council splits Net Cost of Service budgets between those that can be managed by budget holders (Controllable) and those that can't; mainly year end accounting adjustments (Non-Controllable).

The following paragraphs set out the main budget variations for the General Fund Net Cost of Services split by Controllable and Non-Controllable identified by subjective category:

Controllable

Employees - £422k under budget

- In February 2014, following the triennial actuarial review of the Council's pension scheme, Full Council approved a one-off payment (General Fund element) to reduce the deficit on the pension scheme. At the time of budget approval it was anticipated that this payment would be made in the financial year 2014/15. However, after approval the Council received notification that payment was required in March and therefore would come from the 2013/14 budget. This caused an underspend of £745k
- An overspend of £110k arose from the waste services reconfiguration project team salaries. These costs had been initially budgeted for with the Council's capital programme to be

Explanatory Foreword

financed through the management of change reserve. The costs were still financed from the earmarked reserve and so had no impact on the Council's overall financial position.

- An overspend of £120k was caused in agency costs due to a period of particularly high staff turnover within the Benefits service, along with increased work volumes linked to the general economic downturn. This was financed through unringfenced New Burdens grant income so had no impact on the Council's overall financial provision.
- An overspend of £68k against the original budget was caused by the approval of a graduate scheme. This scheme has been financed through the Council's earmarked reserve so it does not impact on the Council's general fund balance.

Premises - £305k above budget

- An overspend of £120k relates to the Hemel Hempstead Civic Centre. Following the decision to remain in the Civic Centre until transfer to The Forum in January 2017, there have been a number of additional short-term repairs required to ensure that the building remains usable. This includes some of the costs incurred by the Council that arising from the relocation of the library.
- An overspend of £70k has arisen due to demand led repairs and maintenance at Community Centres and open spaces. The works to open spaces were in response to unforeseen incidents, primarily pavement subsidence at the Water Gardens and the repair of flint walls at Gadebridge Park following a number of vehicle incidents.
- The council has taken over the management of 2 Homes of Multiple Occupancy, through the process of Management Orders. This was due to the inadequate state of the properties which were posing a health and safety risk to tenants. Expenditure of £66k has been incurred to bring the properties up to the required standard. This will be recovered in full, as rental income from tenants is being retained by Dacorum until the expense is recovered.

Supplies & Services - £503k over budget

- The Council's budget for the core funding grant to Sportspace was originally based on a proposal to amend the forward funding agreement. This amendment to the funding agreement has been postponed for one financial year causing an overspend of £150k.
- The Council appointed external consultants in 2013/14 to provide project management support for the Forum and associated projects. This was funded from reserves during 2013/14 but the commitment was not included in the base budget for 2014/15 causing an overspend of £85k.
- The Council appointed external consultants to undertake a review of its key contracts, enabling savings to be generated for future years. This was funded from reserves but was unbudgeted expenditure, causing an overspend of £80k.

Income - £952k over recovery

- The Council submitted a claim against HMRC to reclaim VAT paid in previous years. This claim was successful and generated an unbudgeted receipt of £128k.
- An over achievement of income of £198k has arisen in Building and Development due to some large one off applications, along with a general increase in applications. An increase of £115k has been incorporated into the budget for 2015/16.

Explanatory Foreword

- An over achievement of £225k of income has arisen on Car Parking in 2 key areas: off-street car parking has generated an additional £115k, due to increased usage of council car parks, and the income from on-street penalty charge notices has exceeded budget by £85k. An increase of £140k has been factored into the budget for 2015/16 (£90k in off-street car parking and £50k in on-street penalty charge income)
- The Council acquired a new investment property in the later part of 2013/14. This, along with rent reviews on its investment property generated an additional £123k income for the year.
- The council has taken over the management of 2 Homes of Multiple Occupancy, through the process of Management Orders. This was due to the inadequate state of the properties which were posing a health and safety risk to tenants. Income of £66k has been accrued to offset the cost of bringing the properties up to the required standard.

Non-Controllable

The Non-Controllable variances are set out below:

Capital Charges (Reversed no impact on overall outturn)	2,267
Pension Adjustments (Reversed no impact on overall outturn)	(459)
Housing Benefits, Overpayments Provision and Subsidy	32
Bad Debt Provision for Impairment	(63)
Recharges (HRA / General Fund change)	(91)
Total	1,686

HOUSING REVENUE ACCOUNT (HRA)

The table below summarises the Council's Housing Revenue Account for 2014/15:

	Budget	Actual	Variance
	£'000	£'000	£'000
Dwelling Rents and Service Charges	(54,335)	(54,471)	(136)
Interest on Investment Income	(100)	(173)	(73)
Other Income	(1,696)	(2,005)	(309)
Total Income	(56,131)	(56,649)	(518)
Repairs & Maintenance	12,001	11,667	(334)
Supervision & Management	10,533	10,690	157
Revenue Contribution to Capital	16,485	12,263	(4,222)
Interest Payable	11,665	11,660	(5)
Depreciation	8,908	9,716	808
Other Expenditure	491	686	195
Total Expenditure	60,083	56,682	(3,401)
Contributions to/(from) Earmarked Reserves	(4,190)	(156)	4,034
(Surplus) / Deficit for the year	(238)	(123)	115
Working Balance Brought Forward	(2,777)	(2,777)	0
Working Balance Carried Forward	(3,015)	(2,900)	115

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

Repairs & Maintenance - £334k under budget

- The outturn reflects efficiency savings across the areas of Responsive Repairs and Void Repairs arising from the new Total Asset Management contract with Osborne which commenced in July 2014.

Revenue Contribution to Capital - £4.222m under budget

- Revenue Contribution to Capital (RCC) is that amount of surplus revenue, generated over the course of the year, which is transferred out of the Housing Revenue Account into the Housing Capital Programme in order to fund capital projects.
- In 2014/15 a revenue contribution was planned to fund the purchase of a large site for the development of new housing. This purchase was delayed while the appropriateness of the site was investigated, and land surveys were completed.
- The delay of the purchase means there is an underspend on the revenue contribution to capital.

Depreciation - £789k over budget

- The annual depreciation charge is the amount that represents the total value of the housing stock that has been 'used' over the course of the year. Dacorum's housing stock is said to have a 'useful economic life' of 60 years, therefore the annual depreciation charge is approximately one sixtieth of the value of the housing stock. The charge for depreciation in 2014/15 is above budget because the value of the housing stock has increased since the budget was set.

Contribution to/(from) Earmarked Reserves - £4.034m over budget

- The 2014/15 budget included a drawdown from earmarked reserves to fund the purchase of a large area of land for the development of new houses. This purchase was delayed while the appropriateness of the site was investigated, and land surveys were completed, and as such the reserve was not drawn down during 2014/15.

CAPITAL PROGRAMME

The table below summarises the Council's Capital Expenditure and Financing for 2014/15:

Explanatory Foreword

	Budget £'000	Actual £'000	C/Fwd £'000	Variance £'000
General Fund - Finance and Resources	3,245	2,460	758	(27)
General Fund - Housing and Community	5,856	6,540	3	687
General Fund - Strategic Planning & Environment	8,985	7,327	1,103	(555)
Housing Revenue Account	35,050	25,468	8,282	(1,300)
Total Expenditure	53,136	41,795	10,146	(1,195)
Major Repairs Reserve		(2,803)		
Capital Receipts		(21,055)		
Government Grants & Contributions		(2,625)		
Borrowing		0		
Revenue Contributions		(14,468)		
S106 Contributions		(844)		
Total Funding		(41,795)		

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

General Fund Schemes

Housing & Community

- As part of the highbarns land stabilisation project, the Council incurred unbudgeted expenditure of £653k. This expenditure is for work to the highways which has been fully funded by a contribution from Herts County Council.

Strategic Planning & Environment

- There was an underspend of £176k on the Car Park Refurbishment project relating to two schemes which could not be completed during the year. The schemes will still be undertaken and will be accommodated within the future budget allocations.
- During the year, the Council reconfigured residential waste collection. As part of this project, new wheeled bins for the collection of co-mingled waste were procured. Through a successful tender process, the cost of these bins was less than originally anticipated generating a saving of £137k.
- A review of capital schemes during the year meant that funding previously allocated to Neighbourhood Centre Improvements was redirected to other future schemes, producing an in year underspend of £117k.

Housing Revenue Account Schemes

- An underspend of £331k arose on the new build project at Farm Place Berkhamsted where the tender price was lower than originally anticipated.
- There is an underspend of £970k relating to the transfer of The Point from the General Fund to the HRA, which will be made through an accounting adjustment when approved rather than the use of budget.

The Council's Financial Outlook

Explanatory Foreword

The Council's budget for 2015/16 and Medium Term Financial Forecast were approved by Full Council in February 2015. 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 move to "Self Financing" for Council Housing has provided the Council with the control and resources to start a new build programme for the first time in over 30 years.

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 2014/15 precepting and billing authority Council Tax was £79.4m. The Council achieved a collection rate of 97.7% (2013/14 98.1%). Council Tax arrears for precepting authorities (for all years) amounted to £6.1m as at 31 March 2015.

Further Information

More detailed explanations for the Council's outturn are provided in the report to the Audit Committee meeting held on 24 June 2015, entitled 'Final Outturn 2014/15', 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, Civic Centre, Marlowes, Hemel Hempstead, Hertfordshire, HP1 1HH. 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 2015. Approval of the Statement of Accounts has been delegated to the Audit Committee.

In accordance with the requirements of regulation 10 of the Accounts and Audit Regulations 2011, I confirm that the Statement of Accounts for the year ended 31 March 2014 was approved by resolution of the Audit Committee of Dacorum Borough Council on 29 July 2015.

Councillor Roger Taylor
Audit Committee Chairman
29 July 2015

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 2015, and its income and expenditure for the year ending 31 March 2015.

James Deane

Corporate Director (Finance and Operations)

29 July 2015

Annual Governance Statement

Annual Governance Statement 2014/15

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

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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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 and processes and 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 and 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 2015 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 and 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
- Establishing clear channels of communication with all sections of the community and stakeholders and encouraging open consultation

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- 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 (formerly the Local Strategic Partnership) 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 (formerly Destination Dacorum) has a specific remit for the economic wellbeing of the Borough.

Within this context, during 2014/15 the Council reviewed its overall vision and priorities for its local communities. The Council's aims are captured within its Corporate Plan 2012-2015 which was adopted by the Council in January 2013 and sets out five local community priorities. The five priorities included in the 2012-15 Corporate Plan are:

- Building Community Capacity;
- Safe and Clean Environment;
- Affordable Housing;
- Regeneration;
- Dacorum Delivers.

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 2014/15 and also as part of the budget preparation for 2015/16. 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 2015/16 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 four-year period 2012-15 and is reviewed annually to ensure that it remains relevant. The latest Corporate Plan was updated in February 2014.

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 review of 2015/16 performance objectives including setting new targets was undertaken by Assistant Directors and Corporate Directors in March 2015.

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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. Projects that require capital expenditure are considered in the first instance by the Capital Strategy Steering Group (CSSG). This is largely an officer group but also includes the Portfolio Holder for Finance and Resources to represent Cabinet. The CSSG appraises the projects and makes recommendations to Cabinet for referral to Council (as required).

In addition, CMT receive updates on the work and recommendations of five working groups:

- Regeneration;
- Organisational Transformation;
- Community and Localism;
- Sustainable Environment; and
- Property Management

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 2013/14, the most recent undertaken, (reported to the Audit Committee on 30 July 2014), 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 Capital Strategy Steering Group, and 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 and the Property Management Corporate Working Group. The Audit Committee provides assurance to the Council on the effectiveness of the governance arrangements and internal control environment.

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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-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 Assistant Director (Chief Executive's Unit), as the Council's Monitoring Officer, has overall responsibility for legal compliance and has appointed the Group Manager (Legal Governance) as the Deputy Monitoring Officer. All Legal Services staff work closely with departments to advise on legal requirements. The Assistant Director (Chief Executive's Unit) is also the lead officer on Member and employee conduct and supports the Standards Committee and its Sub-Committees.

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

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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 2014/15 to enable the Constitution to remain fit for purpose. During 2014/15 the Scheme of Delegation has 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 2014/15.

Financial Regulations and Commissioning & Procurement policies were reviewed in June 2014.

During 2014/15 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, Capital Strategy and Asset Management Plan.

The Finance & Resources Overview and Scrutiny Committee oversees 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

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.

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

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The key areas covered by the terms of reference of the Committee are Audit Activity, Regulatory Framework, Accounts and Ombudsman.

Ensuring that laws and regulations and 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 Assistant Director (Chief Executive's Unit).

Compliance with the Regulation of Investigatory Powers Act (RIPA)

The Council is required to monitor its use of covert surveillance under RIPA. The Assistant Director (Chief Executive's Unit) 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 Assistant Director (Legal, Democratic & Regulatory) has been 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 2014/15 only one application was 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

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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 Assistant Director (Chief Executive Unit) 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, and is in the process of creating a corporate information security risk register.

In 2014/15 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.

In 2014 two Council laptops were stolen from employees but no action was taken by the ICO because all Council laptops are encrypted and therefore no personal data could be accessed from the devices. This policy is a direct result of PSN compliance which in this case negated the ICO to take punitive action.

In the first 6 months of 2015 there have not been any breaches reported to Legal Governance

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.

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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 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 out elections in May 2015 .

As part of the commitment to the Member training programme, attendance is registered and monitored. During 2014/15, Members attended 16 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
1 :1 Housing Appeals		1
New Build Site Visits	09 July 2014	8
Individual Electoral Registration Update	09 July 2014	21
1:1 Development Control Committee	July 2014	1
Public Speaking	23 July 2014	9
Recycle 4 Dacorum / CCTV	24 July 2014	27
I.T Training	18 September 2014	3
Solving Local Government Finance Jigsaw	23 October 2014	9
Understanding Local Government Finances	4 November 2014	12
Emergency Planning Awareness	19 November 2014	7
Learn More About Your Ward	26 November 2014	5
Audit Training	17 December 2014	5
Safeguarding vulnerable children & adults	14 January 2015	9
Representing the Council on Outside Organisations	29 January 2015	5
Managing Difficult People & Situations	17 February 2015	5
Information Security / Data Protection	10 March 2015	6

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 2012/13. 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.

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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 Centre 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.

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 2014/15, 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

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<p>Monitoring Officer (Assistant Director (Chief Executives Unit))</p>	<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 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 ○ 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
<p>Section 151 Officer (Corporate Director (Finance & Operations))</p>	<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
<p>Statutory Officers Comments – Monitoring Officer and Section 151 Officer</p>	<ul style="list-style-type: none"> ○ Statutory officers review all Cabinet and Portfolio Holder 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
<p>Corporate Directors</p>	<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
<p>Corporate Management Team</p>	<ul style="list-style-type: none"> ○ Monthly review of budget, performance and Improving Dacorum Programme ○ Quarterly review of strategic risk management
<p>Performance Board</p>	<ul style="list-style-type: none"> ○ Review performance against Council Vision and Priorities ○ Review Dacorum Delivers improvement programme projects

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<p>Capital Strategy Steering Group</p>	<ul style="list-style-type: none"> ○ Representation from all directorates and Cabinet (Finance and Resources Portfolio Holder) ○ Monthly monitoring of the delivery of capital programme ○ Detailed appraisal and scoring of new schemes for recommendation to Cabinet/consideration for recommendation to Council
<p>Corporate Working Groups</p>	<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
<p>Corporate Risk Management Group (subsumed within Assistant Directors Group)</p>	<ul style="list-style-type: none"> ○ Officer meetings (membership drawn from all directorates at Assistant Director Level, the Council's Risk Manager and Internal Audit) to review operational risks and business continuity
<p>Assistant Directors and Group Managers</p>	<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 13 reviews in 2013/14, of which 12 (92%) were rated as providing a full or substantial level of assurance, and one (8%) provided limited assurance.

The single Limited Assurance report included a Priority 1 recommendation. 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 – Key Performance Indicators as specified in contracts between the Council and the Contractor should be formally monitored and recorded. Formal contract management guidance has been produced and is shown in a separate section within the Commissioning & Procurement Standing Orders (CPSOs). The CPSOs and the Commissioning & Procurement Strategy were revised to take account of the outcomes of the 'Review of Procurement' and were presented to Scrutiny and Cabinet in June 2014 and adopted by Council in July 2014. The updated CPSOs state that for all key Council contracts or contracts with a value above the EU threshold, a quarterly report (or more frequent if desired) must be submitted to the Group Manager (Commissioning, Procurement & Compliance) for reporting to the Performance Board.

The Internal Auditor has obtained satisfactory assurance that the system of internal control in place at the Council for the year ended 31 March 2015 accords with proper practice. Further details of the reviews undertaken by Internal Audit during 2014/15 are available upon request and are summarised within the Internal Auditor's draft Annual Report presented to the Audit Committee on 24 June 2015, 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)

Comprehensive Income & Expenditure Statement

	Note	2014/15			2013/14		
		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Central Services to the Public		4,059	(987)	3,072	9,114	(905)	8,209
Cultural and Related Services		9,250	(4,099)	5,151	8,297	(4,416)	3,881
Environmental and Regulatory Services		12,152	(4,554)	7,598	12,088	(4,541)	7,547
Planning Services		6,688	(2,106)	4,582	6,296	(1,783)	4,513
Highways, Roads & Transport Services		1,662	(2,450)	(788)	1,733	(2,068)	(335)
Local Authority Housing (HRA)		20,081	(56,476)	(36,395)	22,348	(53,933)	(31,585)
Other Housing Services		55,176	(51,796)	3,380	54,333	(50,366)	3,967
Corporate and Democratic Core		2,666	(259)	2,407	2,476	(249)	2,227
Non Distributed Costs		0	0	0	101	0	101
Total Cost of Services		111,734	(122,727)	(10,993)	116,786	(118,261)	(1,475)
Other Operating Expenditure	6			(3,292)			(3,090)
Financing and Investment Income and Expenditure	7			10,143			10,919
Taxation and Non Specific Grant Income	8			(21,326)			(24,249)
(Surplus)/Deficit on Provision of Services				(25,468)			(17,895)
(Surplus)/ Deficit on Revaluation of Property, Plant and Equipment	19/31			(59,628)			(22,412)
Actuarial (Gains)/Losses on Pension Asset / Liabilities	14			13,249			(11,416)
Other Comprehensive Income and Expenditure				(46,379)			(33,828)
Total Comprehensive Income and Expenditure				(71,847)			(51,723)

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 2014		2,697	14,332	2,723	7,350	11,120	786	10,320	49,328	385,795	435,123
Movement in Reserves During 2014/15:											
Surplus or (Deficit) on Provision of Services		(4,191)	0	29,659	0	0	0	0	25,468	0	25,468
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0	0	46,379	46,379
Total Comprehensive Income and Expenditure		(4,191)	0	29,659	0	0	0	0	25,468	46,379	71,847
Adjustments Between Accounting Basis and Funding Basis Under Regulations:	17	2,350	0	(29,692)	0	6,450	(255)	(10,006)	(31,153)	31,153	0
Net Increase/(Decrease) Before Transfers to Earmarked Reserves		(1,841)	0	(33)	0	6,450	(255)	(10,006)	(5,685)	77,532	71,847
Transfer (to)/from Earmarked Reserves	18	1,798	(1,798)	156	(156)	0	0	0	0	0	0
Increase/(Decrease) in Year		(43)	(1,798)	123	(156)	6,450	(255)	(10,006)	(5,685)	77,532	71,847
Balance at 31 March 2015		2,654	12,534	2,846	7,194	17,570	531	314	43,643	463,327	506,970

	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 2013		2,991	14,411	2,777	12,127	6,852	580	5,670	45,408	337,992	383,400
Movement in Reserves During 2013/14:											
Surplus or (Deficit) on Provision of Services		(6,146)	0	24,041	0	0	0	0	17,895	0	17,895
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0	0	33,828	33,828
Total Comprehensive Income and Expenditure		(6,146)	0	24,041	0	0	0	0	17,895	33,828	51,723
Adjustments Between Accounting Basis and Funding Basis Under Regulations:	17	5,773	0	(28,872)	0	4,268	206	4,650	(13,975)	13,975	0
Net Increase/(Decrease) Before Transfers to Earmarked Reserves		(373)	0	(4,831)	0	4,268	206	4,650	3,920	47,803	51,723
Transfer (to)/from Earmarked Reserves	18	79	(79)	4,777	(4,777)	0	0	0	0	0	0
Increase/(Decrease) in Year		(294)	(79)	(54)	(4,777)	4,268	206	4,650	3,920	47,803	51,723
Balance at 31 March 2014		2,697	14,332	2,723	7,350	11,120	786	10,320	49,328	385,795	435,123

Balance Sheet

	Note	31 March 2015 £'000	31 March 2014 £'000
Long-term Assets			
Property, Plant & Equipment	19	845,789	755,818
Investment Property	16	46,123	45,004
Heritage Assets	38	1,649	1,649
Intangible Assets	21	1,009	796
Long-term Debtors	23	1,085	1,135
Total Long Term Assets		895,655	804,392
Current Assets			
Short-term Investments	37	34,032	22,610
Assets Held for Sale	22	0	0
Inventories		180	174
Short-term Debtors	24	13,489	12,028
Cash and Cash Equivalents	25	23,467	31,591
Total Current Assets		71,168	66,403
Current Liabilities			
Short-term Creditors	26	(19,724)	(13,218)
Short-term Borrowing	37	(128)	(127)
Revenue Grants and Contributions	29	(269)	0
Capital Grants and Contributions	28	(2,838)	(3,059)
Short-term Provisions	30	(5,472)	(2,725)
Total Current Liabilities		(28,431)	(19,129)
Long-term Liabilities			
Long-term Creditors	27	(7,158)	(7,136)
Long-term Borrowing	37	(346,739)	(346,739)
Long-term Provisions	30	0	(410)
Net Pension Liability	14	(77,525)	(62,258)
Total Long-term Liabilities		(431,422)	(416,543)
Net Assets (Assets Less Liabilities)		506,970	435,123
Usable Reserves			
General Fund		2,654	2,697
Earmarked Reserves – General Fund	18	12,534	14,332
Housing Revenue Account		2,846	2,723
Earmarked Reserves – Housing Revenue Account	18	7,194	7,350
Major Repairs Reserve		17,570	11,120
Capital Grants Unapplied Account		531	786
Capital Receipts Reserve		314	10,320
Total Usable Reserves		43,643	49,328
Unusable Reserves			
Revaluation Reserve	31	112,656	54,413
Capital Adjustment Account	32	429,289	395,998
Deferred Capital Receipts	33	10	30
Collection Fund Adjustment Account	34	(900)	(2,135)
Pension Reserve	14	(77,525)	(62,258)
Accumulated Absences Account	35	(203)	(253)
Total Unusable Reserves		463,327	385,795
Total Reserves		506,970	435,123

Cash Flow Statement

	Note	2014/15 £'000	2013/14 £'000
Cash Flows from Operating Activities			
Net Surplus/(Deficit) on Provision of Services		25,468	17,895
<i>Adjustments to Net Surplus/(Deficit) on Provision of Services for Non-Cash Movements:</i>			
Depreciation & Impairment	19	13,002	12,586
Changes in Market Value of Property, Plant & Equipment	19	(13,047)	(11,909)
Amortisation of Intangible Assets	21	326	366
Changes in Fair Value of Investment Properties	16	(1,047)	(1,308)
Disposal of Assets	17	6,820	5,944
Changes in Inventory		(6)	6
Changes in Debtors		(2,113)	1505
Changes in Creditors		6,529	1,375
Changes in Provisions	30	2,337	1,974
Changes in Deferred Capital Receipts	33	(20)	(19)
Changes in Net Pension Liability		2,018	1,856
Other non-cash Movements		(6)	(2)
<i>Adjustments for Items Included in the Net Surplus/(Deficit) on Provision of Services that are Investing/Financing Activities</i>			
Capital Grants Recognised		(3,214)	(6,263)
Proceeds on Disposal of Property, Plant & Equipment	17	(12,133)	(10,927)
Net Cash Flows from Operating Activities		24,913	13,079
Cash Flows from Investing Activities			
Purchase of Property, Plant & Equipment	19	(37,459)	(31,774)
Purchase of Investment Property	16	(70)	(1,251)
Purchase of Intangible Assets	21	(204)	(199)
Proceeds from the Disposal of Property, Plant and Equipment		12,153	10,946
Net Changes in Short-term and Long-term Investments		(11,422)	8,688
Net Cash Flows from Investing Activities		(37,002)	(13,590)
Cash Flows from Financing Activities			
Changes in Grants and Contributions		48	(699)
Capital Grants and Contributions Recognised		3,214	6,263
Cash Receipts of Short-term and Long-term Borrowing		1	0
Changes in Council Tax and Business Rates Collected for Third Parties		702	(3,733)
Net Cash Flows from Financing Activities		3,965	1,831
Net Increase/Decrease in Cash and Cash Equivalents in the Period		(8,124)	1,320
Cash and Cash Equivalents at the Beginning of the Period		31,591	30,271
Cash and Cash Equivalents at the End of the Period		23,467	31,591
The cash flows for operating activities include the following items:		2014/15 £'000	2013/14 £'000
Interest Receivable and Similar Income		(456)	(559)
Interest Payable and Other Similar Charges		11,681	11,689

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 2014/15 (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.

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.

Notes to the Core Financial Statements

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.

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 CIPFA Service Reporting Code of Practice 2014/15 (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.

Notes to the Core Financial Statements

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.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. It does not currently require a Minimum Revenue Provision (MRP) for the repayment of debt as its only debt arises from Housing Self Financing for which there is no requirement for a MRP. 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.

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 primarily based on the amount that would be paid for the asset in its existing use. 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.

Notes to the Core Financial Statements

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.

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 are 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.

Notes to the Core Financial Statements

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

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 Civic Centre, 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

Notes to the Core Financial Statements

and would not materially affect the accounts, it would be inappropriate and misleading to present a value based on purely material costs.

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.

Notes to the Core Financial Statements

Finance Leases (Council as Lessor)

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 held 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, which is based on active market prices adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

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

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. 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

Notes to the Core Financial Statements

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.

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

Notes to the Core Financial Statements

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.

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;

Notes to the Core Financial Statements

- 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.

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.

Notes to the Core Financial Statements

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.

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

Notes to the Core Financial Statements

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.

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

Notes to the Core Financial Statements

- 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 that have been issued but have not yet been adopted

For 2014/15, the following accounting policy changes need to be reported:

- IFRS1 – Meaning of effective IFRSs
- IFRS3 – Scope exceptions for joint ventures
- IFRS13 – Fair Value Measurement
- IAS40 – Clarifying the interrelationship of IFRS 3 Business Combinations and IAS40 Investment Property
- IFRIC21 – Levies

It is not anticipated these changes will have a material impact on the 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 £36.6m in the Balance Sheet and increase the annual depreciation charge by £0.478m in the Comprehensive Income and Expenditure Statement. A 5% decrease in property prices would decrease the carrying value of the council dwellings by £36.6m in the Balance Sheet and decrease the annual depreciation charge by £0.48m in the Comprehensive Income and

Notes to the Core Financial Statements

Expenditure Statement. The accounting policy for Council dwellings is set out in Note 1 and information on Council dwellings is set out in Note 19.

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. Recent changes to the appeals backdating led to an increased number of claims being submitted towards the end of 2014/15. 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 £11.1m, of which the Councils share of £4.5m is reflected in the Accounts. An increase in the success rate by 5% would change the required provision by £2.5m, 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.

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 2015 as follows:

	£'m
0.5% decrease in the real discount rate	21.7
1 year increase in member life expectancy	6.6
0.5% increase in the salary increase rate	5.8
0.5% increase in the pension increase rate	16.0
Total	50.1

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 14.

5. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is in a format specified by the CIPFA *Service Reporting Code of Practice*. In practice, decisions about resource allocation are taken within the Council on the basis of budget reports analysed across Committees.

The tables that follow provide reconciliations between the figures used for decision-making, and the figures presented on the Comprehensive Income and Expenditure Statement.

Notes to the Core Financial Statements

2014/15 Committee Income & Expenditure	Finance & Resources	Strategic Planning & Environment	Housing & Community - General Fund	Housing & Community - Housing Revenue Account	Total
	£'000	£'000	£'000	£'000	£'000
Employees	9,173	8,720	3,461	5,142	26,496
Premises	2,449	1,666	625	11,831	16,571
Transport	61	3,083	59	106	3,309
Supplies & Services	5,451	4,720	1,980	5,330	17,481
Contributions to/(from) Provisions	(73)	(102)	37	71	(67)
Third Party Payments	1,780	113	26	0	1,919
Transfer Payments	46,429	0	0	0	46,429
Support Services	10,873	2,961	1,587	3,168	18,589
Payments to Housing Capital Receipts Pool	1,394	0	0	0	1,394
Capital Charges/Revaluations	1,747	2,157	1,948	(2,559)	3,293
Interest Payments	21	0	0	11,660	11,681
Total Expenditure	79,305	23,318	9,723	34,749	147,095
Fees, Charges & Other Service Income	(4,639)	(5,835)	(3,536)	(55,306)	(69,316)
Recharge Income	(18,410)	(5,436)	(939)	(2,433)	(27,218)
Interest & Investment Income	(283)	0	0	(173)	(456)
Income from Council Tax	(10,215)	0	0	0	(10,215)
Income from Business Rates	(212)	0	0	0	(212)
Government Grants & Other Contributions	(59,701)	(1,616)	(114)	(1,640)	(63,071)
Other Items	(1,448)	0	0	30,157	28,709
(Gains)/Losses on Disposal of Assets	38	0	0	(5,354)	(5,316)
Total Income	(94,870)	(12,887)	(4,589)	(34,749)	(147,095)
Net Income/Expenditure	(15,565)	10,431	5,134	0	0

Reconciliation of Committee Income & Expenditure to Cost of Services in the Comprehensive Income & Expenditure Statement:

	£'000
Net Expenditure in the Directorate Analysis	0
Items Included in the Analysis not Included in the CI&E	(10,993)
Comprehensive Income & Expenditure Net Cost of Services	(10,993)

Reconciliation to Subjective Analysis 2014/15	Committee Analysis	Amounts not Included in the CI&E	Amounts in CI&E not in Subjective	Total
	£'000	£'000	£'000	£'000
Employees	26,496	0	0	26,496
Premises	16,571	0	0	16,571
Transport	3,309	0	0	3,309
Supplies & Services	17,481	0	0	17,481
Contributions to Provisions	(67)	0	0	(67)
Third Party Payments	1,919	0	0	1,919
Transfer Payments	46,429	0	0	46,429
Support Services	18,589	0	0	18,589
Capital Charges/Revaluations	3,293	0	0	3,293
Income	(96,534)	0	0	(96,534)
Interest & Investment Income	(456)	0	0	(456)
Income from Council Tax	(10,215)	0	0	(10,215)
Income from Business Rates	(212)	0	0	(212)
Government Grants & Other Contributions	(63,071)	0	0	(63,071)
Interest Payments	11,681	0	0	11,681

Notes to the Core Financial Statements

Payments to Housing Capital Receipts Pool	1,394	0	0	1,394
Below the Line Entries	28,709	(25,468)	(46,379)	(43,138)
(Gains)/Losses on Disposal of Assets	(5,316)	0	0	(5,316)
Total	0	(25,468)	(46,379)	(71,847)

2013/14 Committee Income & Expenditure	Finance & Resources	Strategic Planning & Environment	Housing & Community - General Fund	Housing & Community - Housing Revenue Account	Total
	£'000	£'000	£'000	£'000	£'000
Employees	9,726	8,647	3,364	5,319	27,056
Premises	2,995	1,492	683	13,017	18,187
Transport	50	3,205	80	124	3,459
Supplies & Services	4,987	5,393	2,233	5,253	17,866
Contributions to/(from) Provisions	(4)	12	(31)	(57)	(80)
Third Party Payments	1,575	145	25	0	1,745
Transfer Payments	45,788	0	0	0	45,788
Support Services	9,664	3,089	1,466	3,173	17,392
Payments to Housing Capital Receipts Pool	1,293	0	0	0	1,293
Capital Charges/Revaluations	5,666	934	1,911	-1,663	6,848
Interest Payments	24	0	0	11,665	11,689
Total Expenditure	81,764	22,917	9,731	36,381	151,243
Fees, Charges & Other Service Income	(4,353)	(5,601)	(3,355)	(52,851)	(66,160)
Recharge Income	(17,696)	(5,493)	(646)	(2,332)	(26,167)
Interest & Investment Income	(354)	0	0	(205)	(559)
Income from Council Tax	(9,875)	0	0	0	(9,875)
Income from Business Rates	(1,199)	0	0	0	(1,199)
Government Grants & Other Contributions	(61,088)	(1,455)	(72)	(1,327)	(63,942)
Other Items	(3,272)	0	0	24,914	(21,642)
(Gains)/Losses on Disposal of Assets	47	0	0	(5,030)	(4,983)
Total Income	(97,790)	(12,549)	(4,073)	(36,831)	(151,243)
Net Income/Expenditure	(16,025)	10,367	5,658	0	0

Reconciliation of Committee Income & Expenditure to Cost of Services in the Comprehensive Income & Expenditure Statement:

	£'000
Net Expenditure in the Directorate Analysis	0
Items Included in the Analysis not Included in the CI&E	(1,475)
Comprehensive Income & Expenditure Net Cost of Services	(1,475)

Reconciliation to Subjective Analysis 2013/14	Committee Analysis	Amounts not included in the CI&E	Amounts in CI&E not in Subjective	Total
	£'000	£'000	£'000	£'000
Employees	27,056	0	0	27,056
Premises	18,187	0	0	18,187
Transport	3,459	0	0	3,459
Supplies & Services	17,866	0	0	17,866
Contributions to Provisions	(80)	0	0	(80)
Third Party Payments	1,745	0	0	1,745
Transfer Payments	45,788	0	0	45,788
Support Services	17,392	0	0	17,392
Capital Charges/Revaluations	6,848	0	0	6,848
Income	(92,327)	0	0	(92,327)
Interest & Investment Income	(559)	0	0	(559)
Income from Council Tax	(9,875)	0	0	(9,875)
Income from Business Rates	(1,199)	0	0	(1,199)
Government Grants & Other Contributions	(63,942)	0	0	(63,942)

Notes to the Core Financial Statements

Interest Payments	11,689	0	0	11,689
Payments to Housing Capital Receipts Pool	1,293	0	0	1,293
Below the Line Entries	21,642	(17,895)	(33,828)	(30,081)
(Gains)/Losses on Disposal of Assets	(4,983)	0	0	(4,983)
Total	0	(17,895)	(33,828)	(51,723)

6. Other Operating Expenditure

	Note	2014/15 £'000	2013/14 £'000
Parish Council Precepts		628	600
Payments to the Government Housing Capital Receipts Pool		1,394	1,293
(Gains)/Losses on the Disposal of Non Current Assets	17	(5,314)	(4,983)
Total		(3,292)	(3,090)

7. Financing and Investment Income & Expenditure

	Note	2014/15 £'000	2013/14 £'000
Interest Payable and Other Similar Charges		11,681	11,689
Interest Receivable and Similar Income		(456)	(559)
Net Interest on the Net Defined Benefit Liability/Asset	14	2,662	3,200
Income and Expenditure in Relation to Investment Properties and Changes in their Fair Value	16	(3,744)	(3,411)
Total		10,143	10,919

8. Taxation and Non Specific Grant Income

	Note	2014/15 £'000	2013/14 £'000
Council Tax Income		(10,215)	(9,875)
Non Domestic Rates Income & Expenditure		(212)	(1,199)
Non-ringfenced Government Grants	10	(7,685)	(6,912)
Capital Grants and Contributions		(3,214)	(6,263)
Total		(21,326)	(24,249)

9. Members' Allowances

The Council paid the following amounts to 51 (2013/14 51) elected Members of the Council during the year.

	2014/15 £'000	2013/14 £'000
Salaries	376	372
Allowances	3	3
Expenses	2	2
Total	381	377

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

Notes to the Core Financial Statements

10. Grant Income

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

Non Specific Grant Income	2014/15	2013/14
	£'000	£'000
Revenue Support Grant	(3,017)	(3,962)
Area Based Grants/Local Area Agreements	0	0
New Homes Bonus	(2,143)	(1,529)
Council Tax Freeze Grant	0	0
Business Rates Retention	(2,295)	(1,239)
Other	(230)	(182)
Total	(7,685)	(6,912)
Grants Credited to Services	2014/15	2013/14
	£'000	£'000
Benefits Subsidy and Administration	(47,927)	(47,004)
Supporting People	0	0
Elections	0	0
Local Sustainable Transport Fund	0	(37)
Other	(201)	(162)
Total	(48,128)	(47,203)

11. 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 surplus for Chargeable services for the three year period ending 31 March 2015 was £75k, compared with a deficit of £229k for the three year period to 31 March 2014. The statement below shows the total cost of operating the Building Control unit divided between the chargeable and non-chargeable activities for 2014/15.

Building Control 2014/15	2014/15 Chargeable	2014/15 Non Chargeable	2014/15 Total	2013/14 Total
	£'000	£'000	£'000	£'000
Employees	323	109	432	439
Premises	0	0	0	0
Transport	5	2	7	9
Supplies & Services	42	14	56	51
Support Services	111	38	149	190
Depreciation	0	0	0	4
Bad Debts Provision	(2)	(1)	(3)	6
Total Expenditure	479	162	641	699
Building Regulation Charges	(565)	0	(565)	(525)
Other Income	0	(4)	(4)	(3)
Total Income	(565)	(4)	(569)	(528)
Building Control (Surplus)/Deficit	(86)	158	72	171

Notes to the Core Financial Statements

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12. 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 2014/15	Number of Employees 2013/14
£50,000 - £54,999	8	10
£55,000 - £59,999	6	1
£60,000 - £64,999	4	4
Total	18	15

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	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
£0 - £20,000	6	0	0	0	6	0	42	0
£20,001 - £40,000	2	3	1	1	3	4	68	113
£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	1	0	1	0	51
£150,000<	0	0	0	0	0	0	0	0
Total	8	3	1	2	9	5	110	164

Notes to the Core Financial Statements

The remuneration paid to the Council's senior employees in 2014/15 was as follows:

2014/15	Salary (Including Fees & Allowances)	Expenses Reimbursed	Benefits in Kind (e.g. Lease Car)	Total Remuneration Excluding Pension Contributions	Pension Contributions	Total Remuneration
	£	£	£	£	£	£
<u>Posts Employed for Full Year</u>						
Chief Executive	128,443	469	0	128,911	19,783	148,694
Corporate Director – Housing & Regeneration	99,741	162	2,205	102,108	15,748	117,856
Assistant Director – Chief Executive's Unit	82,415	134	6,140	88,689	14,169	102,858
Assistant Director – Neighbourhood Delivery	76,721	88	0	76,809	11,675	88,485
Assistant Director – Housing Landlord	74,415	570	4,504	79,489	8,881	88,370
Assistant Director – Planning, Development & Regeneration	71,563	712	2,314	74,590	11,449	86,039
<u>Posts Employed for Part Year</u>						
Corporate Director – Finance & Operations (April 2014 until October 2014)	93,076	310	0	93,386	7,832	101,218
Corporate Director – Finance & Operations (February 2015 until March 2015)	16,075	114	0	16,189	1,897	18,085
Assistant Director – Finance & Resources (April 2014 until January 2015)	61,157	589	0	61,746	9,838	71,584
Assistant Director – Performance & Projects (April 2014 until August 2014)	29,354	310	884	30,548	4,838	35,386
Assistant Director – Performance & Projects (October 2014 until March 2015)	34,205	0	0	34,205	5,181	39,386

The annualised salaries for posts employed during part of the year were: (1) Corporate Director – Finance & Operations (April 2014 until October 2014) - £116,619; (2) Corporate Director – Finance & Operations (February 2015 until March 2015) - £111,884; (3) Assistant Director – Finance & Resources (April 2014 until January 2015) - £85,386; (4) Assistant Director – Performance & Projects (April 2014 until August 2014) - £84,419; (5) Assistant Director – Performance & Projects (October 2014 until March 2015) - £81,220.

Notes to the Core Financial Statements

During 2013/14, the Cabinet instructed that Dacorum Borough Council review its senior staff structure to ensure efficiency in delivery of the Council's priorities. This had the effect of reducing the number of Corporate Director posts from 3 to 2, and the number of Assistant Director posts from 7 to 6.

2013/14	Salary (Including Fees & Allowances) £	Expenses Reimbursed £	Benefits in Kind (e.g. Lease Car) £	Total Remuneration Excluding Pension Contributions £	Pension Contributions £	Total Remuneration £
<u>Posts Employed for Full Year</u>						
Corporate Director – (Housing & Regeneration)	98,322	0	2,436	100,758	15,515	116,273
Assistant Director – Chief Executive's Unit	80,008	108	4,752	84,868	13,553	98,421
Assistant Director – Neighbourhood Delivery	73,772	441	0	74,213	11,204	85,417
Assistant Director – Housing Landlord	72,572	682	3,757	77,011	11,612	88,623
Assistant Director – Performance & Projects	71,166	505	3,055	74,726	11,387	86,113
Assistant Director – Planning, Development & Regeneration	68,685	501	2,241	71,427	10,949	82,376
Assistant Director – Finance & Resources	68,370	0	0	68,370	10,339	78,709
<u>Posts Employed for Part Year</u>						
Chief Executive (April 2013 – October 2013)	79,327	182	0	79,509	63,324	142,833
Chief Executive (November 2013 – March 2014)	53,516	368	0	53,884	8,243	62,127
Corporate Director – Finance & Operations	50,472	0	0	50,472	7,708	58,180
<u>Posts Removed from the Establishment During the Year</u>						
Corporate Director – Finance & Governance	58,884	516	0	59,400	8,992	68,392
Corporate Director – Performance, Improvement & Transformation	28,566	145	1,077	29,788	4,489	34,277
Assistant Director – Strategy & Transformation	21,468	0	0	21,468	3,243	24,711

The annualised salaries for posts employed during part of the year were: (1) Chief Executive (April 2013 – October 2013) - £135,611; (2) Chief Executive (November 2013 – March 2014) - £130,250; (3) Corporate Director – Finance & Operations - £101,221; (4) Corporate Director – Finance & Governance - £101,312; (5) Corporate Director – Performance, Improvement & Transformation - £95,266; (5) Assistant Director – Strategy & Transformation - £66,804

Notes to the Core Financial Statements

13. 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, Ernst & Young:

	2014/15 £'000	2013/14 £'000
External audit services carried out by the appointed auditor for the year	98	97
External audit services carried out by the auditor for an earlier year	(13)	(13)
Certification of grant claims and returns for the year	23	38
Total	108	122

14. 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	2014/15 £'000	2013/14 £'000
Cost of Services:		
Current Service Cost	3,966	4,037
Past Service Cost/(Gain) – Including Curtailments	0	101
Financing and Investment Income and Expenditure:		
Net Interest Expense	2,662	3,200
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	6,628	7,338
Other Comprehensive Income & Expenditure:		
Return on Plan Assets (excluding amounts included in net interest expense)	(12,274)	(5,850)
Actuarial (Gains) & Losses Arising on Changes in Demographic Assumptions	0	(5,930)
Actuarial Gains & Losses Arising on Changes in Financial Assumptions	27,440	82
Other	(1,917)	282
Total Post Employment Benefit Charged to the Comprehensive	13,249	(11,416)

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Income & Expenditure Statement	2014/15	2013/14
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	(6,628)	(7,338)
Employer's Contributions Payable to the Pension Scheme	4,610	5,482
Total	(2,018)	(1,856)

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:

Pension Assets & Liabilities Recognised in the Balance Sheet	2014/15	2013/14
	£'000	£'000
Present value of the defined benefit obligation	(219,940)	(188,143)
Fair value of plan assets	142,416	125,885
Sub-total		
Other movements in the liability	0	0
Net liability arising from defined benefit obligation	(77,524)	(62,258)

Assets and Liabilities in relation to Retirement Benefits

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

Reconciliation of Present Value of Scheme Liabilities	2014/15	2013/14
	£'000	£'000
Liabilities as of the Beginning of the Period	(188,143)	(186,580)
Current Service Cost	(3,966)	(4,037)
Interest Cost	(8,047)	(8,363)
Contributions by Scheme Participants	(1,104)	(1,016)
Actuarial (Losses)/Gains	(25,523)	5,566
Losses on Curtailments	0	(101)
Benefits Paid	6,842	6,388
Past Service Costs	0	0
Liabilities as of the End of the Period	(219,940)	(188,143)

Reconciliation of Fair Value of Scheme Assets	2014/15	2013/14
	£'000	£'000
Assets as of the Beginning of the Period	125,885	114,762
Expected Rate of Return	5,385	5,163
Actuarial Gains/(Losses)	12,274	5,850
Employer Contributions	4,610	5,482
Contributions by Scheme Participants	1,104	1,016
Benefits Paid	(6,842)	(6,388)
Assets as of the End of the Period	142,416	125,885

Notes to the Core Financial Statements

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	2014/15 £'000	2013/14 £'000
Quoted Prices in Active Markets		
<u>Equity Securities</u>		
Consumer	12,575	12,676
Manufacturing	14,897	14,504
Energy and Utilities	4,111	5,592
Financial Institutions	12,800	13,672
Health and Care	2,112	1,933
Information Technology	8,845	8,853
Other	1,050	1,436
<u>Debt Securities</u>		
Corporate Bonds (Investment Grade)	0	10,435
UK Government	0	7,755
Other	0	2,664
<u>Investment Funds and Unit Trusts</u>		
Equities	20,463	19,154
Bonds	37,988	3,069
Commodities	617	535
Other	447	6,659
<u>Cash and Cash Equivalents</u>		
All	3,758	4,096
Total of Assets with Prices Quoted in Active Markets	119,661	113,033
Quoted Prices not in Active Markets		
<u>Private Equity</u>		
All	5,899	5,103
<u>Real Estate</u>		
UK Property	0	4,874
Overseas Property	0	2,765
<u>Investment Funds and Unit Trusts</u>		
Infrastructure	127	0
Other	17,037	0
<u>Derivatives</u>		
Foreign Exchange	(309)	110
Total of Assets with Prices Quoted not in Active Markets	22,755	12,852
Total Fair Value of Employers Assets	142,416	125,885

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

Notes to the Core Financial Statements

independent firm of actuaries, estimates for the Fund being based on the latest full revaluation of the scheme as at 31 March 2013.

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

Principal Assumptions	2014/15 %	2013/14 %
Rate of inflation	3.1	3.6
Rate of increase in salaries	3.8	4.1
Rate of increase In pensions	2.4	2.8
Rate of discounting scheme liabilities	3.2	4.3
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	2014/15 Age	2013/14 Age
Longevity at 65 for current pensioners		
Men	22.3	22.3
Women	24.5	24.5
Longevity at 65 for future pensioners		
Men	24.3	24.6
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 £77.5m 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 completed on 31 March 2016. The total value of contributions expected to be made by the Council in 2015/16 is £4.7m.

The scheme takes account of the national changes arising from the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme may not provide benefits in relation to service after 31 March 2015. The Act provides for scheme regulations to be made within a common framework, to establish a new career average revalued earnings scheme to pay pensions and other benefits.

The weighted duration for all members is 17.2 years. The weighted average duration and liability split of the defined benefit obligation for scheme members as at 31 March 2013 is as follows:

	Liability Split	Weighted Average Duration
Active Members	39.0 %	23.5
Deferred Members	22.3%	22.4
Pensioner Members	38.7%	11.2

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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:

Reconciliation of Fair Value of Scheme Assets	2014/15 £'000	2013/14 £'000
Surplus /(Deficit) as of Beginning of the Period	(62,258)	(71,818)
Actuarial Gains/(Losses) on Pension Assets and Liabilities	(13,249)	11,416
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	(6,628)	(7,338)
Employer's Pension Contributions	4,610	5,482
Surplus/(Deficit) as of End of the Period	(77,525)	(62,258)

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. The allocation between growth and defensive assets as at the accounting year end date was approximately 79% growth / 25% defensive.
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 from Mercer, and the Fund's Investment Sub-Committee meets the investment managers on an ongoing basis.

Notes to the Core Financial Statements

15. 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 2014/15 (2013/14 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	2014/15 £'000	2013/14 £'000
Not later than one year	1	1
Later than one year but not later than five years	5	5
Later than five years	35	36
Total Commitments under Operating Leases	41	42

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	2014/15 £'000	2013/14 £'000
Not later than one year	128	128
Later than one year but not later than five years	221	281
Later than five years	390	425
Total Minimum Lease Income under Operating Leases	739	834

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 2014/15 £6k contingent rents were receivable by the Council (2013/14 £15k)

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	2014/15 £'000	2013/14 £'000
Not later than one year	3,051	3,002
Later than one year but not later than five years	9,869	9,459
Later than five years	45,034	44,139
Total Minimum Lease Income under Operating Leases	57,954	56,600

Notes to the Core Financial Statements

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 of £0.7m (2013/14 £0.6m).

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	2014/15 £'000	2013/14 £'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	2014/15 £'000	2013/14 £'000
Current	0	0
Non-current	188	188
Finance Costs Payable in Future Years	1,692	1,712
Minimum Lease Payments	1,880	1,900

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	2014/15 £'000	2013/14 £'000
Not later than one year	20	20
Later than one year but not later than five years	80	80
Later than five years	1,780	1,800
Total Commitments Under Finance Leases	1,880	1,900

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 £0.025m (2013/14 £0.020m). The Council has sub-let these properties held under finance leases. At 31 March 2015 the minimum payments expected to be received under non-cancellable agreements was £343k (£393k at 31 March 2014).

16. Investment Property

Investment Property – Balance Sheet	2014/15 £'000	2013/14 £'000
As of the beginning of the period	45,004	43,141
Additions (Purchases/construction)	0	1,144
Additions (Subsequent expenditure)	70	107

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Reclassifications from Property Plant & Equipment	2	(670)
Disposals	0	(26)
Net gains/(losses) from fair value movements	1,047	1,308
As at the End of the Period	46,123	45,004

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 of 31 March 2015 and 2014.

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:

	2014/15	2013/14
Investment Property – Comprehensive Income & Expenditure Account	£'000	£'000
Rental Income From Investment Property	(4,086)	(3,783)
Direct Operating Expenses Arising From Investment Property	1,389	1,680
Changes in Fair Value of Investment Property	(1,047)	(1,308)
Net Gain	(3,744)	(3,411)

17. 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

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

Notes to the Core Financial Statements

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.

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2014/15	General Fund Balance £'000	Major Repairs Reserve £'000	Housing Revenue Account £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	Total Impact - Usable Reserves £'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	(3,050)	0	(164)	(255)	0	(3,469)
Amortisation of Intangible Assets	307	0	0	0	0	307
Charges for depreciation and impairment of Non-current Assets	2,529	0	0	0	0	2,529
Revaluation losses on Property Plant & Equipment (HRA impairment reversal)	0	0	(12,275)	0	0	(12,275)
Revenue Expenditure Funded From Capital Under Statute	4,063	0	0	0	0	4,063
Movements in market value of Investment Properties	(1,047)	0	0	0	0	(1,047)
Amounts of non-current assets written off on sale as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	270	0	6,550	0	0	6,820
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	(2,205)	0	(12,263)	0	0	(14,468)
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	(230)	0	(11,903)	0	12,133	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	20	20
Use of Capital Receipts Reserve to finance capital expenditure.	0	0	0	0	(20,765)	(20,765)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	1,394	0	0	0	(1,394)	0
Adjustments primarily involving the Major Repairs Reserve:						
HRA Depreciation	0	9,715	0	0	0	9,715
Use of the Major Repairs Reserve to Finance Capital Expenditure	0	(3,265)	0	0	0	(3,265)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and expenditure Statement	5,390	0	1,238	0	0	6,628
Employer's pension contributions to pension fund payable in the year	(3,749)	0	(861)	0	0	(4,610)
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	(1,235)	0	0	0	0	(1,235)
Adjustments primarily involving the Accumulated Absences Reserve:						
Employee Absences Accrual transferred to the Accumulated Absences Account	(36)	0	(14)	0	0	(50)
Adjustments Between Accounting Basis & Funding Basis Under Regulations	2,350	6,450	(29,692)	(255)	(10,006)	(31,153)

Notes to the Core Financial Statements

2013/14	General Fund Balance £'000	Major Repairs Reserve £'000	Housing Revenue Account £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	Total Impact - Usable Reserves £'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	(6,220)	0	(44)	206	0	(6,058)
Amortisation of Intangible Assets	346	0	0	0	0	346
Charges for depreciation and impairment of Non-current Assets	2,359	0	0	0	0	2,359
Revaluation losses on Property Plant & Equipment (HRA impairment reversal)	0	0	(11,033)	0	0	(11,033)
Revenue Expenditure Funded From Capital Under Statute	7,113	0	0	0	0	7,113
Movements in market value of Investment Properties	(1,308)	0	0	0	0	(1,308)
Amounts of non-current assets written off on sale as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	83	0	5,860	0	0	5,943
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	(1,294)	0	(13,257)	0	0	(14,551)
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	(37)	0	(10,890)	0	10,927	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	19	19
Use of Capital Receipts Reserve to finance capital expenditure.	0	0	0	0	(5,003)	(5,003)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	1,293	0	0	0	(1,293)	0
Adjustments primarily involving the Major Repairs Reserve:						
HRA Depreciation	0	9,370	0	0	0	9,370
Use of the Major Repairs Reserve to Finance Capital Expenditure	0	(5,102)	0	0	0	(5,102)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and expenditure Statement	5,334	0	2,004	0	0	7,338
Employer's pension contributions to pension fund payable in the year	(3,985)	0	(1,497)	0	0	(5,482)
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	2,156	0	0	0	0	2,156
Adjustments primarily involving the Accumulated Absences Reserve:						
Employee Absences Accrual transferred to the Accumulated Absences Account	(16)	0	(15)	0	0	(31)
Adjustments Between Accounting Basis & Funding Basis Under Regulations	5,773	4,268	(28,872)	206	4,650	(13,975)

18. Earmarked Reserves

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:

Notes to the Core Financial Statements

	Balance at 31 March 2014	Transfers Out	Transfers In	Transfers to Other Reserves	Balance at 31 March 2015
	£'000	£'000	£'000	£'000	£'000
General Fund Reserves:					
Management of Change	1,495	(622)	483	0	1,356
Local Development Framework	666	0	0	0	666
Vehicle Replacement	1,583	(1,583)	0	0	0
Business Rates Equalisation Reserve	2,871	(2,491)	958	0	1,338
Commuted Sums	609	0	0	0	609
Uninsured Loss	586	0	0	0	586
Technology	648	(300)	0	0	348
Earmarked Grants	377	(78)	0	0	299
Public Service Quarter (PSQ)	1,683	0	367	0	2,050
Pensions Reserve	1,464	0	309	0	1,773
Dacorum Development Reserve	924	(138)	1,260	0	2,046
Other Reserves (Under £250k)	1,426	(109)	146	0	1,463
Total General Fund Reserves	14,332	(5,321)	3,523	0	12,534
Housing Revenue Account Reserves:					
Estate Remodelling Reserve	5,000	0	0	0	5,000
Construction Reserve	2,000	(205)	0	0	1,795
Other HRA reserves (Under £250k)	350	0	49	0	400
Total HRA Reserves	7,350	(205)	49	0	7,195
Total Earmarked Reserves	21,682	(5,526)	(3,571)	0	19,728

	Balance at 31 March 2013	Transfers Out	Transfers In	Transfers to Other Reserves	Balance at 31 March 2014
	£'000	£'000	£'000	£'000	£'000
General Fund Reserves:					

Notes to the Core Financial Statements

Management of Change	1,452	(1,082)	0	1,125	1,495
Local Development Framework	536	0	130	0	666
Car Park Commuted Sums	266	(266)	0	0	0
Redundancy	1,125	0	0	(1,125)	0
VAT	1,904	(450)	0	(1,454)	0
Vehicle Replacement	1,018	(531)	350	746	1,583
Business Rates Equalisation Reserve	0	0	2,262	609	2,871
Commuted Sums	622	(13)	0	0	609
Civic Centre Repairs	348	0	0	(348)	0
Uninsured Loss	700	(175)	0	61	586
Technology	800	(152)	0	0	648
CSR Transitional	550	(200)	0	(350)	0
Earmarked Grants	328	(39)	88	0	377
Public Service Quarter (PSQ)	1,150	(720)	900	353	1,683
LG Resource Review	258	0	0	(258)	0
Pensions Reserve	1,500	(745)	0	709	1,464
Dacorum Development Reserve	374	(250)	800	0	924
Other Reserves (Under £250k)	1,480	(62)	76	(68)	1,426
Total General Fund Reserves	14,411	(4,685)	4,606	0	14,332
Housing Revenue Account Reserves:					
Estate Remodelling Reserve	2,000	0	0	0	2,000
Construction Reserve	5,000	0	0	0	5,000
Strategic Acquisition Fund	5,000	(5,000)	0	0	0
Other HRA reserves (Under £250k)	127	0	223	0	350
Total HRA Reserves	12,127	(5,000)	223	0	7,350
Total Earmarked Reserves	26,538	(9,685)	4,829	0	21,682

Notes to the Core Financial Statements

19. Property, Plant & Equipment

2014/15	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 (Note 22)						
As of the beginning of the period	658,657	83,939	12,856	1,117	9,436	766,005
Depreciation written out to Gross Carrying Amount on Revaluation	(9,601)	(2,269)	0	0	0	(11,870)
Revaluation increases recognised in the Revaluation Reserve	57,743	3,319	0	0	0	61,062
Revaluation decreases recognised in the Revaluation Reserve	0	(1,434)	0	0	0	(1,434)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	32,551	789	0	0	0	33,340
Additions	20,288	382	3,844	193	12,752	37,459
Impairment recognised in the Surplus/Deficit on the Provision of Services	(20,288)	(5)	0	0	0	(20,293)
Reclassifications	0	831	22	0	(1,190)	(337)
Disposals (to Assets Held for Sale)	(6,591)	0	(922)	0	0	(7,513)
Disposals (Other)	0	(57)	(259)	0	0	(316)
As of the end of the period	732,759	85,495	15,541	1,310	20,998	856,103
Accumulated Depreciation						
As of the beginning of the period	0	(1,266)	(8,386)	(545)	0	(10,197)
Depreciation charge	(9,643)	(1,976)	(1,320)	(63)	0	(13,002)
Reclassifications	0	0	0	0	0	0
Depreciation written out to Gross Carrying Amount on Revaluation	9,601	2,269	0	0	0	11,870
Disposals (to Assets Held for Sale)	42	7	884	0	0	933
Disposals (Other)	0	0	82	0	0	82
As of the end of the period	0	(966)	(8,740)	(608)	0	(10,314)
Net Book Value at 31 March 2015	732,759	84,529	6,801	702	20,998	845,789
Nature of Asset Holding						
Owned	732,759	84,529	6,801	702	20,998	845,789
Finance Lease	0	0	0	0	0	0
Net Book Value as of 31 March 2015	732,759	84,529	6,801	702	20,998	845,789

Notes to the Core Financial Statements

2013/14	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 (Note 22)						
As of the beginning of the period	627,250	79,346	11,140	843	3,105	721,684
Depreciation written out to Gross Carrying Amount on Revaluation	(9,264)	(6,903)	0	0	0	(16,167)
Revaluation increases recognised in the Revaluation Reserve	13,540	9,371	0	0	0	25,521
Revaluation decreases recognised in the Revaluation Reserve	0	(499)	0	0	0	(499)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	33,035	876	0	0	0	33,911
Additions	22,002	1,103	1,082	244	7,343	31,774
Impairment recognised in the Surplus/Deficit on the Provision of Services	(22,002)	0	0	0	0	(22,002)
Reclassifications	0	667	909	31	(1,012)	595
Disposals (to Assets Held for Sale)	(5,904)	(15)	(275)	0	0	(6,194)
Disposals (Other)	0	(7)	0	0	0	(7)
As of the end of the period	658,657	83,939	12,856	1,118	9,436	766,006
Accumulated Depreciation						
As of the beginning of the period	0	(5,957)	(7,623)	(486)	0	(14,066)
Depreciation charge	(9,308)	(2,220)	(998)	(60)	0	(12,586)
Reclassifications	0	3	0	0	0	3
Depreciation written out to Gross Carrying Amount on Revaluation	9,264	6,903	0	0	0	16,167
Disposals (to Assets Held for Sale)	44	5	235	0	0	284
Disposals (Other)	0	0	0	0	0	0
As of the end of the period	0	(1,266)	(8,386)	(546)	0	(10,198)
Net Book Value at 31 March 2014	658,657	82,673	4,470	572	9,436	755,808
Nature of Asset Holding						
Owned	658,657	82,673	4,469	572	9,436	755,807
Finance Lease	0	0	1	0	0	1
Net Book Value as of 31 March 2014	658,657	82,673	4,470	572	9,436	755,808

Notes to the Core Financial Statements

20. 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	15,541	1,310	0	20,998	37,848
Valued at fair value as at:							
2014/15	732,759	59,216	0	0	0	0	791,975
2013/14	0	22,727	0	0	0	0	22,727
2012/13	0	1,596	0	0	0	0	1,596
2011/12	0	225	0	0	0	0	255
2010/11	0	1,731	0	0	0	0	1,731
Total Cost or Valuation	732,759	85,495	15,541	1,310	0	20,998	856,103

21. Intangible Assets

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

Intangible Assets	2014/15 £'000	2013/14 £'000
As of the beginning of the Period		
Gross Carrying Amounts	2,733	2,462
Accumulated Amortisation	(1,937)	(1,571)
Net Carrying Amount as of the Beginning of the Period	796	891
Purchases	204	199
Reclassifications	335	72
Amortisation for the Period	(326)	(366)
Net Carrying Amount as of the End of the Period	1,009	796

Comprising:

Notes to the Core Financial Statements

Gross Carry Amounts	3,273	2,733
Accumulated Amortisation	(2,264)	(1,937)
Net Carrying Amount as of the End of the Period	1,009	796

22. Assets Held For Sale

The Council sold surplus properties during 2014/15. The Council realised a net profit on disposal of £5.3m (2013/14 £5.0m) which is included in Profit on the Disposal of Non-current Assets in the Comprehensive Income and Expenditure Statement.

Assets Held For Sale	2014/15 £'000	2013/14 £'000
As of the Beginning of the Period	0	0
Assets Transferred	6,580	5,910
Sold to Other Entities and Individuals	(6,580)	(5,910)
As at the end of the Period	0	0

23. Long-term Debtors

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

Long-term Debtors	2014/15 £'000	2013/14 £'000
Other Entities and Individuals	1,085	1,135
Total Long-term Debtors	1,085	1,135

24. Short-term Debtors

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

Short-term Debtors	2014/15 £'000	2013/14 £'000
Central Government Bodies	2,924	3,065
Other Local Authorities	3,270	2,795
NHS Bodies	0	0
Public Corporations and Trading Funds	0	0
Other Entities and Individuals	7,295	6,168
Total Short-term Debtors	13,489	12,028

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

Bad Debt Impairment Allowances	2014/15 £'000	2013/14 £'000
Sundry Debtors	426	401
Housing Rents	1,891	1,717
Council Tax/Summons Fees	378	381
Business Rates/Summons Fees	387	260
Benefits Overpayments	2,113	1,786
Total Bad Debt Provisions	5,195	4,545

Notes to the Core Financial Statements

25. Cash and Cash Equivalents	2014/15 £'000	2013/14 £'000
Investments with Original Maturities of 3 Months or Less	25,253	32,804
Cash held by the Council	1	2
Bank Account Balance/(Overdraft)	(1,788)	(1,215)
Total Cash and Cash Equivalents	23,466	31,591

26. Short-term Creditors	2014/15 £'000	2013/14 £'000
Central Government Bodies	4,296	899
Other Local Authorities	1,498	1,307
NHS Bodies	0	1
Other Entities and Individuals	13,930	11,011
Total Short-term Creditors	19,724	13,218

27. Long-term Creditors	2014/15 £'000	2013/14 £'000
Other Entities and Individuals	7,158	7,136
Total Long-term Creditors	7,158	7,136

28. 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	2014/15 £'000	2013/14 £'000
As of the Beginning of the Period	3,059	3,758
Receipts	542	0
Conditions Satisfied	(636)	(699)
Amounts Repaid	(127)	0
Closing Balance	2,838	3,059

The balances of the grants are as follows:

Capital Grants Yet to be Recognised as Income	2014/15 £'000	2013/14 £'000
Growth Area Fund	2,568	3,059
Local Sustainable Transport Fund	271	0
Total	2,838	3,059

Notes to the Core Financial Statements

29. 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	2014/15 £'000	2013/14 £'000
As of the Beginning of the Period	0	0
Receipts	344	0
Conditions Satisfied	(75)	0
Closing Balance	269	0

The balances of the grants are as follows:

Revenue Grants Yet to be Recognised as Income	2014/15 £'000	2013/14 £'000
Statutory Notices for the 21 st Century	118	0
Public Health District Officer	69	0
Other	82	0
Total	269	0

30. Provisions

The Council maintains the following provisions as of 31 March 2015:

	Balance as at 31 March 2014 £'000	Contribution to Provision £'000	Use of Provision £'000	Amounts Reversed Unused £'000	Balance as at 31 March 2015 £'000
Short-term General Fund Provisions					
Insurance	509	167	(110)	(106)	460
Litigation Provision	275	0	0	(106)	169
Pension Strain	7	0	0	0	7
Business Rates Appeals	1,643	4,358	(264)	(1,281)	4,456
Committed Redundancy	0	41	0	0	41
Total Short-term General Fund Provisions	2,434	4,566	(374)	(1,493)	5,133
Short-term HRA Provisions					
Insurance	291	240	(144)	(48)	339
Total Short-term HRA Provisions	291	240	(144)	(48)	339
Total Short-term Provisions	2,725	4,806	(518)	(1,541)	5,472

Long-term General Fund Provisions

Notes to the Core Financial Statements

Business Rates Appeals	410	0	0	(410)	0
Total Long-term General Fund Provisions	410	0	0	(410)	0
Total Long-term Provisions	410	0	0	(410)	0

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.

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.

31. 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	2014/15 £'000	2013/14 £'000
Balance as of the beginning of the period	54,413	33,067
Upward revaluation of assets	61,268	25,521
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(1,640)	(3,109)
Surplus/(Deficit) on Revaluation of Non-Current Assets not posted to the Surplus/Deficit on the Provision of Services	59,628	22,412
Difference between fair value depreciation and historical cost depreciation	(1,230)	(1,045)
Amount written-off to Comprehensive Income and Expenditure Statement	(155)	(21)
Closing Balance	112,656	54,413

32. 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

Notes to the Core Financial Statements

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.

Capital Adjustment Account	2014/15 £'000	2013/14 £'000
As of the beginning of the period	395,998	376,957
Capital grants and contributions applied	3,469	6,058
Amortisation of intangible assets	(307)	(346)
Charges for depreciation and impairment of Non-current Assets	(2,529)	(2,359)
Revaluation losses on Property Plant & Equipment (HRA impairment reversal)	12,275	11,033
Difference between fair value depreciation and historical cost depreciation	1,230	1,045
HRA depreciation	(9,715)	(9,370)
Amounts of non-current assets written off on sale as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	(6,820)	(5,943)
Transfer from the Revaluation Reserve on Disposal of Assets	155	21
Revenue Expenditure Funded From Capital Under Statute	(4,063)	(7,113)
Movements in market value of Investment Properties	1,047	1,308
Capital Receipts applied to capital expenditure	20,765	5,003
Revenue contribution to capital	14,468	14,551
Use of MRR to finance capital expenditure	3,265	5,102
Lease prepayment amortization	51	51
Closing Balance	429,289	395,998

33. 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	2014/15 £'000	2013/14 £'000
As of the Beginning of the Period	30	49
Transfer to the Capital Receipts Reserve	(20)	(19)
Balance as at End of the Period	10	30

34. 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.

Notes to the Core Financial Statements

Collection Fund Adjustment Account	2014/15 £'000	2013/14 £'000
As of the beginning of the period	(2,135)	21
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	1,263	(2,221)
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	(28)	65
Balance as at End of the Period	(900)	(2,135)

35. 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	2014/15 £'000	2013/14 £'000
As of the Beginning of the Period	253	284
Net Change During the Year	(50)	(31)
Balance as at End of the Period	203	253

36. 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	2014/15 £'000	2013/14 £'000
Opening Capital Financing Requirement	346,899	336,276
Capital Investment:		
Property, Plant and Equipment	37,459	31,774
Capital Loans	0	1,000
Investment Property	70	1,251
Intangible Assets	204	199
Revenue Expenditure Funded from Capital under Statute	4,063	7,113
Total Expenditure	41,796	41,337

Notes to the Core Financial Statements

Sources of Finance:

Capital Receipts	(20,765)	(5,003)
Government Grants and Other Contributions	(3,469)	(6,058)
Sums Set Aside (MRR, Deferred Capital Receipts etc)	(3,265)	(5,102)
Direct Revenue Contributions	(14,468)	(14,551)
Total Financing	(41,967)	(30,714)
Closing Capital Financing Requirement	346,728	346,899
	2014/15	2013/14
Capital Financing Requirement	£'000	£'000
Increase/(Decrease) in underlying need to borrow (Supported by government financial assistance)	0	0
Increase/(Decrease) in underlying need to borrow (Unsupported by government financial assistance)	171	10,623
Assets Acquired Under Finance Lease	0	0
Increase in Capital Financing Requirement	171	10,623

37. 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	2014/15 £'000	2013/14 £'000
Short-term Debtors	7,435	6,497
Long-term Debtors	1,085	135
Short-term Investments	34,032	22,610
Long-term Investments	0	0
Total	42,552	29,242

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	2014/15 £'000	2013/14 £'000
Short-term Creditors	18,604	12,694
Long-term Creditors	188	188
Short-term Borrowings	128	127
Long-term Borrowings	346,739	346,739
Total	365,659	359,748

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:

Notes to the Core Financial Statements

- Ranges of premature repayment discount rates as at 31 March 2015 between 0.45% and 2.20% 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	2014/15 £'000	2013/14 £'000
Short-term Creditors	18,604	12,694
Long-term Creditors	188	188
Short-term Borrowings	128	127
Long-term Borrowings	423,847	351,381
Total	442,767	364,390

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 banks under the LAMS scheme, 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.

All 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.

The following table sets out the maturity analysis of Long-term Borrowing by the Council:

Repayment Year	Repayment Type	Interest Frequency	Value £'000
2017 / 2018	On Maturity	Half Yearly	567
2018 / 2019	On Maturity	Half Yearly	2,069
2019 / 2020	On Maturity	Half Yearly	3,586
2020 / 2021	On Maturity	Half Yearly	4,590
2021 / 2022	On Maturity	Half Yearly	3,480
2022 / 2023	On Maturity	Half Yearly	1,370
2023 / 2024	On Maturity	Half Yearly	2,310
2024 / 2025	On Maturity	Half Yearly	3,335
2025 / 2026	On Maturity	Half Yearly	4,442
2026 / 2027	On Maturity	Half Yearly	5,637
2027 / 2028	On Maturity	Half Yearly	5,110
2028 / 2029	On Maturity	Half Yearly	6,340
2029 / 2030	On Maturity	Half Yearly	7,665
2030 / 2031	On Maturity	Half Yearly	9,090
2031 / 2032	On Maturity	Half Yearly	10,620
2032 / 2033	On Maturity	Half Yearly	12,546
2033 / 2034	On Maturity	Half Yearly	14,314
2034 / 2035	On Maturity	Half Yearly	16,205
2035 / 2036	On Maturity	Half Yearly	18,230
2036 / 2037	On Maturity	Half Yearly	20,394

Notes to the Core Financial Statements

2037 / 2038	On Maturity	Half Yearly	32,380
2038 / 2039	On Maturity	Half Yearly	35,524
2039 / 2040	On Maturity	Half Yearly	38,864
2040 / 2041	On Maturity	Half Yearly	42,417
2041 / 2042	On Maturity	Half Yearly	45,654
Total			346,739

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.

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 2014 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 £0.46m (£0.56m 2013/14). The expense arising from interest payments, as recorded in the Comprehensive Income and Expenditure Statement, was £11.7m (£11.7m 2013/14).

38. Heritage Assets

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.

Notes to the Core Financial Statements

	2014/15 £'000	2013/14 £'000	2012/13 £'000	2011/12 £'000
Assets Valued at Cost – Sculptures/Artwork	483	483	483	483
Assets Valued on Existing Use – Land (Valued March 2012)	990	990	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 2012)	173	173	173	173
Total	1,649	1,649	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 2012.

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. There are Council plans to restore the Water Gardens to reflect and reinforce their historical significance.

Further Information on Assets managed by The Dacorum Heritage Trust

Notes to the Core Financial Statements

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, 2,859 belong to the Council. All items are accessible to the public by appointment. In addition, some of these objects are displayed in the Reception at the Civic Centre Hemel Hempstead. 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 Civic Centre 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 2012 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

Notes to the Core Financial Statements

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.

39. Contingencies

Contingent Liabilities

Dacorum Sports Trust has identified an increase in its pension fund deficit for employees' service prior to transfer on 1 April 2004. This deficit of £0.37m, 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.

A group of Property Search Companies have intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council at this stage.

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.

40. 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 28.

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 £17k.

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

- Councillor Denise Rance
- Councillor Graeme Elliot

Notes to the Core Financial Statements

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 £0.575m to the Trust in 2014/15 towards managing those facilities (2013/14: £0.475m). 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 Terence Douris	4,128	(2,000)	2,128	Supplies & Services
South Hill Centre	Cllr Neil Harden	10,293	(574)	9,719	Supplies & Services
The Receipt Book Company	Julie Still (Group Manager Resident Services)	7,320	0	7,320	Supplies & Services
The Receipt Book Company	Julie Still (Group Manager Resident Services)	3,277	0	3,277	Supplies & Services
DP Taylor	Chris Taylor (Group Manager Strategic Planning & Regeneration)	7,167	0	7,167	Supplies & Services
Tring Market Auctions	Cllr Penelope Hearn	0	(600)	(600)	Supplies & Services

41. 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 2015 are as follows:

Contract	Contractor	End Date	Maximum Estimated Annual Value £'000
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Notes to the Core Financial Statements

London Road, Apsley, Redevelopment	Hills Partnership Ltd	23/01/2016	1,476
Supply of Refuse Vehicles	Dennis Eagle Ltd	16/11/2017	742
Total Asset Management	Osborne Property Services	01/01/2019	25,000
165-215 Longlands Roof-top Development	Keepmoat Regeneration Ltd	06/11/2015	1,472
Elms Hostel	Durkan Ltd	01/05/2015	224
Marlowes Shopping Zone	Greenfords Ltd	30/06/2015	856
Permanent Cantilever Walkway Support	Thomas Sinden	30/06/2015	1,476

42. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Corporate Director (Finance and Operations) on 24 June 2015. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place after this date provided information about conditions existing at 31 March 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. The following events have occurred as at 24 June 2015 and are not adjusting balance sheet events:

- The Council entered into a contract for the building of the Forum, an innovative new building to provide a central public service hub encompassing Dacorum Borough Council, the library, police station, Magistrates' Court and a Health Centre. This contract was signed on 7 May 2015 with a maximum commitment value of £16.9m
- As part of the Council's plans to relocate to the Forum in the early part of 2017, it has embarked on a project to reduce its current office space and prepare its current location for marketing. In April 2015 this involved entering into a contract for the demolition of part of the Civic Centre and the Court building. These sites will be revalued and reclassified during 2015/16.
- The Council has embarked on some exciting projects, with a focus on the regeneration of Dacorum. These plans highlighted the need for future borrowing which had been incorporated into the Council's Medium Term Financial Strategy. During the later part of 2014/15, Dacorum was able to secure access to below market rate borrowing through a Government run initiative aimed at improving economic growth and job creation. In advance of its borrowing requirement, the Council took advantage of these low borrowing rates to ensure long term affordability and making long term savings against previous plans. The borrowing of £19.8m was taken out on 11 May 2015.

Housing Revenue Account

Housing Revenue Account – Income & Expenditure Account

HRA Note	2014/15 £'000	2013/14 £'000
Income		
	(54,471)	(52,118)
Dwelling Rents (Gross)	(110)	(258)
Non Dwelling Rents (Gross)	(738)	(691)
Charges for Services & Facilities	(1,157)	(866)
Contributions Received Towards Expenditure	0	0
Sums Directed by Secretary of State that are Income in Accordance with the Code		
Total Income	(56,476)	(53,933)
Expenditure		
	11,666	12,958
Repairs and Maintenance	10,690	10,670
Supervision and Management	24	21
Rents, Rates, Taxes and Other Charges	0	0
Negative Subsidy – Payments to Secretary of State	259	361
Increase in Allowance for Bad and Doubtful Debts	8	(1,662)
Depreciation and Impairment of Fixed Assets	0	0
Exceptional Item – Self Financing Payment	0	0
Sums Directed by Secretary of State that are Expenditure in Accordance with the Code		
Total Expenditure	20,080	22,348
Net Expenditure/(Income) of HRA Services as Included in the Comprehensive Income & Expenditure Statement	(36,396)	(31,585)
	0	28
Non-distributable Costs – Pensions Past Service Cost	269	257
HRA Share of Corporate and Democratic Core		
Net Expenditure/(Income) of HRA Services	(36,127)	(31,300)
HRA Share of Operating Income and Expenditure Included in the Comprehensive Income & Expenditure Account		
	(5,354)	(5,030)
(Gain)/Loss on Disposal of Non-Current Assets	(173)	(205)
Interest and Investment Income	11,660	11,665
Interest Payments	497	874
Net Interest on the Net Defined Benefit Liability	(164)	(44)
Capital Grants and Contributions Received		
(Surplus)/Deficit for the Year on HRA Services	(29,659)	(24,040)

Housing Revenue Account

Statement of Movement on the Housing Revenue Account

HRA Note	2014/15 £'000	2013/14 £'000
Balance as at 1 April	2,723	2,777
Movement in Reserves:		
Surplus/(Deficit) on Provision of Services	29,659	24,040
Other Comprehensive Income & Expenditure		
Total Comprehensive Income & Expenditure	29,659	24,040
Adjustments Between Accounting Basis and Funding Basis Under Regulations:		
Capital Grants and Contributions Applied	(164)	(44)
Revenue Expenditure Funded from Capital Under Statute	0	0
Depreciation and Impairment of Non-current Assets	0	0
Reversal of Employee Leave Accrual	(14)	(15)
Reversal Revaluation & Impairment (Gains)/Losses on Property Plant & Equipment	(12,275)	(11,033)
Amounts of non-current assets written off on sale as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	6,550	5,860
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(11,903)	(10,890)
Revenue Contribution to Capital	(12,263)	(13,256)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and expenditure Statement	1,238	2,004
Employer's Pension Contributions to Pension Fund Payable in the year	(861)	(1,497)
Total Adjustments Between Accounting Basis and Funding Basis Under Regulations	(29,692)	(28,871)
Net Increase/(Decrease) Before Transfers to Earmarked Reserves	(33)	(4,831)
Transfer (to)/from Earmarked Reserves	156	4,777
Increase/(Decrease) in Year	123	(54)
Balance as at 31 March	2,846	2,723

Housing Revenue Account

1. Balance Sheet Value of HRA Assets

	<u>Operational Assets</u>				<u>Non-Operational Assets</u>		Total Assets £'000
	Council Dwellings	Vehicle Plant & Equipment	Intangible Assets	Other Land & Buildings	Shops	Assets Under Construction	
	£'000	£'000		£'000	£'000	£'000	
Certified Value							
As at 1 April 2014	658,657	168	99	1,288	0	5,872	666,084
Additions	20,288	50	0	0	0	8,400	28,738
Assets Previously Omitted	0	(3)	0	0	0	0	(3)
Disposals	(6,591)	0	0	0	0	0	(6,591)
Disposals – Appropriations to General Fund	0	0	0	0	0	0	0
Impairment	(20,288)	0	0	0	0	0	(20,288)
Reclassifications	0	0	0	0	0	0	0
Depreciation written out to Carrying Value on Revaluation	(9,601)	0	0	(56)	0	0	(9,657)
Revaluations to the Income & Expenditure Account	32,551	0	0	11	0	0	32,562
Revaluations to the Revaluation Reserve	57,743	0	0	(1)	0	0	57,742
As at 31 March 2015	732,759	215	99	1,242	0	14,272	748,587
Depreciation and Other Impairment							
As at 1 April 2014	0	(70)	(30)	(54)	0	0	(154)
Charge for the Year	(9,643)	(32)	(20)	(20)	0	0	(9,715)
Disposals	42	3	0	0	0	0	45
Disposals – Appropriations to General Fund	0	0	0	0	0	0	0
Other Impairment	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Depreciation written out to Carrying Value on Revaluation	9,601	0	0	56	0	0	9,657
As at 31 March 2015	0	(99)	(50)	(18)	0	0	(167)
Net Book Value as at 31 March 2015	732,759	116	49	1,224	0	14,272	748,420
Net Book Value as at 1 April 2014	658,657	98	69	1,233	0	5,872	665,929

Housing Revenue Account

2. Vacant Possession Value of HRA Dwellings

Council dwellings had a valuation of £1,689 million as at 1 April 2014 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 39% 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

	31 March 2014	Reclassified	Additions	Sales & Demolitions	31 March 2015
1 bedroom flats	2,499	0	0	(16)	2,483
2 bedroom flats	1,101	0	0	(21)	1,080
3 bedroom flats	186	0	0	(4)	182
1 bedroom houses	583	0	0	0	583
2 bedroom houses	1,680	0	0	(11)	1,669
3 bedroom houses	3,873	0	0	(48)	3,825
4+ bedroom houses	452	0	0	(2)	450
Chiltern Hostel – equivalent	17	0	0	0	17
Total Dwellings	10,391	0	0	(102)	10,289

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.

	2014/15 £'000	2013/14 £'000
Balance as at 1 April	11,120	6,852
Income		
Release from Capital Adjustment Account	9,715	9,370
Expenditure		
Financing of Capital Expenditure	(2,803)	(4,154)
Transfers to Capital Adjustment Account	(462)	(948)
Balance as at 31 March	17,570	11,120

5. Rent Arrears

	2014/15 £'000	2013/14 £'000
Rents - Current Tenants	1,779	1,682
Rents - Former Tenants	781	633
Supporting People and Other	187	115
Total Arrears	2,747	2,430
Provision for Bad and Doubtful Debts	(1,891)	(1,717)
Total Housing Arrears	856	713

6. Capital Expenditure and Financing

Housing Revenue Account

	2014/15 £'000	2013/14 £'000
Capital Expenditure		
Reroofing	2,213	754
New Build Housing	5,181	4,953
Aids & Adaptations	1,284	1,289
Kitchens & Bathrooms	3,326	6,120
Doors, Windows, Soffits and Fascias	2,343	5,136
Heating	2,728	3,114
Decent Homes and Other Capital Schemes	8,537	5,703
Total Capital Expenditure	25,612	27,069
Financed by:		
Capital Receipts	(10,382)	(9,616)
Major Repairs Reserve	(2,803)	(4,154)
Capital Grants	(164)	(43)
Revenue Contributions	(12,263)	(13,256)
Total Financing	(25,612)	(27,069)

7. Capital Receipts

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

	2014/15 £'000	2013/14 £'000
Sale of Land and Freehold	0	0
Easements Granted	49	0
Sales of HRA Dwellings	11,854	10,849
Discounts Repaid and Miscellaneous Dwelling Sales	0	41
Total Capital Receipts	11,903	10,890

Mortgage capital receipts of £20k were released in 2013/14 (2013/14 £20k) 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.

	2014/15 £'000	2013/14 £'000
Operational Assets		
Depreciation on Council Dwellings	9,643	9,308
Revaluation on Council Dwellings	(32,551)	(33,035)
Impairment	20,288	22,002
Depreciation on Vehicles Plant and Equipment	32	22
Amortisation of Intangible Assets	20	20
Depreciation on Other Land and Buildings	20	21
Total Depreciation and Impairment	(2,548)	(1,662)

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 2014/15

	Council Tax £'000	Business Rates £'000	Total £'000
Income:			
Council Tax Receivable	79,427	0	79,427
Business Rates Receivable	0	61,977	61,977
Total Income	79,427	61,977	141,404
Expenditure			
<u>Precepts, Demands and Shares</u>			
Hertfordshire County Council	60,203	5,843	66,046
Hertfordshire Police Authority (Council Tax Only)	7,954	0	7,954
Dacorum Borough Council	10,133	23,372	33,505
Central Government (Business Rates Only)		29,215	29,215
<u>Charges to Collection Fund</u>			
Less Transitional Payment Protection receivable	0	1,004	1,004
Less costs of collection	0	220	220
Less write offs of uncollectable amounts	566	171	737
Less increase/(decrease) allowances for impairment	(52)	309	257
Less increase/(decrease) provision for appeals	0	6,002	6,002
<u>Contribution towards previous year surplus/deficit</u>			
Hertfordshire County Council	673	(732)	(59)
Hertfordshire Police Authority (Council Tax Only)	89	0	89
Dacorum Borough Council	110	(2,928)	(2,818)
Central Government (Business Rates Only)	0	(3,660)	(3,660)
Total Expenditure	79,677	58,817	138,493
Movement on fund balance	250	(3,160)	(2,910)
Balance at beginning of year	(652)	5,555	4,902
Balance at end of year	(402)	2,395	1,992
Shares of balance			
Hertfordshire County Council	(305)	240	(65)
Hertfordshire Police Authority (Council Tax Only)	(40)	0	(40)
Dacorum Borough Council	(57)	958	901
Central Government (Business Rates Only)	0	1,197	1,197
	(402)	2,395	1,993

Collection Fund – Income and Expenditure Account 2013/14

	Council Tax £'000	Business Rates £'000	Total £'000
Income:			
Council Tax Receivable	77,830	0	77,830
Council Tax Benefits	0	0	0
Business Rates Receivable	0	62,417	62,417
Total Income	77,830	62,417	140,247
Expenditure			
<u>Precepts, Demands and Shares</u>			
Hertfordshire County Council	59,580	6,126	65,706
Hertfordshire Police Authority (Council Tax Only)	7,872	0	7,872
Dacorum Borough Council	9,845	24,505	34,350
Central Government (Business Rates Only)		30,631	30,631
<u>Charges to Collection Fund</u>			
Less Transitional Payment Protection receivable	0	944	944
Less costs of collection	0	219	219
Less write offs of uncollectable amounts	340	251	591
Less increase/(decrease) allowances for impairment	50	158	208
Less increase/(decrease) provision for appeals	0	5,137	5,137
<u>Contribution towards previous year surplus</u>			
Hertfordshire County Council	(225)	0	(225)
Hertfordshire Police Authority (Council Tax Only)	(30)	0	(30)
Dacorum Borough Council	(36)	0	(36)
Central Government (Business Rates Only)	0	0	0
Total Expenditure	77,396	67,971	145,367
Movement on fund balance	434	(5,554)	(5,120)
Balance at beginning of year	218	0	218
Balance at end of year	652	(5,554)	(4,902)
Shares of balance			
Hertfordshire County Council	500	(555)	(55)
Hertfordshire Police Authority (Council Tax Only)	66	0	66
Dacorum Borough Council	86	(2,222)	(2,136)
Central Government (Business Rates Only)	0	(2,777)	(2,777)
	652	(5,554)	(4,902)

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 (48.2p in 2014/15; 47.1p 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 £62.0m in 2014/15. The rateable value for the Council's area was £151.1m at 31 March 2015 VOA valuation (2013/14: £152.9m).

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 2014/15 was calculated as 53,809.2 dwellings as follows:

Band	Estimated equivalent no. of taxable properties after effect of discounts	Ratio	Band D Equivalent Dwellings
A*	1.00	5/9ths	0.6
A	971.75	6/9ths	647.8
B	6,433.59	7/9ths	5,003.9
C	17,138.36	8/9ths	15,234.1
D	13,438.35	9/9ths	13,438.4
E	7,735.00	11/9ths	9,453.9
F	5,059.75	13/9ths	7,308.5
G	4,462.50	15/9ths	7,437.5
H	672.00	18/9ths	1,344.0
Totals	55,912.3		59,868.7
Adjustment for collection rate and contributions in lieu (0.6%)			(324.8)
Council Tax Support			(5,734.7)
Council Tax Base 2014/15			53,809.2
Council Tax Base 2013/14			53,252.2

A* = Disabled Band A

The total collectable income from Council Tax for 2014/15 was £79.4 million.

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 Authority	Total
A	6/9	117.77	745.89	98.55	962.21
B	7/9	137.39	870.20	114.97	1,122.56
C	8/9	157.02	994.52	131.40	1,282.94
D	9/9	176.65	11,18.83	147.82	1,443.30
E	11/9	215.91	1,367.46	180.67	1,764.04
F	13/9	255.16	1,616.09	213.52	2,084.77
G	15/9	294.42	1,864.72	246.37	2,405.51
H	18/9	353.30	2,237.66	295.64	2,886.60

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	These are the external auditors appointed by Ernst and Young (E&Y). They may be separate from E&Y's own operations directorate or from a major accountancy firm. The Council's current approved auditors are E&Y's own operations directorate.
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.

Glossary of Terms

CIPFA	Chartered Institute of Public Finance and Accountancy. The principal accountancy body dealing with local government finance.
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.

Glossary of Terms

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.
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.

Glossary of Terms

Liability	A liability arises when the Council owes money to others and it must be included in financial statements.
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 minimum amount which must be charged to the revenue account each year for the repayment of borrowing.
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 Authority. 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.

Glossary of Terms

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.
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.

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AGENDA ITEM: 9

SUMMARY

Report for:	AUDIT COMMITTEE
Date of meeting:	29 July 2015
PART:	I
If Part II, reason:	

Title of report:	Statement of Accounts 2014/15
Contact:	Cllr G Elliot, Portfolio Holder for Finance and Resources James Deane, Corporate Director (Finance and Operations)
Purpose of report:	The purpose of this report is to present the Council's Statement of Accounts for 2014/15. It covers: <ul style="list-style-type: none"> · Account and Audit Regulations 2011 · Section 21(2) Local Government Act 2003 · Statement of Accounts · Commentary on financial statements
Recommendations:	It is recommended that Members of the Audit Committee: <ol style="list-style-type: none"> a) review the Statement of Accounts 2014/15 and raise any issues which will provide them with the assurance that they need to approve the Statements on behalf of the Council; b) subject to (a) above, approve the Statement of Accounts for 2014/15; and, c) subject to consideration of the External Auditor's Annual Governance report, approve the letter of representation as attached at Appendix B in the capacity of those charged with Governance.
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 explanatory foreword to the Statement of Accounts.</p> <p>Monitoring Officer:</p> <p>The Council has a statutory duty to approve the Statement of Accounts by 30 September in accordance with the Account and Audit Regulations 2011.</p>
Consultees:	None
Background papers:	None

BACKGROUND

1. The Account and Audit Regulations 2011 require that local authorities must approve their financial statements by 30 September. The District Auditor must complete his audit and issue the relevant audit opinion to ensure the statutory deadline is met.
2. The purpose of the external audit of the financial statements is to give an opinion on:
 - a) whether they present 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 they have been prepared properly in accordance with relevant legislation and applicable accounting standards.
3. 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.
4. The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting 2014/15 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Statement of Accounts

5. It is the role of the Corporate Director (Finance and Operations) to present the Council’s annual Statement of Accounts to this Committee for formal approval.
6. The published accounts of the Council are an essential means by which it accounts for its stewardship of the resources at its disposal and its financial performance in the use of those resources. The Corporate Director (Finance and Operations), is required to:
 - a) ensure the regularity of transactions, by putting in place systems of internal control to ensure that financial transactions are lawful;
 - b) maintain proper accounting records; and
 - c) prepare financial statements that give a true and fair view of the financial position of the body and its expenditure and income.
7. The Statement of Accounts includes an explanatory foreword which provides a user-friendly guide to the most significant matters reported in the accounts together with an overview of the Council’s financial performance throughout the year, which was previously reported to Audit Committee on 24 June 2015.

Changes to the Accounts Approved by the Corporate Director (Finance and Operations) on 24 June 2015

8. There have been no material changes to the Statement of Accounts since the report to Audit Committee on 24 June 2015. Any significant amendments to the accounts will be set out in the Auditors Results Report.

Conclusion

9. The report represents a detailed picture of the Council's financial activity for 2014/15. I would like to thank all colleagues for their help, support and dedication in the preparation of the Statement of Accounts.

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Date: 29 July 2015
Your reference: DBC/LoR/JD
Contact: James Deane
Email: james.deane@dacorum.gov.uk
Direct line: 01442-228279
Your reference: DBC/LoR/MH



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Dear Mr Hodgson

Audit of Accounts 2014/15 Letter of Representation

This representation letter is provided in connection with your audit of the financial statements of Dacorum Borough Council ("the Council") for the year ended 31 March 2015. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Dacorum Borough Council as of 31 March 2015 and of its expenditure and income for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:



A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations (England) 2011 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.
2. We acknowledge our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, and of its expenditure and income of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. We believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

C. Compliance with Laws and Regulations

1. We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
 - Additional information that you have requested from us for the purpose of the audit and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council, Cabinet, and the Audit Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 29 July 2015.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year-end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 39 to the financial statements all material guarantees that we have given to third parties.

F. Subsequent Events

1. Other than the matters described in Note 42 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Accounting Estimates

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
2. Accounting estimates recognised or disclosed in the financial statements:
 - We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.
 - The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
 - The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
 - No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

I. Use of the Work of an Expert

1. We agree with the findings of the experts engaged to value items of property plant and equipment, and investment property and have adequately considered the qualifications of the experts in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

Yours faithfully,

James Deane
Corporate Director (Finance and Operations)

I confirm that this letter has been discussed and agreed at the Audit Committee on 29 July 2015.

Councillor Roger Taylor
Chairman of Audit Committee

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Working in partnership, to create a Borough which enables the communities of Dacorum to thrive and prosper

Affordable Housing ♦ Regeneration ♦ Building Community Capacity ♦ Safe and Clean Environment ♦ Dacorum Delivers

Dacorum Borough Council Financial Regulations

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1. INTRODUCTION, GENERAL AND INTERPRETATION

- 1.1.** Financial Regulations provide the framework for managing the financial affairs of the Council. They are approved by the Council and they apply to every Member and employee of the Council and to anyone acting on its behalf. All Members and employees must adhere to them at all times. These regulations have been compiled in compliance with CIPFA best practice (2001) and current local authority best practice (2011).
- 1.2.** The Corporate Director (Finance & Operations) is the Council's Section 151 Officer and is accountable to the Council for the financial regulations. All Chief Officers are accountable to the Corporate Director (Finance & Operations) for compliance with these regulations. All officers with delegated responsibilities for undertaking financial responsibility are accountable to their Corporate Director for compliance with the Financial Regulations.
- 1.3.** Executive Members and Corporate Directors must maintain a written record where they have delegated decision-making to employees, including seconded employees. Where they have delegated or devolved decisions to other responsible employees, references to the Corporate Director in the regulations should be read as referring to those employees.
- 1.4.** All Members and employees have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, is properly authorised, provides value for money and contributes to the Council's strategic aims.
- 1.5.** Should a breach of the Financial Regulations come to light it must be reported immediately to the Section 151 Officer. The Section 151 Officer is responsible for maintaining a continuous review of Financial Regulations and for submitting any additions or changes necessary to the full Council for approval. He/she is also responsible for reporting material breaches of the Financial Regulations to the Corporate Management Team, the Cabinet or the full Council as he/she considers appropriate. Disciplinary action can be taken for breaches of Financial Regulations.
- 1.6.** The Section 151 Officer is responsible for issuing advice and guidance to underpin Financial Regulations that Members, employees and others acting on behalf of the Council are required to follow.

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- 1.7.** This document should be read and applied in conjunction with the Council's constitution and other internal regulatory documents forming part of the constitution.
- 1.8.** Throughout these Financial Regulations, where the words 'Corporate Director' and 'Director' appear in a departmental context, they refer also to the Chief Executive. References are made to 'Group Managers'. In these instances Assistant Directors are responsible for ensuring that Group Managers for their group of services have adequate arrangements in place and will also apply to Assistant Directors where they are directly responsible for functions or projects or where there is no Group Manager in post.
- 1.9.** The term 'current' as it applies in these Regulations shall mean the last approval given by Council, Cabinet or Corporate Director under delegated powers.
- 1.10.** The terms 'Corporate Director (Finance & Operations)' and 'Section 151 Officer' are synonymous in the current structure of the Council. If, at any time, that should cease to be the case, all duties, authorities and responsibilities assigned to the Corporate Director (Finance & Operations) in these Financial Regulations shall be interpreted as applying to the Section 151 Officer.

Financial Regulation A: Financial Management

Introduction

- A.1.** Financial management covers all financial accountabilities in relation to the running of the authority, including the policy framework and budget.

Committees of the Council

- A.2.** The functions and responsibilities of the full Council, the Cabinet, the Overview and Scrutiny Committees and Regulatory Committees are set out in Part 3 of the Council's constitution. The Council and all subsidiary bodies must have regard to financial regulations and procurement standing orders in the conduct of Council business.

Statutory officers

Chief Executive

- A.3.** The Chief Executive, as Head of Paid Service, is responsible for the corporate and overall strategic management of the Authority as a whole. He/she is also responsible, together with the Monitoring Officer, for the system of record keeping in relation to all the Council's decisions

Monitoring Officer

- A.4.** The Assistant Director (Chief Executive's Dept.) is the Authority's designated Monitoring Officer, under Section 5 of the Local Government and Housing Act 1989. The role of the Monitoring Officer is set out in the Council's Constitution (Article 11).
- A.5.** He/she (together with the Section 151 Officer – see below) is responsible for advising the Portfolio Holder, Cabinet or Council about whether a decision is likely to be considered contrary or not wholly in accordance with the approved budget. Actions that may be 'contrary to the budget' include:
- a) initiating a new policy
 - b) taking, or failing to take action which will, or is likely to result in any defined budget for the current year being exceeded by a given value, determined by the Section 151 Officer
 - c) committing, or seeking to commit expenditure in future years above the approved level
 - d) causing the Council's total budgeted sum for either the Housing Revenue Account or the General Fund to increase by more than an amount specified by the Section 151 Officer in any one year.

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Current values in relation to regulation A.5. are given at Annex A.

Section 151 Officer

- A.6.** The Corporate Director (Finance & Operations) is the Council's designated Section 151 Officer. This post has statutory duties in relation to the financial administration and stewardship of the Council's financial affairs. These duties arise from Section 151 of the Local Government Act 1972 and subsequent legislation and cannot be overridden.
- A.7.** The functions of the Section 151 officer are defined in the Council's constitution (Article 11). In particular, he/she has 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.
- A.8.** Section 114 of the Local Government Finance Act 1988 requires the Section 151 Officer to report to the Cabinet, Council, and external auditor if the Council or one of its officers:
- (a) has made, or is about to make, a decision which involves incurring unlawful expenditure
 - (b) has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the authority
 - (c) is about to make an unlawful entry in the authority's accounts.
- A.9.** Section 114 also requires the Section 151 Officer to nominate a properly qualified member of staff to deputise should he or she be unable to perform the duties under Section 114 personally. The Assistant Director (Finance & Resources) is the designated officer for this purpose.
- A.10.** The Act also requires the Council to provide the Section 151 Officer with sufficient staff, accommodation and other resources – including legal advice where it is necessary to carry out duties under S114.

Corporate Directors

- A.11.** Corporate Directors are individually responsible for financial management within their own areas of responsibility and collectively for matters of corporate responsibility. In respect of Financial Regulations they have specific responsibilities for:
- a) Ensuring that Members of Cabinet and the relevant Overview and Scrutiny Committee(s) are advised of the financial implications of all proposals and that the financial implications have been agreed with the Section 151 Officer

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- b) Consulting with the Section 151 Officer and seeking approval on any matter liable to affect the Council's finances materially before any commitments are incurred
- c) Demonstrating the proper financial management and effective deployment of resources allocated to their respective services
- d) Ensuring that all staff have access to a copy of Financial Regulations and that these are retained in a current state and ensuring that employees comply with them at all times
- e) Ensuring that Assistant Directors, Group Managers and other key personnel receive sufficient training to enable them to discharge their responsibilities under these Regulations, Procurement Standing Orders and related rules and procedures introduced from time to time
- f) Ensuring that their Portfolio Holder and, as appropriate, the Portfolio Holder (Finance & Resources) are advised of the financial implications of any proposals and that the financial implications have been agreed by the Section 151 Officer.
- g) Ensuring the financial probity and correctness of all reports, advice and opinions submitted to Members and others that may act on such information. Where he/she has any doubt in this regard, the Corporate Director must consult with the Section 151 Officer prior to issuing a report, providing advice or offering an opinion
- h) Ensuring that the Section 151 Officer is consulted on and approves any proposal that may affect the ability of stand-alone financial systems and processes to be reconciled with any relevant corporate financial information system
- i) Signing contracts on behalf of the Council which are not under seal
- j) Ensuring that vouchers and other financial documents are not destroyed other than in accordance with the Council's Corporate Retention of Documents Policy
- k) Maintaining a complete management trail allowing financial transactions to be traced from accounting records to source and vice versa
- l) Ensuring that all financial systems' inputs are genuine, complete, accurate, timely and not previously processed.

Management of in-year finances

A.12. Corporate Directors are responsible for effective financial management. To support them, the Council has specific policies relating to six key control areas:

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- (a) **Transfer of budgets.** Council sets the budget and Cabinet has executive responsibility for the delivery of services within budgets. Resources are allocated to defined budget headings which are managed by budget managers (usually allocated at Group Manager Level). A scheme of virement is required to enable budget holders to transfer resources between budgets where appropriate and necessary. The Council is responsible for approving a scheme for enabling virement. This is set out in regulation B.11.
- (b) **Use of contingencies.** When approving the annual budget the Council may set aside specific sums to meet unforeseen eventualities.
- (c) **Supplementary estimates.** Corporate Directors are responsible for arranging the effective delivery of services within the annual budgets allocated. Under circumstances where it cannot be dealt with under the Council's scheme of virement, and where appropriate, Cabinet, on the advice of the Section 151 Officer, may grant a supplementary estimate to be met from any contingency provision established under section A12.b above. Where insufficient resources exist, Cabinet may, on the advice of the Section 151 Officer, seek Council approval to the granting of a supplementary estimate to be met from relevant balances or reserves.
- (d) **Under- and overspends.** The Council is responsible for agreeing any procedures, on the advice of the Section 151 Officer, for carrying forward under- and overspending against revenue budgets. The unspent portion of budgets will be transferred by the Section 151 Officer to Reserves and Balances after the year end. The unspent portion of budgets will not be carried forward to the following year's service budgets without the express authority of Council which decision shall be made on the advice of the Section 151 Officer. This function has been delegated to the Audit Committee as part of the review and approval of the annual Statement of Accounts. The Section 151 Officer will report to Cabinet as soon as is practicable after the year end on which budgets have underspent and which budgets have overspent, together with the net position. Cabinet will make recommendations to the Audit Committee who carry out this function on behalf of Council as part of their responsibility for review of the preparation of the Statement of Accounts. Cabinet and Audit Committee will take account of the advice of the Section 151 Officer on how any net overspend should be funded.
- (e) **Urgency.** Nothing in these Financial Regulations shall preclude expenditure being incurred where an emergency or disaster involving destruction of, or danger to, life or property occurs, or is imminent, that may not be contained within the totality of budgets allocated to Corporate Directors. If, in the opinion of the relevant Director, in consultation, where possible, with the Chief Executive and the Section 151 Officer, the urgency of the situation will not permit delay, the Director may authorise such expenditure as is measured and reasonable in the circumstances. Where a Director has had to act without having been

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able to consult the Chief Executive and/or the Section 151 Officer, he/she/they shall be informed as soon as is practicable. Action under this Regulation shall be reported at the first opportunity to Cabinet and to the full Council.

- (f) **Section 106 Contributions.** Council sets the budget and Cabinet has executive responsibility for the delivery of services within budgets. Delegation is given to the Section 151 Officer for in-year amendments to budgets where a one-off item is to be funded wholly from Section 106 receipts.

The Annual Report

A.13. The Audit Committee is responsible for approving the Annual Report and Statement of Accounts.

Financial Regulation B: Financial Planning and Budgeting Policy Framework

Introduction

- B.1.** These Financial Regulations apply to all plans and strategies within the Council's policy framework. Financial Regulations relating to budgets apply to General Fund and to Housing Revenue Account matters, and to both revenue and capital.
- B.2.** The Council is responsible for approving procedures for setting and varying budgets on the advice of the Section 151 Officer, for agreeing plans and strategies forming the policy framework and for determining the circumstances in which a decision will be deemed to be contrary to the budget or policy framework. The Council is also responsible for setting the level at which the Cabinet may reallocate budget funds from one service to another (virement). Details of the virement scheme are provided under Regulation B.11.
- B.3.** The Cabinet is responsible for taking in-year decisions on resources and priorities in order to deliver the budget policy framework within the financial limits set by the Council. Consideration of such matters will be on the advice of the Section 151 Officer.

Code of Corporate Governance

- B.4.** Budgeting and budgetary control forms an essential part of the overall governance arrangements of the Council. The full Council is responsible for agreeing the Code of Corporate Governance, its framework and policies and the budget. Within such timescale as may be laid down by statute the Audit Committee under delegated powers from the Council shall approve publication of the Annual Report and Statement of Accounts and the Leader and Chief Executive shall concurrently present a statement of compliance with the framework and the Code of Corporate Governance.

Revenue budgeting and budgetary control

- B.5.** The Section 151 Officer is responsible for determining the format of the revenue budgets and ensuring that they are prepared on an annual basis for consideration by the Cabinet, before submission to the Council in the fourth quarter of the financial year.
- B.6.** Corporate Directors, and their delegated representatives, are responsible for ensuring that budget estimates reflect agreed service plans and comply with the budget guidance issued by the S151 Officer which will take account of the Council's approved Medium Term Financial Strategy. The submitted budgets will be scrutinised and endorsed by appropriate Members including Portfolio Holders. These will be collated by the S151 Officer for submission to a

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combined meeting of the Overview and Scrutiny Committees to scrutinise the draft budget, prior to submission to Cabinet.

- B.7.** Corporate Directors, Assistant Directors and Group Managers are responsible for controlling income and expenditure within their area, taking account of financial information provided by the Section 151 Officer, as well as supplementary local information systems. Each Director shall ensure that all expenditure committed by his/her directorates is within a revenue, capital, or other budget approved by Council. Any potential expenditure or loss of income, which cannot be funded from within the totality of the service budget, supported by the approved scheme of virement, shall be reported to the Section 151 Officer as soon as this is anticipated by the Director.
- B.8.** Detailed regulations relating to revenue budgeting and budgetary control are set out in Annex B, section 1.

Capital plans and budgets

- B.9.** The Section 151 Officer is responsible for ensuring that a rolling 5 year Capital Programme is prepared on an annual basis for consideration by Cabinet and submission to the Council as part of its annual budget-setting process, and that capital and revenue budgets are fully integrated. Detailed regulations governing capital budgeting are set out in Annex B, section 2.

Maintenance of reserves

- B.10.** Under the Local Government Act 2003, the Section 151 Officer must advise the Cabinet and/or the Council on prudent levels of reserves and balances. The Section 151 Officer will prepare, keep under review and present to Cabinet, at least annually, a strategy for the Council's reserves that provides a justification for each earmarked reserve, together with a recommended minimum level of general (un-earmarked) reserves. Consideration of these issues will include the application of risk management processes.

Scheme of virement

- B.11.** To support Corporate Directors, Assistant Directors and Group Managers to fulfil their responsibilities under Regulation B.7, the transfer of funds between budget lines is permitted, subject to approval, where this supports sound financial management. The Virement policy is set out in Annex B, section 3 and applies to all transfers of budget, of any value and for any reason, including for reasons of organisational restructure.

Financial Regulation C: Risk Management and Resource Control

Introduction

C.1. It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant strategic and operational risks to the Council and for identifying and evaluating significant opportunities for development. This should include the proactive participation of all those associated with planning and delivering services.

Risk and opportunity management

C.2. The Cabinet is responsible for approving amendments to the Council's risk management strategy and for reviewing the effectiveness of the Council's risk management practices. It is also responsible for ensuring that proper insurance exists where appropriate.

C.3. The Section 151 Officer is responsible for preparing the authority's risk management strategy, for ensuring that there is proper management of risk throughout the Council, and for advising the Cabinet on proper insurance cover or alternative arrangements.

Maintaining internal control

C.4. Internal control refers to the management processes and systems of control devised by management and endorsed by Members to help ensure that the Council's objectives are achieved in a manner that promotes economic, efficient and effective use of resources, safeguards the Council's assets and interests and enables the Council to take advantage of opportunities. The operation of sound internal control is an essential component of good corporate governance.

C.5. The Section 151 Officer is responsible for advising on effective systems of internal control. Corporate Directors are responsible for establishing sound arrangements for safeguarding public funds by planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness, and for achieving their personal and service based financial and outcome performance targets.

C.6. Effective internal control is supported by policies relating to:

- i) Audit arrangements
- ii) Preventing and detecting fraud and corruption
- iii) Securing assets
- iv) Treasury management

Detailed regulations governing these policies are set out in Annex C, section 1.

Staffing Arrangements

- C.7.** A staff structure is required to provide support to the Cabinet, the Council and the Committees of the Council for the conduct of business. The Chief Executive, as Head of Paid Service, is responsible for determining how officer support for Cabinet and non-Cabinet roles within the authority will be organised in line with hierarchy of the authorisations specified in Annex C, Clause 2.g. The Chief Executive is responsible for providing overall management to staff and for ensuring that there is proper use of the evaluation or other agreed systems for determining remuneration of employment.
- C.8.** Detailed responsibilities and regulations governing staffing arrangements are set out in Annex C, section 2. This section includes arrangements relating to:
- i) The staffing structure
 - ii) Consultants.

Financial Regulation D: Income and Assets

Introduction

D.1. The Council has many systems and procedures relating to the control of the authority's assets. These include purchasing, costing and management systems. Each must contain effective controls to ensure that all transactions are recorded and properly processed, and that errors are detected promptly.

General Responsibilities

D.2. The Section 151 Officer is responsible for the sound and proper operation of the authority's accounting systems, the form of accounts and supporting financial procedures and records. Any changes proposed to be made by Corporate Directors to their existing financial systems or the establishment of new systems must be approved beforehand by the Section 151 Officer.

D.3. Corporate Directors are responsible for ensuring that:

- a) there is the proper operation of financial processes within their Directorate
- b) data exists to enable them to plan, formulate and deliver the Council's objectives, targets and budgets
- c) performance is communicated to relevant managers on an accurate, complete and timely basis
- d) intelligence exists to warn of potential deviations from targets, plans and budgets requiring management attention
- e) systems and procedures are fully documented and operate effectively and securely
- f) staff receive relevant financial training approved by the Section 151 Officer.

D.4. Corporate Directors shall maintain a scheme of delegation identifying officers authorised to act on their behalf on financial matters. A copy of this, together with specimen signatures shall be supplied to the Section 151 Officer. A copy of the scheme of delegation is attached at Annex D to these regulations.

Accounting for Income

D.5. Effective income collection systems are necessary to ensure that all revenues due to the Council are collected. Income can be vulnerable to loss. In order to maximise the Council's income, it is important that all income due is properly identified, collected, receipted, banked and recorded in accounting systems.

Key controls and responsibilities

D.6. The Section 151 Officer and the Corporate Directors are responsible for the operation of the key controls governing the receipt of income and for ensuring that all due income is correctly recorded and received. Detailed responsibilities governing the collection of income are set out at Annex E, section 1. The Section 151 Officer shall review these responsibilities from time to time.

Documentation and cash handling

D.7. In accordance with these regulations the Section 151 Officer and Corporate Directors are responsible for securing the Council's assets. Cash due and held by the Council is vulnerable to loss and must be recorded, held, processed and banked securely. Detailed requirements governing documentation and record keeping relating to Council income, for handling cash and cash held for third parties, are set out in Annex E, Section 2.

Banking and investment arrangements

D.8. The Section 151 Officer shall:

- a) Make arrangements for all banking services.
- b) Ensure that surplus cash is systematically invested on a daily basis consistent with the Council's Treasury Management Strategy.
- c) Ensure all cheques or other financial instructions issued on behalf of the Council bear the impression or manuscript signature of an authorised officer, in accordance with the counter-signature hierarchy specified in Annex G, Clause 1.f
- d) Be responsible for the ordering and control of cheques and similar secure stationery, and make sound arrangements for the safe custody of cheque stocks, and the control and reconciliation of those issued.
- e) Make secure arrangements for the telephonic and electronic transmission of payments and receipts, including the application of effective internal controls to mirror those set out above.

D.9. Corporate Directors are responsible for ensuring that their staff comply with all guidance and instructions issued by the Section 151 Officer in this regard

Petty Cash, Change Floats, and Credit Card Purchases

D.10. The Council's resources may be held as cash only where there is a business need. Any cash holdings must be authorised by the Section 151 Officer who will review the need for such cash holdings periodically and may, at his/her discretion, in consultation with Corporate Directors, withdraw or alter the size

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of cash holdings. Detailed regulations governing cash, change floats and credit cards are set out in Annex E, section 3

Debt collection

- D.11.** The invoicing, collection and enforcement of Sundry Income is the responsibility of the Corporate Director (Finance & Operations) who shall initiate proceedings to recover monies owing to the Council in an expeditious manner. The Section 151 Officer will ensure that there are recovery procedures for all debts due and which have remained unpaid. These will take place automatically.
- D.12.** Where a debtor is also a creditor to the Council, the amount due to the Council shall be deducted from amounts payable by the Council where, in the opinion of the Corporate Director (Finance & Operations), such a course would seem to be more expeditious and/or cost effective than recovery action through the courts.

Bad debts and unclaimed credits

- D.13.** Where recovery processes have been fruitless and the debt has become irrecoverable, it will be written off. The procedure to be followed for writing off bad debts is set out at Annex E, section 4
- D.14.** Where unclaimed credits are held within the Council's accounts, they may be considered for write on. The procedure to be followed for writing on unclaimed credits is set out at Annex E, section 4.

Stocks and stores and minor assets

- D.15.** Stocks and stores represent short term assets of the authority and are therefore subject to the same general regulations applying to other assets and cash holdings. Detailed regulations and responsibilities for managing stocks and stores are set out in Annex E, section 5.

Trading Accounts/Business Units

- D.16.** The Section 151 Officer is responsible for advising on the establishment and operation of trading accounts and business units.
- D.17.** Corporate Directors shall take advice from the Section 151 Officer where a business unit wishes to enter into a contract with a third party where the contract expiry date exceeds the remaining life of their main contract with the Council. Such contracts should not be entered into unless they can be terminated within the main contract period without penalty.
- D. 18.** All officers must observe statutory requirements in relation to business units, including the maintenance of a separate revenue account to which all relevant income and expenditure, including full overhead costs are charged, and to produce an annual report in support of the final accounts.

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D.19. Corporate Directors must ensure that the appropriate accounting principles are applied to trading accounts as advised by the Section 151 Officer. Each internal trading unit shall prepare an annual business plan.

D.20. Cabinet shall approve the Council's banking and brokering arrangements, and authorised signatories on the advice of the Section 151 Officer.

Document retention – general

D.21. Hard copy documentation or electronic media admissible by the Courts created or maintained for transactions covered by these Financial Regulations or the Council's Procurement Standing Orders shall be retained for a period not less than 6 years after the transaction/ project ceases to be current and/or the financial year to which it relates. For more specific guidance please refer to the Retention Schedule.

D.22. All quotations (including unsuccessful ones) obtained for orders made in accordance with these Financial Regulations shall be retained for not less than the current year plus one.

Disposal of Assets (including Stocks and Stores)

D.23. As a public authority the Council should, in the disposal of its landholdings and other assets, always seek to obtain the best price reasonably obtainable, in terms of money or monies worth, unless it is absolved from this duty by statute, regulation or other lawful authority. If in the particular case of any disposal these rules cannot be followed in such a way as to ensure both propriety and optimum value, the matter must be reported to the Cabinet by the Corporate Director (Finance & Operations) for authority to proceed in a different way.

D.24. Detailed regulations governing the disposal of assets are set out in Annex F. The annex covers detailed regulations concerning the disposal of:

- land
- equipment
- scrap and ICT equipment
- major reusable items
- investments
- intangible assets

Financial Regulation E: Expenditure, Liabilities and Procurement of, Ordering, and Paying for Works, Goods and Services

Introduction

- E.1** The Council has a duty to manage and spend public money with due regard to probity and in accordance with the Council's policies. All staff and Members of the Council are required to comply with the Council's procurement policies and procedures, as set out in Procurement Standing Orders. In particular, every officer and Member of the Council must advise the Monitoring Officer of any real or perceived links or personal interests they may have with purchasers suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the Council.
- E.2.** Procurement Standing Orders are supplemented by detailed regulations governing the day-to-day ordering of works, goods and services. These are provided in Annex G, section 1.
- E.3.** The Corporate Director (Finance & Operations) is responsible for reporting to the Cabinet not less than twice each financial year on the exercise of his/her delegated powers. One such report will comprise an annual report on procurement for presentation within the following financial year.
- E.4.** It is the responsibility of Corporate Directors to ensure that a proper scheme of delegation has been established for the procurement, certification and authorisation of payment within their area, and to take steps periodically to test that the scheme is operating effectively. Further detailed responsibilities of the Section 151 Officer and Corporate Directors in respect of the regulations governing ordering and paying for works, goods and services are set out in Annex G, section 2.

Contract arrangements

- E.5.** All contracts with a value in excess of the amount specified in Annex G, section 3, are subject to the provisions contained in the Council's Procurement Standing Orders. No tender shall be accepted and no contract shall be entered into until all of the requirements of Procurement Standing Orders as well as all necessary approvals, sanctions and consents have been obtained. Prior to letting a contract, Officers must ensure that they have the necessary delegated authority to proceed and there is sufficient budget provision in place.
- E.6.** For all contract in excess of the value specified in Regulation E.5, the Section 151 Officer will be responsible for:

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- a) Arranging payment in accordance with the contract terms or Council's scheme for prompt payment.
- b) Examining, at his/her discretion, and making such enquiries as may be necessary to satisfy him/herself as to the fairness and accuracy of the accounts.

E.7. The Assistant Director (Legal, Democratic and Regulatory) shall consider all claims, which appear not to clearly fall within the scope of the primary contract with a view to determining liability. He/she will consult with the Section 151 Officer on any financial consideration before settlement is reached.

E.8. Detailed responsibilities of Corporate Directors in relation to contracts are set out in Annex G, Section 3.

Engagement of, and Payments to, Employees

E.9. The Chief Executive, as Head of the Paid Service, has overall responsibility for ensuring that all staff emoluments and entitlements are approved for all current employees. The Section 151 Officer is responsible for calculating emoluments and entitlements and for ensuring that all payments are timely and accurate.

E.10. Detailed responsibilities of the Section 151 Officer and Corporate Directors in respect of engagement of, and payment to, employees are set out in Annex G, section 4. In particular, no advances of pay shall be made without the express agreement of the Section 151 Officer. Any advances of pay that are made shall be effected through the Council's payroll system unless determined otherwise by the Section 151 Officer.

Payments to Members

E.11. The Section 151 Officer is responsible for the payment of allowances and other sums due to Members in accordance with the Council's Members' Allowances Scheme, and best practice nationally.

E.12 The Section 151 Officer is responsible for implementing the provisions for Members' travel and subsistence contained in the Members' Allowances Scheme.

Taxation

E.13 The Section 151 Officer is responsible for managing the Council's tax affairs, approving systems and processes where in the opinion of the Section 151 Officer they may have a significant impact on the Council's tax position, and advising Corporate Directors on all taxation issues affecting the authority. He/she is also responsible for maintaining the authority's tax records, making all tax payments by the due dates, receiving tax credits and submitting tax returns by their due date as appropriate.

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- E.14.** Corporate Directors are responsible for ensuring that the correct amount of VAT is paid and/or collected on rateable purchases and supplies, in accordance with guidance issued by the Section 151 Officer, and for making proper arrangements to administer the correct tax liabilities for contractors engaged in construction and maintenance works.

Financial Regulation F: External Arrangements

Partnerships

- F.1.** For the purpose of the Regulations a partnership is defined as a joint working arrangement between otherwise independent bodies that:
- a) agree to co-operate to achieve a common goal
 - b) create new organisational structures or processes to achieve this goal separate from their own organisations
 - c) plan and implement a jointly agreed programme often with joint staff or resources
 - d) share relevant information
 - e) pool risks and rewards.

Service contracts that are described colloquially as “partnerships” are not partnerships for this purpose but are regarded as contracted services dealt with under procurement rules.

Responsibilities and expectations

- F.2.** The Council requires that potential partners are aware of their responsibilities under the Authority’s Financial Regulations and the procurement requirements. When partnerships are developed, the partners shall agree on which financial regulations and standing orders shall apply as part of the governance arrangements for the partnership. The Council’s expectations regarding partnerships are set out at Annex H, section 1. These should be adapted and written into partnership governance documents, as appropriate.
- F.3.** The Council is responsible for considering, and where appropriate, approving the formation of any strategic partnership or any proposed change to existing external relationships, on the recommendation of the Leader of the Council.
- F.4.** The Chief executive shall be the Council’s principal advisor and representative on partnership and external bodies. Further detailed responsibilities are set out in Annex H section 2

External funding

- F.5.** Where funding is due from external bodies the Section 151 Officer shall ensure that:
- (g) All funding due is received and properly recorded in the authority’s accounts.

- (h) Match-funding requirements and obligations are considered prior to entering into any agreement, and that future revenue budgets reflect these requirements.
- (i) Audit requirements are met.

F.6 Further responsibilities in respect of external funding and providing works to third parties are set out in Annex H, Section 2.

Annex A

Monitoring Officer responsibilities – schedule of values

Regulation A.5.

Last updated: May 2014

The Assistant Director (Chief Executive's Dept.) is the Authority's designated Monitoring Officer, under Section 5 of the Local Government and Housing Act 1989. He/she (together with the Section 151 Officer) is responsible for advising the Portfolio Holder, Cabinet or Council about whether a decision is likely to be considered contrary or not wholly in accordance with the approved budget. Actions that may be 'contrary to the budget' include:

- a) Initiating a new policy
- b) Taking, or failing to take action which will, or is likely to result in any defined budget for the current year being exceeded by an amount which in the view of the Section 151 Officer, taking into account all the circumstances at the time, is contrary or not wholly in accordance with the budget
- c) Committing, or seeking to commit expenditure in future years above the approved level
- d) Causing the Council's total budgeted sum for either the Housing Revenue Account or the General Fund to increase by more than the following amount in any one year (determined by the Section 151 Officer):

£100,000

ANNEX B

Financial Planning and Budgeting Policy Framework

Section 1: Budgeting and budgetary control

Regulation B.8

Last updated: May 2014

The Section 151 Officer shall determine the format of how budgets, revenue and capital, are presented and reported on. Revenue and capital budgets shall be submitted to Cabinet for consideration together and will be fully integrated and cross-referenced.

Section 1: Budget preparation

1.a) The Section 151 Officer is responsible for ensuring that a revenue budget is prepared on an annual basis for consideration by the Cabinet, before submission to the Council in the fourth quarter of the financial year. Fully-costed service budgets shall be prepared by the Section 151 officer in conjunction with the delegated budget holder. Budgets proposed to Cabinet should include allocations to each service and projects (where appropriate), proposed taxation levels and contingency funds (where appropriate). Such budgets will be in accordance with the Council's Medium Term Financial Strategy, will include revenue projections covering three years and capital projections covering five years, and will include appropriate risk management processes in their compilation.

1.b) It is the responsibility of Corporate Directors, and their delegated representatives, to ensure that budget estimates reflect agreed service plans and are scrutinised and endorsed by appropriate Members including Portfolio Holders and relevant Overview and Scrutiny Committees, prior to collation by the Section 151 Officer for submission to Cabinet.

1.c) The budget submission for the coming year shall show in respect of each defined item of income and expenditure:

- i) the original estimate and any revised estimate for the current year
- ii) the actual outturn for the previous year
- iii) estimates for the coming year with appropriate explanation of any significant issues or variations anticipated in the future.

In relation to i.) above the responsible Director, or the Section 151 Officer, shall report on any material variations.

1.d) The Cabinet shall consult with stakeholders and Overview and Scrutiny Committee(s) and make amendments as thought fit (subject to the advice of the Section 151 officer), prior to recommending appropriate budgets to Council.

1.e) Changes to the Budget which increase the Council's total expenditure and require either the use of the Council's general reserves or increased borrowing must be referred by the Section 151 Officer to the Cabinet for consideration before being referred to the full Council for approval.

Budget monitoring and control

1.f) In order to enable budgets to be monitored effectively, the Section 151 Officer will provide appropriate financial information to Corporate Directors, Assistant Directors and Group Managers. The Section 151 officer will monitor expenditure and income against budget, and will report to the Corporate Management Team on the Council's financial position against its budget on a monthly basis, and to Cabinet on a quarterly basis. This will include the detailed actual position in comparison to the budget for the year, projected outturn position for the end of the year, and any proposed action to be taken to deal with any variances. The report will show performance against individual detailed service budgets and also on a subjective basis.

1.g) Corporate Directors shall make appropriate arrangements, subject to these having been approved by the Section 151 Officer, to process all income and expenditure in a timely manner and charge it to an appropriate account code, so that information, and interpretations thereof, provided in accordance with clause 1.f above fairly reflects the true position.

1.h) It is the responsibility of Corporate Directors, Assistant Directors and Group Managers to control income and expenditure within their area, taking account of financial information provided by the Section 151 Officer, as well as supplementary local information systems. Each Director shall ensure that all expenditure committed by their directorates is within a revenue, capital, or other budget approved by Council. Any potential expenditure or loss of income, which cannot be funded from within the totality of the service budget, supported by the approved Scheme of Virement shall be reported to the Section 151 Officer as soon as this is anticipated by the Director.

1.i) The inclusion of items in approved revenue or capital budgets shall constitute approval to incur expenditure, subject to compliance with Procurement Standing Orders or other requirements included within these Regulations.

Section 2: Capital plans and budgets

Regulation B.9

Last updated: May 2014

Preparation and approvals

2.a) The Section 151 Officer is responsible for ensuring that a rolling 5 year Capital Programme is prepared on an annual basis for consideration by Cabinet and submission to the Council as part of its annual budget-setting process, and that

capital and revenue budgets are fully integrated.

2.b) The Programme will be informed by the Council's Capital Strategy and Medium Term Financial Strategy and by such capital and revenue resources as the Section 151 Officer recommends be made available over the Programme period.

2.c) The Section 151 Officer, in conjunction with Corporate Directors, will prepare and submit to Cabinet the estimates of capital payments planned to be incurred in the ensuing years. Capital estimates will be integrated with and cross-referenced to revenue budget estimates.

2.d) The Capital Programme submitted to Cabinet for consideration will include the total sum set aside for capital projects in the year under consideration and for future relevant years, together with details of individual projects being submitted for approval. The Capital Programme submitted to Cabinet will also include details of and provision for capital schemes already approved and in progress from previous years. Projects will be considered for inclusion within the Capital Programme in accordance with the arrangements set out in the Capital Strategy.

2.e) So far as is possible, all new schemes for the coming year will be identified in the budget report. Any subsequent new schemes will be approved by Cabinet within the total made available for capital schemes. Cabinet may ringfence sums of capital, or agree schemes in principle, with release of detailed sums delegated to the Portfolio Holder (Finance & Resources) if it considers it appropriate.

2.f) All new capital schemes will be evaluated by the Capital Strategy Steering Group, and will include risk assessments in their planning and execution.

Section 3: Scheme of virement

Regulation B.11

Last updated: May 2014

3.a) Virement is an in-year mechanism for formally determining and seeking agreement to the transfer of funds from one approved budget heading to another. The Virement policy set out below applies to all transfers of budget, of any value and for any reason, including for reasons of organisational restructure.

3.b) No virement has been carried out unless it has been done in accordance with these Regulations, has been approved by the Section 151 Officer and is recorded in a register maintained by him/her, and the Council's corporate Financial Management Information System has been updated accordingly. The recording of an approved virement does not alter the original budget approved before the start of the year.

3.c) The rules on virement apply to revenue and to capital and to all accounts under the Council's control.

3.d) A virement can not increase nor decrease the total amount of budget resource available: the net effect of all virements must be nil.

Levels of authority

3.e) A hierarchy of authorities is required to determine the type and level of virement that may be authorised by committees and officers of the Council. This is given in the **Schedule of Authorisations, item 1.**

3.f) In no instance should a virement be considered where approval would have the effect, or be seen to have the effect of frustrating, circumventing or amending the Council's policies or budget framework. Proposals for any new capital or revenue scheme, new sources of income, and significant variation in approved charges shall be considered by Cabinet and, if appropriate, Council.

Principles of application

3.g) The proposed virement must be for a purpose or budget previously approved by Council. Sufficient funds must remain in the transferor budget to meet all remaining commitments for the year. "Transferor budget" in this context refers to individual line budgets and not to the total budget for the service.

3.h) Subject to being over-ridden by a higher authority, no virement shall take place without the agreement of the transferor.

3.i) The virement must not commit expenditure in any following year. Base budgets for the following year(s) shall be 're-set' to exclude any virement made.

3.j) Any proposed transfer of funding to 'employee' budgets must not increase total employment costs beyond the current year. Employment cost for this purpose shall include payments to and for staff, agency and other temporary engagements, and overtime.

3.k) Where not specifically budgeted for within a scheme or project, consultancy and agency staff fees shall be deemed to be included within 'employee' costs for the purpose of this scheme.

3.l) Budgets for central and departmental recharges, asset rents, depreciation, interest receivable, capital receipts / payments / charges, and similar corporate 'accounts' are excluded from this scheme.

Capital

3.m) Virements between two or more approved capital schemes require the authorisation of Cabinet unless such virement has been delegated by Cabinet to the Portfolio Holder (Finance & Resources).

ANNEX C

Risk Management and Resource Control

Section 1: Maintaining internal control

Regulation C.6

Last updated: May 2014

Audit arrangements

1.a) The Accounts and Audit Regulations 2003, as amended, require every local authority to maintain an adequate and effective internal audit function. The Corporate Director (Finance & Operations) has the responsibility to ensure that the Internal Audit Contractor independently reviews and reports formally to the Audit Committee on the adequacy and effectiveness of the Council's control environment.

1.b) The Section 151 Officer shall maintain an adequate and effective system of internal audit of all accounting, financial and other operations of the Council, and in particular shall arrange, either directly or through an Internal Audit service provided under contract, for the examination, review and appraisal of:

- i) the soundness, adequacy and application of internal controls
- ii) the safeguards applied to Council assets to protect them from loss, theft, fraud, waste, inefficiency, extravagance, or poor value for money
- iii) the suitability and reliability of financial and other management information
- iv) compliance with rules, regulations, legislation, policy and procedures.

1.c) The Corporate Director (Finance & Operations) shall be responsible for ensuring that an annual report is prepared setting out:

- i) an opinion on the overall adequacy and effectiveness of the Council's control environment
- ii) disclosure and qualifications to that opinion
- iii) a summary of the audit work undertaken, and
- iv) any issues that are relevant to the preparation of the Annual Governance Statement . This shall be submitted to the Audit Committee as soon as is practicable after the end of the year to which it relates.

1.d) Internal Audit staff have specific authority to access appropriate Council personnel, correspondence and data at any time. Details of these powers are set out in the contract with the Internal Audit provider.

Preventing and detecting fraud and corruption

1.e) The Section 151 Officer is responsible for the development and maintenance of an anti-fraud, anti-corruption and whistleblowing policies. The Monitoring Officer shall be advised in any instance where a member may be implicated.

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1.f) The Section 151 Officer shall be notified immediately by the relevant Corporate Director of any suspected irregularity:

- i) concerning income, expenditure, cash, stores or other property of the Council
- ii) in the exercise of the functions of the authority that may appear to place an officer(s) or member(s) under suspicion of obtaining financial benefit, directly or indirectly, as a result of the exercise of any Council function with which he/she is associated.

Where notification has been received, the Section 151 Officer shall take such steps as is considered necessary by way of investigation and report.

1.g) Should it be found that any major irregularity has, is, or is about to occur, the Section 151 Officer shall immediately inform the Chief Executive and the Chairman of the Audit Committee. The Section 151 Officer is responsible for determining whether any irregularity shall be referred to the Police. There shall, however, be a presumption when considering any case, that suspected criminal acts perpetrated against the Council should be referred to the Police for investigation.

Security of assets

1.h) Corporate Directors should ensure that records and assets are properly maintained and securely held. They should also ensure that effective contingency plans are in place to:

- i) ensure continuity of service in the event of disaster or system failure
- ii) ensure that assets are secured in the event of disaster
- iii) hold in trust all assets secured as a result of clearing vacated council-owned premises until such a time as they can be properly disposed of in accordance with the regulations to be set out in the contingency plan

1.i) The Group Manager (Commercial Assets & Property Development) shall maintain a terrier of all land and buildings owned by the Council, or premises in which the Council has an interest. He/she shall ensure that all council buildings comply with all relevant legislation and that all relevant permissions and consents are secured.

1.j) The Assistant Director (Chief Executive's Dept.) shall be responsible for the safe custody of all title deeds, formal contracts and agreements, under secure arrangements agreed with the Chief Executive and the Section 151 Officer.

1.k) Group Managers shall maintain adequate and proper security at all times for all buildings, stocks, stores, furniture, equipment, vehicles, plant, cash and other assets of the Council, under their control.

1.l) Maximum limits for cash holdings, in whatever receptacle, shall be agreed with the Section 151 Officer, and shall not be exceeded without his/her express permission and with regard to the appropriate insurance limit. Current limits are set

out in the **Schedule of Authorisations, item 2**. Cash received in total in excess of this amount must be banked within 24 hours.

1.m) Officers, who in the course of their duties collect monies on behalf of the Council, the Council's partners or third parties, shall take all reasonable steps to secure safe custody and shall comply with any instructions given by the Section 151 Officer.

1.n) Each Corporate Director shall make arrangements to maintain a register of keys for external doors, safes, cash boxes and others items of similar importance. All safes shall meet with such specifications determined by the Section 151 Officer after consultation with the Council's insurers. The Register shall list the keyholders and out of hours contact arrangements. The Register should be held securely and only be available to authorised officers. All keys issued to staff are to be carried on the person, or held in a secure place, by those responsible at all times. Safe keys must not be left on the premises where the safe is situated. The loss of keys must be reported to the relevant Director and Section 151 Officer immediately.

1.o) With regard to computing, systems, software and data integrity, the Corporate Director responsible for ICT services shall:

- i) Ensure proper security and privacy arrangements are applied in respect of all information held on the Council's computer installations, and that information is used in accordance with Data Protection and other relevant legislation.
- ii) Ensure that effective contingency plans, disaster recovery and back-up procedures enable information systems to resume speedily in the event of an interruption. These should be documented and distributed to all appropriate personnel. He/she shall from time to time arrange for such plans to be tested.
- iii) Ensure that the Council, its employees, contractors, partners and agents working in support of the Council, comply with copyright, design, patent and similar legislation.

1.p) Each Corporate Director shall ensure that all staff and third party contractors/partners are aware of, and observe such rules and guidance, as may be issued under clause 1.m above. In addition, they shall ensure that the same standards of care apply to those computer systems directly under their control.

1.q) Corporate Directors are responsible for ensuring that all visitors to any Council buildings or sites, except in public areas, are signed-in and wear authorised identification. They shall also ensure that any visitor is adequately supervised to ensure confidentiality of information and security of Council assets at all times.

1.r) Corporate Directors, acting with the advice of the Section 151 Officer, shall ensure that the principles of separation of duties and good control procedures are observed in the allocation of accounting duties. They shall make arrangements so that:

- i) Duties of providing information regarding sums due to or from the Council and of calculating, checking and recording such sums shall be separated from the duty of cash or income handling and disbursing them.
- ii) Officers responsible for examining and checking the accounts for cash, stocks, stores and similar transactions shall not themselves be engaged in any of these transactions.
- iii) The organisational structure provides internal controls and minimises the risk of fraud or other malpractice.

Treasury management

1.s) The authority has adopted the Code of Practice for Treasury Management in Local Authorities published by CIPFA (2nd ed. 2009)

1.t) The Section 151 Officer is responsible for reporting to Cabinet a proposed Treasury Management Strategy for the coming financial year on an annual basis. The Council is responsible for approving the Treasury Management Statement. The Section 151 Officer has responsibility for implementing and monitoring the Statement.

1.u) He/she is responsible for reporting to the Cabinet at least twice in each financial year on the activities of the treasury management operation and on the exercise of his or her delegated treasury management powers. One such report will comprise an annual report on treasury management for presentation within the period of the succeeding financial year.

1.v) All executive decisions on borrowing, investment or financing shall be delegated to the Section 151 Officer, who is required to act in accordance with CIPFA's Code of Practice.

1.w) All money in the hands of the Council is controlled by the Section 151 Officer. All external investments shall be made in the name of Dacorum Borough Council and shall be undertaken by the Section 151 Officer.

1.x) The Section 151 Officer is responsible for authorising the opening of any new bank accounts or for closing bank accounts, for managing and controlling all bank accounts held by the Council, and for liaison with the Council's bankers. He/she will also approve the financial limits of authorised signatories to bank accounts. The term 'bank account' includes accounts with building societies, the post office or any financial institution and also includes credit or debit card facilities.

1.y) The Section 151 Officer is responsible for applying for any debit or credit cards and for determining the ongoing need for any such cards in use.

Section 2: Staffing and consultancy arrangements

Regulations C.7 & C.8

Last updated: May 2014

Staffing arrangements

2.a) A staff structure is required to provide support to the Cabinet, the Council and the Committees of the Council for the conduct of business. The Chief Executive, as Head of Paid Service, is responsible for determining how officer support for Cabinet and non-Cabinet roles within the authority will be organised in line with hierarchy of the authorisations specified in Annex C, Clause 2.g). The Chief Executive is responsible for providing overall management to staff and for ensuring that there is proper use of the evaluation or other agreed systems for determining remuneration of employment.

2.b) Corporate Directors, Assistant Directors and Group Managers are responsible for ensuring that:

- i) staffing levels can be funded within the totality of the approved current and forward years' budget provision allocated to them
- ii) rules relating to virement as they apply to the engagement of staff are observed.

2.c) The Chief Executive shall ensure that there is an official record of the officer structure showing each post.

2.d) The Corporate Director (Finance & Operations) will ensure that the annual budget presented for approval balances with the approved structure charts, net of any vacancy provision policy that the Council may operate from time to time.

2.e) Directors may appoint employees only to posts identified in the structure chart and on grades set out therein (apart from any additional remunerative arrangements such as leased cars, market forces supplements etc that the Council may apply from time to time).

2.f) The Corporate Director (Finance & Operations) shall ensure that the corporate employee database and payroll reflect only the official gradings of posts, and that additions to the payroll are effected only for posts within the structure charts.

2.g) Changes may be made to the structure charts in accordance with the hierarchy of authorities given in the **Schedule of Authorisations, item 3**, where the net effect of any changes is no increase in cost for the current, or a full year. Where a change to the structure chart results in an increased net cost, it shall require the approval of Council on the recommendation of Cabinet.

2.h) Corporate Directors may engage temporary staff to cover for the exigencies of the moment and/or staff absences/vacancies. Whilst not reflected on the structure

charts, payment may be effected through the payroll if in the opinion of the Section 151 Officer it is appropriate to do so. The Section 151 Officer will ensure that all such 'employment' is clearly shown on system as temporary and will ensure that no contractual commitment is entered into that would cause the temporary or interim worker to gain full employment rights.

2.i) The annual budget report submitted by the Corporate Director (Finance & Operations) shall include a section identifying any changes made to the structure charts since the previous budget report and defining the structure for the coming year.

Use of consultants

2.j) A consultant organisation or consultant may be engaged, where in the opinion of the Chief Executive or relevant Corporate Director he/she considers that the consultant will add value to the Council's determination of a particular technical, professional, managerial or political matter. This scheme applies to commissioned work and managing or advising consultancy and does not embrace the engagement of agency or other personnel covering vacancies within established posts. Costs of consultants must be contained within existing budgets.

2.k) A consultancy or interim staffing arrangement will exist where the person and/or company is not employed under a direct contract of employment with the Council and such appointments shall be procured through the following:

- i) an agency contract agreed under a framework agreement for the supply of agency staff as detailed on the Council's Contract Register; or
- ii) be procured through the Corporate Procurement Team and in accordance with Procurement Standing Orders.

2.l) Prior to inviting consultancy support the relevant Corporate Director shall identify and set down in writing the project objective(s), required 'deliverables', and timescales, which shall then form the basis of any consultancy contract.

Project brief and monitoring arrangements

2.m) In letting and managing a consultancy contract, the Corporate Director shall:

- i) ensure that the outcomes and timescales of a consultancy are determined in writing in advance of any contract being let
- ii) assign responsibility within his/her directorate for the day to day management of the consultancy
- iii) determine the monitoring arrangements, review points, and any documentation and/or access and/or other protocols necessary for the conduct of the consultancy

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- iv) ensure that adequate and appropriate records are kept of consultant hours and/or outputs where payment is based on time used or production of specified outputs
- v) ensure that all consultants are engaged on the basis of a written contract, set down and agreed before the commencement of the consultancy, and that such contract requires the consultant(s) to comply and be bound by any prevailing policies, standing orders, financial regulations and other instructions that are relevant to the consultancy task as though the consultant(s) were employees of the Council
- vi) ensure that all documentation or other outputs generated by the consultancy are and remain the property of the Council in all respects, but especially including copyright and intellectual property rights, and that such material shall be in the possession of the Council at the end of the consultancy
- vii) ensure that where consultants are retained to supply a product of significant ongoing tangible value to the Council, e.g. architects, engineers, software consultants etc, that the consultant(s) have adequate professional indemnity and public liability insurance cover in place, and that the existence of such cover shall be a contractual requirements.

ANNEX D

Schemes of Delegation

Regulation D.4.

Last updated: May 2014

Corporate Directors are required to maintain a scheme of delegation identifying officers authorised to act on their behalf on financial matters. A completed copy will be retained by the Section 151 Officer.

The scheme shall cover authorisation of payments to be made to staff, contractors and suppliers, the collection of income and placing of orders including variations. In each instance, the financial limits within which the member of staff or agent has authority to act shall be identified as follows. All contracts must be let in accordance with the Procurement Standing Orders, and Procurement guidance must be sought for the letting of contracts outside of the approval levels contained within the table below. Where a postholder meets more than one of the criteria below e.g. Section 151 Officer and Corporate Director, the higher of the two values should be taken.

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

ANNEX E

Income and assets

Section 1: Accounting for income

Regulation D.6

Last updated: May 2014

1.a) The key controls for income are that:

- i) all income due to the Council is identified and charged correctly, in a timely manner and in accordance with corporate charging policies, and is collected and properly accounted for
- ii) in the case of significant contracts, a financial vetting procedure is used to assess the merits of trading with the prospective (or, where appropriate, existing) customer
- iii) all income is banked or remitted to the Finance Department within one working day in line with the requirements of the Section 151 Officer
- iv) responsibility for cash handling should be separated from the person raising the debt
- v) effective action is taken to pursue non-payment within defined timescales
- vi) formal approval for debt write-off is obtained in accordance with Council policy and actioned promptly
- vii) retention and storage of all appropriate income documents is in accordance with the document retention guidelines.

Responsibilities of the Section 151 Officer

1.b) The responsibilities of the Section 151 Officer are:

- i) To authorise arrangements for the collection of all income due to the Council and to approve the procedures, systems and documentation for its collection.
- ii) To maintain a financial vetting procedure for use in selecting and approving prospective (or, where appropriate, existing) customers in respect of significant contracts.
- iii) To establish and initiate appropriate recovery procedures, including legal and bailiff action where necessary (subject to legal advice where appropriate), for debts that are not paid promptly.

iv) To authorise the write-off of bad debts up to an approved limit and to ensure that larger sums are referred to the Portfolio Holder (Finance and Resources) with his/her recommendation, or to Cabinet as appropriate.

v) To ensure that appropriate accounting adjustments are made following write-off action for all debts

vi) Debts will be collected by the Corporate Director (Finance & Operations) unless specifically authorised otherwise by him/her. Assistant Directors/Group Managers will notify the Corporate Director (Finance & Operations) of all debts due promptly so that he/she can issue debtor accounts expeditiously. Such notification to the Corporate Director (Finance & Operations) will include all information required by him/her, and be in a form required by him/her to enforce collection effectively. This may include evidence to support enforcement during legal proceedings.

vii) To maintain and keep updated by submitting proposals to Cabinet, a policy for fees and charges, in consultation with relevant Corporate Directors.

viii) Reviewing the ordering, issuing and control of official receipting documentation.

ix) Regularly advising relevant managers of the status of debts outstanding.

x) Agreeing, determining and advising responsible officers of the minimum amount for which an invoice may be raised.

xi) Agreeing and determining the use and terms acceptable for credit and debit card receipting.

xii) Ensuring that appropriate accounting adjustments are made following write-off action.

xiii) Where money, money's worth or the security of financial documents may be at risk ensuring, where practical, that at least two employees are present when post is opened so that funds, or the financial document received is properly identified and recorded.

Responsibilities of Corporate Directors

1.c. The responsibilities of Corporate Directors are:

i) To establish departmental charges for the supply of goods or services, including the appropriate charging of VAT, and to review them at least annually, in line with the corporate charging policies.

ii) To ensure that the advice of the Section 151 Officer (or an officer to whom responsibility has been delegated) is obtained in respect of prospective (or, where appropriate, existing) customers where significant contracts are being considered.

iii) To supply the Section 151 Officer with details relating to work done, goods supplied, services rendered or other amounts due in a timely manner, so that sums

due to the Council are recorded correctly. This includes ensuring that there is sufficient evidence of a usable quality is taken and held for debt collection purposes such as proving invoices or initiating legal proceedings.

iv) To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable

v) To ensure that proper banking and accounting procedures are observed, which will include the issue of official receipts and to ensure that appropriate details are recorded on to bank paying-in slips to provide an audit and management trail. These details should match the payment to the account or invoice to be credited.

vi) To assist the Section 151 Officer by providing any further information requested by Financial Services to facilitate the follow up and recovery of outstanding debts and to assist in the following up of outstanding debts on behalf of the Council.

vii) Identification, collection, receipt, custody, control, disposal and proper accounting of all monies received, or receivable by the Council in accordance with any requirements of the Section 151 Officer.

viii) Immediate acknowledgement of sums received by an officer, by the issue of a sequentially pre-numbered receipt, ticket, voucher, or other document approved by the Section 151 Officer. Accounting for all receipts issued to officers, ensuring that they are used for official purposes and that the monies so receipted have been promptly collected and paid over to the Council, or its bankers intact, and without deduction for other purposes.

ix) Systematic consideration of bad and doubtful debts, including the cessation of service where there is a history of persistent poor payment in consultation with the Section 151 Officer.

x) Levying and collecting charges in advance or at the time for services provided. Where this is not feasible responsible officers shall promptly issue a sundry debtor account.

Responsibility for recovering the Council's income

1.d) The responsibility for recovering the Council's income is as follows:

i) Council Tax and Business Rates – Assistant Director (Finance & Resources)

ii) Housing rents and associated income – Assistant Director (Housing Landlord)

iii) Parking – Assistant Director (Finance & Resources)

iv) Entertainments – Assistant Director (Strategy and Transformation, Community & Organisation)

v) Sales – various

- vi) Government grants – Assistant Director (Finance & Resources)
- vii) Commercial rents and associated income – Assistant Director (Finance & Resources)
- viii) Planning application fees – Assistant Director (Planning, Development & Regeneration)
- ix) Building Control application fees – Assistant Director (Planning, Development & Regeneration)
- x) Building Control fees (invoiced) – Assistant Director (Finance & Resources)
- xi) Licensing application fees – Assistant Director (Chief Executive’s Dept.)
- xii) Invoicing annual fees - Assistant Director (Finance & Resources)
- xiii) Sundry income invoiced through Accounts Receivable – Assistant Director (Finance & Resources)

The definition of “Sundry Income” for the purposes of the above is:

- (a) Those amounts due in respect of sales, fees and charges for services provided by the Council or falling due for payment, and which are:
- (b) Invoiced using the Accounts Receivable system, and/or
- (c) All income types other than those listed above.

Section 2: Documentation and cash handling

Regulation D.7

Last updated: May 2014

2.a) All books and forms of account and all official receipt forms or books, licences, tickets and all documents or vouchers or tokens representing receipts or money shall be in a form approved by the Section 151 Officer.

2.b) The arrangements for ordering, storing and control of such receipts, forms, books and other documents shall be approved by the Section 151 Officer. All receipts and issues of such documents shall be properly recorded and acknowledged in a manner approved by the Section 151 Officer.

2.c) All cash received on behalf of the Council shall be properly acknowledged by the issue of an official Council receipt or other document of a type referred to above, unless alternative arrangements have been approved by the Section 151 Officer.

2.d) Receipts for payments made by cheque should be made when requested by the payer. Payments received by automated methods, such as by debit/credit cards or via the Internet, must be recorded in such a manner as to facilitate reconciliation of the amounts received with the account(s) to be credited.

2.e) Bankings must always be intact, i.e. to include all monies received that day (or other agreed period).

2.f) No expenditure should be made out of income received which should all be banked in full. Refunds of overpayments must be made through the Creditors system, unless specifically sanctioned by the S151 Officer.

2.g) Third-party cheques should only be accepted where the cheque is from an approved source, e.g., utility undertaking and where it is used in full or part settlement of a Council debt. In no circumstances should they be cashed, or be accepted and change given.

2.h) Council cheques should only be accepted when it has been confirmed with Financial Services that no "stop" exists.

2.i) No cheques from anyone should be cashed at all apart from, in limited situations, Dacorum Borough Council cheques being cashed or opened. Where a request is made to open a cheque, such action must be approved by the Section 151 Officer.

2.j) Under no circumstances should personal cheques belonging to staff be cashed in, or money borrowed from, income or other Council monies. Breach of this Financial Regulation will be regarded as disciplinary matter.

Holding cash for third parties

2.k) In instances where officers of Members of the Council receive cash belonging to third parties, such as in the case of clearing council owned property and retaining assets until they can be passed to an identified owner, the standard procedure note for receipting cash will be followed.

Invoices and record keeping

2.l) Demand notices or invoices shall be raised in respect of all debts except:

- (i) parking fees
- (ii) entertainment tickets
- (iii) ad hoc cash sales
- (iv) such other situations as the Section 151 Officer may determine as appropriate, such situations being recorded in a revision of Financial Regulations as soon as is practical

2.m) Where income is derived from a certificated grant claim to the government, the documentary provisions related to that claim shall apply for record keeping purposes.

2.n) Where a demand notice or invoice is required, the following services shall be responsible for issuing them:

- i) Council Tax and Business Rates – Assistant Director (Finance & Resources)
– Demand Notices

- ii) Housing rents and associated income – Assistant Director (Housing Landlord)
– Rent Statements
- iii) Commercial rents and associated income – Assistant Director (Finance & Resources) – Invoice
- iv) (Sundry income via Accounts Receivable – Assistant Director (Finance & Resources) – Invoice

2.o) For debts arising for Council Tax, Business Rates and Housing Rents, there are statutory provisions that must be followed for raising demand notices. These provisions are set out in separate procedure manuals and are not repeated here.

2.p) Where a debt is to be invoiced and recovered by Financial Services, it shall be the responsibility of the Group Manager that has arranged or provided the service to ensure that:

- (i) Liability is properly established
- (ii) The service is documented in a contract or agreement that has been correctly signed by all relevant parties
- (iii) That the contract or agreement or other relevant evidence is provided to Financial Services as evidence with the invoice request
- (iv) All liabilities should be raised against individuals or corporate entities. Liabilities shall not be raised in the name of “The Occupier” or similar forms and neither should trading names be used in the place of proper legally recognised persons.

2.q) It is imperative that proper evidence supports invoice requests as this prevents invalid invoices being issued. Invalid invoices generally lead to debit reversal to the originating department cost centre or bad debts and write offs.

2r) All notifications of debt to debtors will be by official invoice issued by the Corporate Director (Finance & Operations) or by another Corporate Director in respect of a service and in a manner approved by the Section 151 Officer. Under no circumstances may service departments operate unofficial debtor systems or seek to manage debt via correspondence with the debtor.

2.s) All invoices for income due to the Council shall be prepared and issued by Financial Services, such issues immediately following an invoice request that is supported with the relevant evidence. Invoice requests that are not adequately supported will be returned to the originating department for rectification.

2.t) Invoices shall be set out and issued in the manner approved by the Section 151 Officer

2.u) Invoices may be reduced in value if the services provided have been incorrectly charged at a higher level. Where the value of an invoice needs to be reduced, a written instruction must be provided to Financial Services detailing the reasons and

the revised amount and signed by the relevant Assistant Director, (as defined under regulations defining responsibility for recovering the Council's income, above).

2.v) Invoices may only be cancelled where:

- (i) the debt has been raised against an incorrect liable party
- (ii) a variation to a lease or licence results in a lower charge
- (iii) the planned service has not been provided, eg. a trade refuse contract that has commenced, but the bin was not been delivered
- (iv) the information recorded on the invoice is factually wrong, or
- (v) the “debtor” has no liability in law.

2.w) Where an invoice is cancelled, the reason for cancellation must be recorded in a written instruction and signed by the relevant Assistant Director. In all other circumstances where an invoice needs to be cancelled, the write off procedure must be used.

2.x) No customer should be advised that a debt is uncollectable or will be written off or be given similar undertakings unless the decision making process with regard to debt write-off has been completed.

Section 3: Petty cash, change floats, and credit card purchases

Regulation D.10

Last updated: May 2014

3.a) The Council's resources may be held as cash only where there is a business need. Any cash holdings must be authorised by the Section 151 Officer who will review the need for such cash holdings periodically and may, at his/her discretion, in consultation with Corporate Directors, withdraw or alter the size of cash holdings.

3.b) Any requests for cash holdings shall be made by the relevant Corporate Director to the Section 151 Officer. Directors will also furnish the Section 151 Officer with a schedule of all cash holdings with details of the officer responsible for their custody.

3.c) In all instances vouchers seeking payment shall be properly certified for payment by officers authorised to do so and coded. All vouchers shall have attached to them securely receipts and/or other appropriate documentation in support of the full value of the payment that is requested. Vouchers shall be stored in line with the Document retention schedule.

3.d) The Section 151 officer shall determine the form for vouchers to be used to seek disbursement from petty cash holdings or imprests. No other form of voucher shall be used to obtain disbursement of official monies in this manner.

3.e) Cash reimbursements shall be limited to minor purchases (when supported by

receipts) not exceeding a sum determined by the Section 151 Officer and specified in the **Schedule of Authorisations, item 4**. Payments must not be broken up to avoid this limit. Petty cash floats may not be used for reimbursements of employee expenses, payments of invoices, or refunds. Official monies must never be used for cashing personal cheques.

3.f) Periodically, and at least monthly, responsible officers shall perform, in conjunction with another officer regular checks to ensure that the balance of credit on the account together with the sums disbursed equal the amount of the approved imprest. A record of such reconciliation, signed by both officers, shall be retained.

3.g) Corporate Directors shall ensure that any imprest held by an officer leaving his/her post is checked prior to his/her leaving and either paid back into the Council's Bank Account or transferred to another authorised officer.

3.h) Only the Section 151 Officer may apply for official credit cards. Credit cards will only be issued to and retained by officers who have a business need that cannot be satisfied by other means. The Section 151 Officer will review at least annually the business case for the issue and retention of each credit card and will, in consultation with the appropriate Corporate Director, withdraw all cards that seem to him/her to be no longer be necessary.

3.i) Official credit cards will only be used for purchases of goods and services for the Council from third parties. They will never be used for personal transactions under any circumstances. They will not be used for expenses in relation to the running of any motor vehicle. Such matters being dealt with either through the issue of official orders and receipt of invoices or through personal expense claims. It is permissible for official credit cards to be used for expenses where the expense would be reimbursable in full on production of a receipt, such as for rail fares or hotels (accommodation only). In the event of any ambiguity regarding what is permissible expenditure, holders should consult the Section 151 Officer, whose decision shall be final.

3.j) Credit cards will never be used for obtaining cash advances.

3.k) Employees holding credit cards will ensure that VAT receipts are obtained, where relevant, for all transactions and that all supporting documentation is handed over promptly to permit the payment of credit card bills.

Section 4: Debt write-off and credit write-on procedures and limits

Regulations D.13 & D.14

Last updated: May 2014

Write-offs

4.a) A write-off request must be prepared detailing:

- (i) ___ name and address of the debtor

- (ii) value of the debt
- (iii) service provided
- (iv) reason why the debt is irrecoverable
- (v) the authorisation route that must be followed.

4.b) The write-off request should account for the full indebtedness of an individual or organisation and any information relevant to determining their financial obligations to the Council, and should also identify previous write-offs for that debtor.

4.c) Where credits exist in the name of the debtor, they should be offset against the debt in order to minimise the extent of write-off.

4.d) Where there are multiple write-off requests, the requests shall be compiled into a schedule for each month that shows the following:

- (i) name of the debtor
- (ii) value of the debt
- (iii) type of reason why the debt is irrecoverable
- (iv) the total value of debt write-off requests in the period covered by the schedule and the sub-total of values by type.

4.e) The write-off request must be supported by appropriate working papers that support the reason for writing off the debt. The individual request or schedule of requests must be approved by the relevant Group Manager and the Section 151 Officer. The Section 151 Officer may request further details of write-off requests listed on the schedules prior to approval.

4.f) Authorisation for write-offs depends on the value of the write-off request. A schedule of authorisations is provided in the **Schedule of Authorisations, item 5**. Depending upon the write-off thresholds, the request may be supported with a minute/decision sheet relating to a Portfolio Holder or Cabinet decision. All proposed write-offs shall be subject to review and approved by the Section 151 Officer who may, if he/she considers it appropriate, determine that a higher level of authority for write-off should be exercised.

Write-ons

4.g) Where unclaimed credits are held within the Council's accounts, they may be considered for writing on. Where this happens, a write-on request form shall be prepared detailing:

- (i) name and address of the account holder
- (ii) value of the credit
- (iii) service that the credit relates to
- (iv) reasons why the credit should be written on.

4.h) The write-on request form must be signed by the relevant Group Manager and supported by appropriate working papers. The request will be considered and determined by the Section 151 Officer.

4.i) All write-off and write-on paperwork shall be retained for such period of time as required by the Document Retention Schedule for Dacorum Borough Council.

Write-off recovery thresholds

4.j) The cost of undertaking recovery proceedings can be expensive and given the low value of some debts, it may not be economic to commence such action. The Section 151 Officer, shall set de-minimis levels for recovery action and review and amend them on a periodic basis. Write-off recovery thresholds are set out in the **Schedule of Authorisations, item 6.**

4.k) Where a debt is considered in court proceedings and it is in the interests of the Council to accept a consent order for a lower amount in full and final settlement of the debt, any value that needs to be written off will be accounted for as per the threshold table with the reasons attached to it. Where this occurs, the authorising role will not be able to challenge the write-off due to the existence of a court order. However, if there are doubts as to the appropriateness of the full and final settlement decision that related to the court order, then the Section 151 Officer shall investigate the case and take appropriate action.

4.l) With the exception of court order cases, the process of writing off debt is not irreversible and in the event that monies are recovered in the future, the relevant amount will be credited back into the Council's accounts.

Credit Limits

4.m) There is a general presumption that discretionary services provided to a customer should be paid for on time. In the event of a repeated failure to pay in accordance with the credit terms and where appropriate, the Accounts Receivable Team will recommend to the service department that the provision of services should cease. In the event that the recommendation is not accepted by the service department, then the service department must provide reasons in writing to the Section 151 Officer as to why services should continue to be supplied.

4.n) To reduce the risk of loss of income or value of good and services to be supplied, the Section 151 Officer shall maintain a financial vetting procedure in order to assess or review the risk of entering into or, where appropriate, continuing with, significant contracts with existing and prospective customers, suppliers or partners.

4.o) The procedure referred to in Clause 4.n above shall define the term 'significant contract' and take into account the Council's revenue streams, procurement contracts and partnerships and the prevailing risks associated with them. Where a prospective (or, where appropriate, existing) customer, supplier or partner fails to achieve a satisfactory financial vetting assessment, the Council shall:

- (i) not enter into any new contractual arrangement and
- (ii) review any existing contractual arrangement to establish whether it is appropriate to continue the said existing contractual arrangement in the light of the assessment.

Section 5: Responsibilities for stocks, stores and minor assets

Regulation D.15.

Last updated: May 2014

Responsibilities of the Section 151 Officer

5.a) The Section 151 Officer is responsible for:

- i) Adopting appropriate accounting policies and advising Corporate Directors of the basis to be adopted for valuing stocks and stores.
- ii) Ensuring that the valuation of all stocks and stores is fairly reflected in the Annual Financial Statement of Accounts.
- iii) Determine minimum standards to be complied with under regulations relating to assets, at paragraphs (a) (b) and (e) below.

Responsibilities of Corporate Directors

5.b) Each relevant Corporate Director is responsible for, ensuring :

- i) That there are effective and efficient procedures for procuring, holding and the issue of stocks and stores, and that such procedures are to the satisfaction of the Section 151 officer.
- ii) That objective statistical methods are used, in accordance with best practice, to determine order quantities and maximum and minimum order levels, and that such methods are to the satisfaction of the Section 151 officer.
- iii) Furnishing the Section 151 Officer with details and a signed certificate of the value of stocks and stores held within their directorates as and when required by the Section 151 Officer
- iv) Arranging for goods to be checked at the time of delivery to ensure that quantity, quality and price comply with the contractual or order specification.
- v) That comprehensive, complete and up to date stores/stock records are maintained and that such records are in a form that is satisfactory to the Section 151 Officer. Where stores / stock recording systems are computerised, they shall interface appropriately with the Council's main Financial Management System and interface controls will be to the minimum standard determined by the Section 151 officer.
- vi) Regular and systematic stocktaking, ensuring that every item is checked at least once annually, and that fast moving, valuable or desirable items are checked more frequently.
- vii) Procedures for the disposal of surplus or obsolete stock are correctly complied with. These are set out under Financial Regulation D.23.

Asset inventories

5.c) Asset inventories shall be held and kept current by Group managers, who will ensure that all areas under their authority have an asset inventory. They shall contain clear descriptions of all fixed and moveable assets having a current value in excess of an amount specified by the Section 151 Officer in the **Schedule of Authorisations, item 7**, other than land and buildings, which are listed in the property terrier, which is kept by the Group manager (Commercial Assets & Property Development) and ICT equipment for which a separate inventory is kept by the responsible Corporate Director.

5.d) Where assets have unique serial numbers, they shall be recorded in the asset inventory.

5.e) The Section 151 Officer is responsible for:

- i) Ensuring that all equipment, furniture, fixtures and fittings, plant, machinery, tools and other valuables are appropriately insured, and that appropriate risk management reviews are undertaken periodically.
- ii) Determining the form for official inventories.
- iii) Determining the basis for valuation of items recorded in asset inventories.

5.f) The Corporate Director with responsibility for ICT Services is responsible for:

- i) The maintenance of a comprehensive Hardware and Software Inventory for all Council ITC equipment held throughout the Council.

5.g) Corporate Directors are responsible for:

- i) Ensuring that each Group Manager compiles and maintains an inventory of assets in the official form (other than land and buildings, and ICT equipment), and that appropriate entries are made at the time of purchase and disposal.
- ii) Arranging for an independent annual inspection of all items on the inventory.
- iii) Informing the Section 151 Officer and if it appears that assets cannot be accounted for.
- iv) Ensuring that all purchases of ICT equipment are made through ICT Services.
- v) Advising the Section 151 Officer of the valuation of inventories for insurance purposes.

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- vi) Determining the method by which redundant or assets surplus to requirements shall be disposed of. Asset disposals shall be undertaken in accordance with these regulations and in accordance with European Directives on the disposal of electrical and computer equipment.
- vii) Ensuring that all assets are used wholly and exclusively for Council business.

ANNEX F

Disposal of Assets (including Stocks and Stores)

As a public authority the Council should, in the disposal of its landholdings and other assets, always seek to obtain the best price reasonably obtainable, in terms of money or monies worth, unless it is absolved from this duty by statute, regulation or other lawful authority. The following regulations govern the disposal of assets.

Section 1: Land disposals

Regulation D.24

Last updated: May 2014

1.a) For the purposes of the following, "land" includes land of which the Council owns the freehold or leasehold interest and interests such as restrictive covenants of which the Council has the benefit It includes land and buildings, leases, easements and other rights of way.

1.b) Disposals of land shall always be for the best consideration possible, including monetary and other relevant factors. Any authorisations from Government that are required in respect of the need to seek best consideration shall be applied for by the Corporate Director (Finance & Operations).

1.c) All disposals of land shall be authorised by Cabinet on the basis of advice by the Corporate Director (Finance & Operations), and Cabinet shall also approve any nonmonetary aspects of the disposal where they are material to the consideration sought.

1.d) All valuations and negotiations in respect of land disposals must be carried out by or under the supervision of a properly qualified member of the Society of Valuers and Auctioneers or a member of the Royal Institution of Chartered Surveyors, who is not a member of the Council and who is in a position to judge the conditions prevailing in the local property market.

1.e) All valuations will be carried out in a manner that will satisfy external audit requirements, and the advice of the Section 151 Officer will be taken in that respect.

1.f) Negotiations with prospective developers should take place at the Council's offices or the developer's office within normal office hours (subject to the necessity for such negotiations to be extended in exceptional circumstances beyond those hours). Two officers of the Council will be present during negotiations and all such valuations and negotiations shall be subject to written record and approved by the Corporate Director (Finance & Operations), unless delegated . A signed record of all meetings shall be retained.

1.g) The Corporate Director of the appropriate directorate and the Council's duly appointed valuer or other agent shall be involved in or appraised of all major steps in the negotiations in respect of transactions or of a series of transactions, the

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estimated value or the aggregated value of which exceeds an amount specified by the section 151 Officer in the **Schedule of Authorisations, item 8**.

1.h) It shall be the duty of the Corporate Director (Finance & Operations) to report on the progress of any major transaction authorised by the Council to Cabinet at least at six monthly intervals and upon completion of the transaction. This duty will apply to transactions in respect of which the aggregate consideration is likely to exceed the amount specified in Clause 1.g above and those where there are significant operational implications.

1.i) No land owned or leased by the Council shall be disposed of to another body or person until it has been offered to all other services of the Council, unless in the opinion of the Corporate Management Team such land is of no conceivable value or interest to any of the Council's services. Transfer of land between services requires the approval of:

- i) the Corporate Management Team
- ii) the "transferor" Cabinet Portfolio Member*
- iii) the "transferee" Cabinet Portfolio Member*

*Approval by Cabinet Portfolio Holders in this regard shall be by formal Portfolio Holder decision.

1.j) The Corporate Director (Finance & Operations) shall effect any transfer in the accounts that may be required.

1.k) No land owned by the Council or of which the Council is lessee shall be disposed of except by way of renewal of lease until a report has been prepared by the Corporate Director (Finance & Operations) containing:-

- i) an inspection report describing the land and, where appropriate, its physical characteristics and development constraints.
- ii) a report on title by the Assistant Director (Chief Executive's Dept.).
- iii) any information from the Council's records which would affect the land's value or development potential.
- iv) where appropriate an assessment of the development potential of the land by the Assistant Director (Planning, Development & Regeneration).
- v) any advice by the Corporate Director seeking to dispose of the land.

1.l) In formulating his/her advice, the Corporate Director (Finance & Operations) shall make recommendations in respect of

- i) issues that need to be resolved before marketing of the land can proceed.
- ii) the method of disposal
- iii) the title to be transferred
- iv) the price the Council should receive along with the "asking" and "reserve" price
- v) any special conditions of sale
- vi) any appointment of external advisers or agents that may be desirable.

1.m) All disposals of land owned or leased by the Council shall be by one of the following methods. The Corporate Director (Finance & Operations) shall determine on the basis of appropriate professional advice which method is in the best interests of the Council at any given time.

i) **Private Treaty**

This method may be used where in view of the size, value or location of the land there is only one prospective purchaser with a foreseeable interest in acquiring it. It may also be appropriate where the number of those interested is limited to two or three and the value of the land is low, but in any such case those with a foreseeable interest should be notified of the Council's intention to dispose of the land and any interest in acquiring it should be pursued and assessed.

ii) **Tender**

This method may be appropriate where there are two or more prospective purchasers with a foreseeable interest in acquiring the land. Where the estimated value of the land exceeds a value specified by the Section 151 Officer in the **Schedule of Authorisations, item 9** and more than one prospective purchaser exists, this method should be used in preference to Private Treaty. Advertisements should be placed in the local newspaper and, if appropriate, national newspapers. Tenders should be on the basis of identical terms and conditions of the sale. The tender documentation should make it clear that the Council is not obliged to accept the highest or any tender and in the event of any higher offer being received before a contract is exchanged, the Council may be obliged to consider it. In the event of any such higher offer being received, all interested parties who have submitted a tender must be given the opportunity of making a further or revised offer by a specified date.

iii) **Public Auction**

This method will be used where the value of the land is difficult to ascertain in view of its size, location, development constraints or other factors, and interest in it is unknown. If this method is used, appropriate conditions of sale and any reserve price should be settled and agreed by Cabinet.

iv) **Building Agreements**

Where land is to be disposed of under a building agreement and subsequent lease, developers' proposals should be invited by public advertisement and considered by the appropriate Cabinet Portfolio Member.

1.n) These rules do not apply to a disposal under the "Right to Buy" provisions of the Housing Act 1985, to disposals under any scheme adopted by the Council for the extension of the "Right to Buy", to any disposal which is required either by statute or by a court of law, or to a disposal otherwise than for best price reasonably obtainable under a general or specific consent of the Secretary of State.

Section 2: Equipment disposals

2.a) This Section applies to all plant, equipment and other smaller assets. It includes vehicles, plant, machinery, office equipment (including ICT equipment) etc. It also applies to items of stocks and stores with an individual value of less than an amount specified by the Section 151 officer in the **Schedule of Authorisations, item 10**.

2.b) Save for any ICT equipment, any vehicle or article of equipment, machinery, furniture, etc, which is surplus to the requirements of one of the Council's service units must be valued by or under the instructions of the Group Manager of the service unit which has responsibility for it. The need for accuracy in the valuation will depend largely upon the intrinsic value placed upon the article.

Scrap Items (where the responsible Group Manager is satisfied that there is no economic value in the item for its original or intended use).

2.c) The Group Manager should use his/her best endeavours to obtain best price on the open market.

2.d) If on investigation a better value can be obtained in a trade-in for new equipment than on a sale on the open market, the Group Manager may conduct the disposal on the basis of trade-in.

ICT Equipment

2.e) All ICT equipment for disposal should be passed to the ICT Service.

2.f) The ICT Service should ensure all equipment conforms to licensing and Health and Safety requirements.

2.g) Where possible the ICT Service should re-use the equipment within the Council.

2.h) If the equipment is not required by the Council, it may be given free of charge to voluntary or not-for-profit organisations.

2.i) If the equipment has value, the best price possible to should be obtained.

2.j) The ICT Service is required to schedule and retain documentary evidence of the disposal of ICT equipment for a period, as outlined in then Retention Schedule for documents.

2.k) The Group Manager responsible for the ICT service will ensure that all ICT equipment disposed of has sensitive data or material that would contravene the Data Protection Act or other legislation erased irretrievably and retained in accordance with the Council's document retention strategy.

Other Minor Usable Items (with an intrinsic resale value up to the value specified in clause (a) above.

2.l) The responsible Group Manager should first cause an internal advertisement

for the article to be published amongst all Group Managers with a potential use for the article for Council business.

2m) Where no service unit Manager requires the article to be disposed of, it may be advertised for sale to Council employees at the price placed upon the article by the responsible Group Manager.

2.n) Where no Group Manager or employee requires the article to be disposed of it may be publicly advertised for sale at the price placed upon the article by the responsible Group Manager; or it may be offered to a voluntary or educational organisation.

2.o) The responsible Group Manager is authorised to dispose by way of trade-in or by way of Private Treaty with a view to obtaining best price or value reasonably obtainable.

Section 3: Major reusable items

3.a) This section applies to assets with an intrinsic resale value in excess of the amount specified under Clause 2.a) above and to stocks and stores with an individual value above this amount.

3.b) Assets within this section should be the subject of public advertisement in local or national newspapers and/or appropriate trade journals and open tendering procedures. Tenders should be on the basis of identical terms and conditions of sale. The tender documentation should stipulate that the Council is not obliged to accept the highest or any tender.

3.c) Alternatively these items may be disposed of by way of public auction, with or without reserve price including via electronic auction on a recognised auction website.

3.d) Alternatively, these items may be disposed of by way of trade-in for new or replacement equipment if this method will achieve better value than the best open market price reasonably achievable.

3.e) Disposals of major reusable items must be authorised by the Cabinet where the disposal may achieve a receipt in excess of an amount above that specified by the Section 151 Officer in the **Schedule of Authorisations, item 11**. The responsible Group Manager must prepare a report containing:

- i) An inspection report describing the equipment and its condition.
- ii) Any information from the Council's records or within the responsible Group Manager's knowledge which would affect the equipment's value.
- iii) Recommendations where appropriate on the following:
 - a.) issues that need to be resolved before marketing of the equipment can proceed
 - b.) the method of disposal

- c.) the price the Council should receive along with the "asking" and any "reserve" price, if the equipment is to be sold by public auction.
- d.) any special conditions of sale
- e.) the appointment of external advisers or agents
- f.) whether negotiations should proceed with a special purchaser.

3.f) These rules shall not apply to disposal by the Council of items by way of sale in the normal course of the Council's business (e.g. food from the food outlets etc).

Section 4: Disposals of other assets

4.a) This Section applies to all other tangible or intangible assets, including but not restricted to stocks and shares, works of art, debts, goodwill and intellectual property such as copyright.

Investments

4.b) The disposal of all investments is delegated to the Section 151 Officer and shall be made in compliance with the best prevailing advice of the Council's appointed advisers, CIPFA or other reputable and authoritative sources such as the Bank of England, Stock Exchange or HM Treasury.

4.c) All procedures relating to the disposal of investments shall be detailed in a Treasury System Document produced by or under the direction of the Section 151 Officer.

Other Intangible Assets

4.d) All 'Other Assets' other than investments (eg debts, patents, trade marks) which are to be disposed of shall be valued by a person who is professionally qualified in the particular field.

4.e) The appropriate Corporate Director will obtain Cabinet authorisation where the value of the asset(s) to be disposed of exceeds an amount specified by the Section 151 Officer in the **Schedule of Authorisations, item 12**. The Cabinet report will include:

- a) a description of the asset
- b) a report on title by the Assistant Director (Chief Executive's Dept.)
- c) any information from the Council's records or within the knowledge of its employees which may affect the asset's value.

4.f) The report to the Cabinet Portfolio Member shall contain recommendations on:

- a) the method of disposal
- b) an estimate of the price which the Council should receive along with the "asking" price and any "reserve" price, if appropriate
- c) any special conditions of sale
- d) the appointment or external advisers or agents
- e) whether negotiations should proceed with a special purchaser.

4.g) The method of disposal of other assets will depend upon the nature of the asset, its intrinsic value and the professional advice of any employee or appointee who is qualified to advise in the particular field.

ANNEX G

Expenditure, Liabilities and Procurement of, Ordering, and Paying for Works, Goods and Services

Section 1: Detailed regulations governing the procurement of, ordering and paying for works, goods and services

Regulation E.2

Last updated: May 2014

1.a) Every officer and member of the authority must comply with the Ethical Code contained in the Council's Procurement Standing Orders (Section 1, paragraphs 5 and 6)

1.b) Official orders must be in a form approved by the Section 151 Officer in conjunction with the Monitoring Officer. Official orders must be issued for all works, goods or services to be supplied to the authority, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions specified by the Section 151 Officer.

1.c) Each order must conform to approved procurement guidelines and the standardisation of supplies and materials. Standard terms and conditions must not be varied without the prior approval of the Corporate Director (Finance & Operations).

1.d) Apart from petty cash, and other payments from advance accounts, the normal method of payment from the authority shall be by BACS or cheque (or other instrument or approved method), drawn on the Council's approved bank accounts by the Section 151 Officer or a signatory approved by the Section 151 Officer.

1.e) Direct debit facilities shall not be set up other than by the Section 151 Officer and no officer shall commit to payment by that means without the prior agreement of the Section 151 Officer.

1.f) Arrangements for signing and countersigning cheques and other payments will be determined by the Section 151 Officer. Signing and countersigning limits are set out in the **Schedule of Authorisations, item 13**.

1.g) Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of the Council's contracts.

1.h) All goods and services may be ordered only by persons authorised to do so in line with each Corporate Director's scheme of delegation and must be correctly recorded.

1.i) Goods and services received must be checked to ensure that they are in accordance with the order. The person who placed the order should preferably not receive goods.

1.j) Unless specifically agreed with the Section 151 Officer in each instance, advance payment shall not be made for goods or services. The Section 151 Officer may authorise specific categories and/or values of expenditure as standing exceptions to this Regulation, and may amend or delete any such exceptions from time to time. Standing exceptions are recorded in the **Schedule of Authorisations, item 14**.

1.k) Payments shall be made to the correct person, for the correct amount and shall be properly recorded, regardless of the payment method.

1.l) Payments by the Council shall be made only on an official invoice, except for recurring payments, for contract payments and for other exceptions as may be specifically approved by the Section 151 Officer.

1.m) Appropriate evidence of the transaction and payment documents shall be retained and stored for the defined period, in accordance with the Council's document retention schedule.

1.n) Expenditure, including VAT, shall be accurately recorded against the correct budget code.

1.o) Processes shall be put in place, according to the regulations governing responsibilities, to maintain the security and integrity of data for transacting business electronically.

1.p) Invoices shall be settled within the period defined by Government prompt payment requirements. Where invoices are disputed, that fact will be clearly recorded on any invoices together with the date that the dispute was settled before such invoices are passed for payment.

1.q) In the case of significant contracts, a financial vetting procedure shall be used to assess the merits of trading with the prospective (or, where appropriate, existing) supplier.

Section 2: Responsibilities for procurement of, ordering, and paying for works, goods and services

Regulation E.4

Last updated: May 2014

Responsibilities of the Section 151 Officer

2.a) The Section 151 Officer shall:

i) Ensure that sufficient fidelity guarantee insurance is in place to cover those officers authorised to initiate or make payments.

- ii) Make payments from the Authority's funds on the authorisation of the appropriate officer that the expenditure has been duly incurred in accordance with financial regulations.
- iii) Subject to the receipt of properly signed-off invoices in good time, arrange payment to suppliers promptly.
- iv) Make payments, whether or not provision exists within the estimates, where the payment is specifically required by statute or is made under a court order.
- v) Make payments to contractors on the certificate of the appropriate Corporate Director, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.
- vi) Determine, in conjunction with the Assistant Director (Chief Executive's Dept.), the form of official orders.
- vii) Agree and determine a scheme for the issue and usage of corporate credit cards where the costs of ordering and procuring is excessive when judged against the value of purchases.
- viii) Approve 'draw-down' arrangements for supplies and provisions covered by annual contracts.
- ix) Maintain a financial vetting procedure for use in selecting and approving prospective (or, where appropriate, existing) suppliers in respect of significant contracts.

Responsibilities of Corporate Directors

2.b) Corporate Directors shall ensure that:

- i) All procurement practices accord with the Council's policies on procurement.
- ii) Relevant officers authorised to sign orders or certify payments do so with a full signature where done manually or under a password-controlled electronic process. Initialled authorisations will be rejected by the Section 151 Officer's Accounts Payable Team.
- iii) Official orders are used for all goods and services, other than for exceptions specified, and that they are used only for goods and services to be consumed by services under the Director's control.
- iv) The authoriser of the order should be satisfied that the goods and services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained where required by these regulations and other instructions.
- v) Goods and services are checked on receipt to verify that they are in accordance with the order. A different officer from the person who authorised the order should

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where possible, carry out this check. Appropriate entries should then be made in inventories or stores records.

vi) Payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment. When an authorised officer certifies an invoice for payment, he/she is confirming:

- (a.) That the official order procedure has been observed and that Standing Orders are complied with.
- (b.) Receipt of goods or services.
- (c.) That the invoice has not previously been paid.
- (d.) That expenditure has been properly incurred and is within budget provision.
- (e.) That prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices.
- (f.) That the correct accounting treatment of tax has been followed in line with guidance issued by the Section 151 Officer.
- (g.) That the invoice is correctly allocated to an approved budget code under the director's jurisdiction.
- (h.) That discounts have been taken where available and where it is cost effective for the Council to take them.
- (i.) That appropriate entries have been made in inventories, stores records or stock books and in accounting records.

vii) The principle of division of duties is applied wherever practicable. Different members of staff shall be involved in the ordering, receiving and payment processes. Where practical, a different officer from the person who authorised the order, and in every case, a different officer from the person checking an invoice, should authorise the invoice.

viii) Payments are not made on a photocopied or faxed invoice, statement or document other than the formal invoice.

ix) Invoices are duly and correctly processed in good time to make payment to suppliers within stipulated timeframes.

x) Loans, leasing or rental contracts are not entered into without agreement of the Section 151 Officer.

xi) The Section 151 Officer is notified of outstanding expenditure (formal commitments) relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Section 151 Officer.

xii) With regard to contracts for construction and alterations to buildings and for civil engineering works, that procedures exist to document and agree with the Section 151 Officer the systems and procedures to be adopted in relation to financial aspects, including certification of interim and final payments, checking, recording and authorising payments, the system for monitoring and controlling capital schemes and the procedures for validation of subcontractors' tax status.

xiii) The Section 151 Officer is notified immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.

xiv) All appropriate payment records are retained and stored for the period defined by the Council's document retention schedule.

xv) No Group Manager, Assistant Director or Corporate Director shall commit expenditure against any budget head for which he/she is not accountable, without the specific and written authority of the accountable budget holder and in accordance with the virement scheme set out in these regulations.

xvi) Suppliers' invoices are not amended manually.

xvii) The advice of the Section 151 Officer (or an officer to whom responsibility has been delegated) is obtained in respect of prospective (or where appropriate, existing) suppliers where significant contracts are being considered.

Section 3: Responsibilities of Corporate Directors in respect of contracts

Regulations E.5 & E.8

Last updated: May 2014

3.a) All contracts are subject to the provisions contained in the Council's Procurement Standing Orders.

3.b) Corporate Directors shall be responsible for:

i) Maintaining a Contract Register which shall include major contracts (as defined by the Group Manager (Commissioning, Procurement & Compliance) entered into by the Directorate and schedules of payments, retentions, fees and other specific matters relating to each contract let to individual contractors.

ii) Informing the Group Manager (Commissioning, Procurement & Compliance) of all major contracts, and contract extensions entered into.

iv) Advising the Group Manager (Commissioning, Procurement & Compliance) of all relevant contract payments.

v) Making payments to contractors on account only on approved certificates issued by the authorised Managing Officer or Consultant.

vi) Ensuring that any variation order is authorised in writing and can be met within the approved budget.

vii) Where the sum of all variations pertaining to a contract, is likely to result in a cost over-run exceeding a value shown in the **Schedule of Authorisations, item 15**, reporting the potential over-run for approval to both the relevant Portfolio Holder

and the Section 151 Officer prior to payment. Such cost over-runs shall be contained within the Portfolio Holder's overall budget allocation.

viii) Seeking claims for restitution, acceleration of programme or liquidated damages when appropriate.

ix) Ensuring that the release of retention monies and final payments under a contract are not made prior to checks on contractors' final claims being undertaken by a qualified independent officer.

Section 4: Responsibilities for engagement of, and payments to, employees

Regulation E.10.

Last updated: May 2014

Responsibilities of the Section 151 Officer

4.a) The Section 151 is responsible for:

i) Calculation and payment of all staff emoluments and entitlements for current and former employees.

ii) Reconciliation of and reporting on payroll expenditure against approved current budgets and future budget allocations.

iii) Securely retaining payment details, including pension payments history in accordance with the Council's Document retention schedule.

iv) Agreeing, where appropriate an advance of pay, on request of a Director.

v) Ensuring that current HM Revenue and Customs requirements are properly applied and that the correct liabilities are duly accounted for within the statutory periods.

vi) Providing guidance to Corporate Directors with regard to the Council's potential tax and national insurance liabilities.

vii) Ensuring those adequate arrangements exists for administering superannuation matters.

viii) Controlling and paying to third parties sums deducted from pay by Court Order or at the employee's request in a timely manner.

Responsibilities of Corporate Directors

4.b) Corporate Directors shall be responsible for ensuring that:

- i) Appointments are made in accordance with the regulations and can be afforded within budgets delegated to them.
- ii) The Section 151 Officer is notified of all appointments, terminations or variations that may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the Section 151 Officer.
- iii) Adequate and effective systems and procedures are operated, so that:
 - a.) Payments are only authorised to bona fide employees.
 - b.) Payments are only made where there is a valid entitlement, and budget provision exists to fund employment.
 - c.) Conditions and contracts of employment are correctly applied.
 - d.) Employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness.
 - e.) Appropriate time keeping and charging rates are operated, such that Directors are aware of, and may therefore be held accountable for the effective deployment of staff.
- iv) An up-to-date list of the names of officers, authorised to sign records is provided to the Section 151 Officer, or such contractor as may be engaged by him/her together with specimen signatures.
- v) Payment to staff is processed only through the payroll system.
- vi) Careful consideration is given to the employment status of individuals employed on a self-employed consultant or subcontract basis. In cases of doubt, advice should be sought from the Section 151 Officer.
- vii) Travel and subsistence claims and other allowances are appropriately examined and approved. Certification is taken to mean that journeys were authorised and expenses properly and necessarily incurred. Due consideration should be given to any tax implications affecting claims.
- viii) The Section 151 Officer is notified of the details of any employee benefits in kind, by a date determined by him/her for each year to enable full and complete reporting to HM Revenue and Customs.
- ix) Appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule.
- x) Statistical returns are accurately completed by the due date.

Travel and subsistence

4.c) The Section 151 Officer shall:

- i) Make all payments in respect of travel and subsistence expenses to employees when properly due and authorised by the appropriate Director.
- ii) Determine the specification of all reimbursement forms to be used.
- iii) Ensure that all employees making expenses claims in respect of the use of their private cars on council business have adequate motor insurance in place.

4.d) Corporate Directors shall make arrangements to ensure that:

- i) Claims are properly certified by an officer specifically authorised to do so.
- ii) A current list of authorised officers, with specimen signatures, is provided to the Section 151 Officer.
- iii) The lower of actual costs, or the allowances permitted under the scheme, are certified for payment.

4.e) All employees are responsible for ensuring that expense claims are submitted promptly in accordance with timetable specified by the Payroll Client Officer. Claims must be submitted within one month of the date of the expenditure and within the financial year in which the expenditure was incurred. All claims, including claims for mileage incurred on Council business, must be supported by a VAT receipt where VAT is incurred.

ANNEX H

Partnerships, External Funding and Third Party Contracts

Section 1: Partnerships expectations

Regulation F.2.

Last updated: May 2014

1.a) The Council requires that potential partners are aware of their responsibilities under the Authority's Financial Regulations and the procurement requirements. When partnerships are developed, the partners shall agree on which financial regulations and standing orders shall apply as part of the governance arrangements for the partnership. The following expectations should be adapted and written into governance documents, as appropriate

- i) The agreed set of financial regulations governing this partnership will be those of XXXXX [organisation]

Partners will:

- ii) Support the concept of risk management within the partnership and actively work with the Council to ensure that risk management processes are in place to identify and assess all potential risks.
- iii) Ensure that project appraisal processes are in place to demonstrate the viability of the project in terms of resources, staffing, expertise, and expected outcomes.
- iv) Agree and formally endorse the roles and responsibilities of each of the partners involved in the project before the initiative commences.
- v) Communicate regularly with other partners throughout the initiative so that potential problems are identified, shared and successfully resolved.
- vi) Openly and explicitly share a vision of collective and individual expectations.
- vii) Demonstrate an ability and willingness to add real value to any relationship.
- viii) Be open and honest about any conflicts of interest that might arise, and demonstrate a willingness to agree mechanisms to resolve these from the outset.
- ix) Demonstrate a willingness to take on a role in the broader programme appropriate to the skills and resources of the partnering organisations.
- x) Act in good faith at all times and in the best interests of the partnership's aims and objectives.

- xi) Will be comfortable with, support, and comply with the principles of “open-book accounting”.
- xii) Hold as confidential any information received as a result of partnership activities or duties that is of a sensitive or confidential nature.
- xiii) Act as champions and ambassadors for the project.

Section 2: Responsibilities in respect of partnerships, external funding and third party contracts

Regulations F.4 & F.6

Last updated: September 2011

2.a) Cabinet is responsible for approving the contractual arrangements for any work proposed to be undertaken for external bodies.

Responsibilities of the Monitoring officer

2.b) The Monitoring Officer is responsible for:

- (i) Ensuring that governance and standards of conduct arrangements to be adopted by partnerships and joint ventures are no less stringent than apply to the Council.
- (ii) Ensuring that partnership contractual documentation requires any partner(s) to comply with the agreed Financial Regulations and Procurement Rules unless Council determines otherwise.

Responsibilities of the Section 151 Officer

2.c) The Section 151 Officer is responsible for:

- (i) Ensuring that accounting, audit, control, governance, and risk management arrangements to be adopted by partnerships and joint ventures are no less stringent than apply to the Council.
- (ii) Ensuring that partnership contractual documentation requires the Partner to comply with the agreed Financial Regulations, to the satisfaction of the Monitoring Officer.
- (iii) Providing advice on the key funding elements of any project, including:
 - Appraisal of financial viability for the current and future years.
 - Risk appraisal and management.
 - Resourcing, including taxation issues.
 - Audit, security and control requirements.
 - Budget ‘carry-forward’ arrangements.

- (iv) Issuing guidance with regard to the financial aspects of third party contracts.
- (v) Ensuring that the Council's accounting and costing conventions identify the fair cost of trading and working for third parties.
- (vi) Maintaining a financial vetting procedure for use in selecting and approving prospective (or, where appropriate, existing) partners in respect of significant contracts.

Responsibilities of Corporate Directors

2.d) Corporate Directors are responsible for:

- (i) Ensuring that appropriate approvals are obtained before any negotiations are concluded.
- (ii) Maintaining a register of all contracts entered into with external bodies in accordance with procedures specified by the Monitoring Officer and Section 151 Officer.
- (iii) Ensuring that, before entering into agreements with external bodies, a comprehensive risk assessment has been carried out, a risk register drawn up, and appropriate mitigation action taken.
- (iv) Ensuring that such agreements and arrangements do not impact adversely upon the services provided by the Council or other services provided to the Council.
- (v) Ensuring that all agreements, arrangements and contracts are properly documented.
- (vi) Ensuring that partnership contractual documentation requires the Partner to comply with the agreed Financial Regulations, to the satisfaction of the Monitoring Officer.
- (vii) Providing information to the Section 151 Officer as may be required by him/her to enable a note to be entered into the authority's statement of accounts
- (viii) Ensuring that all claims for external funds are made by the due date.
- (ix) Ensuring that the project progresses in accordance with the agreed project plan and that all expenditure is properly incurred and recorded.
- (x) Informing, where the project is potentially deviating significantly from the plan, his/her Portfolio Holder and the Section 151 Officer as soon as this becomes apparent.

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- (xi) Ensuring that records are kept of resource usage and/or service delivery that accord with the requirements of the external funding source.
- (xii) Ensuring that all requirements and stipulations relating to the payment of external funding and the auditing thereof, are understood and acted upon.
- (xiii) Putting appropriate insurances in place through the Section 151 Officer for all dealings with third parties and external partners.
- (xiv) Ensuring, as far as reasonably possible, that the external contracts and partnerships for which they are responsible do not put the Council at risk from bad debts.
- (xv) Ensuring that no contract entered into with third parties is subsidised by the Council either directly or indirectly.
- (xvi) Seeking, wherever possible, payment in advance of the delivery of the service.
- (xvii) Ensuring that the Division/unit has the appropriate expertise to undertake the contract or to manage the contract in a client capacity.
- (xix) Seeking the advice of the S151 Officer (or an officer to whom responsibility has been delegated) is obtained in respect of prospective (or, where appropriate, existing) partners where significant contracts are being considered.

DACORUM BOROUGH COUNCIL - FINANCIAL REGULATIONS

SCHEDULE OF AUTHORISATIONS

Item 1. Virement policy – hierarchy of authorisations

Annex B, clause 3.e)

Last updated: May 2014

Type	Applies to transfers between	Sanctioning Authority
1	Between Cabinet Portfolios	Cabinet
2	Between Services within a Portfolio	Director and Portfolio Holder*
3	Between CIPFA Subjective headings within the same Service	Director and Group Manager
4	Between budgets both within the same Service and the same CIPFA Subjective heading	Director and Group Manager
5	For items 2, 3 and 4 above where the amount to be vired is at least <ul style="list-style-type: none"> • £50,000 And • 10% of the transferring budget 	Cabinet

All proposed virements shall be subject to review and comment by the Section 151 Officer. He/she shall determine whether the proposal should be subject to the positive endorsement of a higher authority.

*“Portfolio Holder” means a formal Portfolio Holder decision.

Item 2. Limits on cash holdings

Annex C, clause 1.i)

Last updated: May 2014

Maximum limits for cash holdings, in whatever receptacle, shall be agreed with the Section 151 Officer, and shall not be exceeded without his/her express permission and with regard to the appropriate insurance limit. Cash received in total in excess of this amount must be banked within 24 hours. The current limit is:

£500

Item 3. Changes to Structure - hierarchy of authorisations

Annex C, clause 2.g)

Last updated: May 2014

Where the net effect of any changes is no increase in cost for the current, or a full year, changes may be made to the official structure in accordance with the following hierarchy of authorities. Where a change to the official structure results in an increased net cost, it shall be allowed only on the authority of Cabinet.

Type	Applies to Changes where one or more changes impacts as follows	Sanctioning Authority
1	Between General Fund and HRA Services	Council
2	Between Cabinet Portfolios	Cabinet
3	Between Services within a Portfolio	Director and Portfolio Holder
4	Between budgets, activities and project provision being the responsibility of an individual Group Manager	Director and Group Manager

All proposed changes to the official establishment shall be subject to review and comment by the Section 151 Officer. He/she shall determine whether the proposal should be subject to the positive endorsement of a higher authority.

In considering the matter, the Section 151 Officer shall satisfy him/herself that all proposed changes will be correctly recorded on the corporate employee database and that all necessary budgetary virements have also been identified and will be implemented.

Item 4. Petty Cash, Change Floats, and Credit Card Purchases - Value of cash reimbursements for minor purchases

Annex E, clause 3.e)

Last updated: May 2014

The value of cash reimbursements shall not exceed:

£50.00

Item 5. Debt write-offs - Hierarchy of authorisations

Annex E, clause 4.f)

Last updated: May 2014

Individual value (per debtor)	Authorised by:	Conditions
Up to £20,000	Section 151 officer in consultation with the appropriate Corporate Director	
Above £20,000	Portfolio Holder (Finance & Resources) on the advice of the Section 151 Officer and Corporate Director	Applicable in situations where a referral to Cabinet (see below) is not necessary
Above £20,000	Cabinet on the advice of the Section 151 Officer and Corporate Director	Where the write off, if approved, would, in the opinion of the Section 151 Officer, have budgetary implications for the relevant service
Any value, where the amount written off will cause the Council's General Fund or Housing Revenue Account to fall into deficit	Council on the advice of the Section 151 Officer	

Item 6. Debt write-off recovery threshold

Annex E, clause 4.j)

Last updated: May 2014

The de-minimis level for debt recovery action and review is determined by the Section 151 Officer and shall be as follows:

£50

Item 7. De minimis amount for asset registers

Annex E, clause 5.c)

Last updated: May 2014

Asset inventories shall be held and kept current by Group Managers, who will ensure that all areas under their authority have an asset inventory. They shall contain clear descriptions of all fixed and moveable assets, other than land and

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buildings, having a current value in excess of an amount specified by the Section 151 Officer. This amount is:

£500

Land and buildings are listed in the Asset Management System (see Regulation.C6), and ICT equipment is listed in a separate inventory kept by the relevant Corporate Director.

Item 8. Transaction authority level for asset disposals

Annex F, clause 1.g)

Last updated: May 2014

The Corporate Director of the appropriate directorate and the Council's duly appointed valuer or other agent shall be involved in or appraised of all major steps in the negotiations in respect of transactions or of a series of transactions, the estimated value or the aggregated value of which exceeds the following amount:

£100,000

Item 9. Disposal by tender

Annex F, clause 1.m), ii)

Last updated: May 2014

Disposal by tender may be appropriate where there are two or more prospective purchasers with a foreseeable interest in acquiring the land. This method should be used in preference to Private Treaty where:

- i) more than one prospective purchaser exists, and
- ii) the estimated value of the land exceeds the following amount:

£25,000

Item 10. Disposal of equipment

Annex F, clause 2.a)

Last updated: May 2014

The regulations relating to disposals within Section 2 of this annex apply to all assets specified in clause 2.a) with a value up to:

£5,000

Item 11. Major reusable items

Annex F, clause (3.e)

Last updated: May 2014

Disposals of major reusable items must be authorised by the Cabinet where the disposal may achieve a receipt in excess of the following amount:

£10,000

Item 12. Disposals of other intangible assets

Annex F, clause 4.e)

Last updated: May 2014

The appropriate Corporate Director will obtain Cabinet authorisation for the disposal of other intangible assets where the value of the asset(s) to be disposed of exceeds the following amount:

£10,000,

Item 13. Hierarchy of authorisations for cheque and electronic payments

Annex G, clause 1.f)

Last updated: May 2014

Payment by cheque (or any electronic payment) by an amount to be determined by the Section 151 Officer shall be signed by one of those approved to do so by the Section 151 Officer. One authorised officer shall countersign cheques (or any electronic payment) over a value to be determined by the section 151 officer. The values so determined are as follows:

Value	Authorising signatories
Up to £40,000	Any one authorised officer (electronic or manual signature)
Above £40,000	Any two authorised officers (manual signatures only)

Item 14. Exceptions to advance payments regulations

Annex G, clause 1.j)

Last updated: May 2014

Advance payment shall not be made for goods or services. The Section 151 Officer may authorise specific categories and/or values of expenditure as standing exceptions to this Regulation, and may amend or delete any such exceptions from time to time. Standing exceptions currently in place are as follows:

Software Support and Maintenance
Software Licences
Artists/Performer Fees

Item 15. Value of cost-overruns to be reported

Annex G, clause 3.b) vii)

Last updated: May 2014

Where the sum of all variations pertaining to a contract, is likely to result in a cost over-run exceeding the value shown below, The relevant Group Manager shall report the potential over-run for approval to both the relevant Portfolio Holder and the Section 151 Officer prior to payment:

Value of scheme	Over-run limit
Up to £100,000	£5,000
Above £100,000	10% of value of scheme



AGENDA ITEM:

SUMMARY

Report for:	Audit Committee
Date of meeting:	29 July 2015
PART:	1
If Part II, reason:	

Title of report:	Annual Review of Financial Regulations
Contact:	Cllr Graeme Elliot, Portfolio Holder for Finance & Resources James Deane, Corporate Director (Finance & Operations)
Purpose of report:	To provide Committee with an opportunity to scrutinise the updated Financial Regulations.
Recommendations	That Committee notes the content of the report, and provides feedback for Cabinet to consider when recommended to approve the revised Financial Regulations 2015.
Corporate objectives:	The efficacy of the Financial Regulations supports all of the Council's objectives.
Implications:	<u>Financial</u> Contained within the body of the report.
'Value For Money Implications'	<u>Value for Money</u> Contained within the body of the report.
Risk Implications	Contained within the body of the report.
Equalities Implications	None
Health And Safety Implications	There are no health and safety implications

Introduction

1. The Financial Regulations provide the framework for managing the financial affairs of the Council. They are approved by the Council and they apply to every Member and employee of the Council, and to anyone acting on its behalf.
2. In accordance with good practice, the Financial Regulations are reviewed annually to ensure that they remain relevant throughout any structural or operational changes within the Council.
3. All sections of the Regulations have been reviewed, and the following substantive amendment is proposed.

Proposed update

4. **Regulation A12 f)** has been added (page 7), containing the following paragraph:

Section 106 Contributions. *Council sets the budget and Cabinet has executive responsibility for the delivery of services within budgets. Delegation is given to the Section 151 Officer for in-year amendments to budgets where a one-off item is to be funded wholly from Section 106 receipts.*

5. S106 contributions are payments, or works in lieu of payments, made by developers as part of their planning application. In broad terms, the purpose of S106 contributions is for the developer to make a financial contribution to offset the effect of their development on the local infrastructure. Payments received by the Council under S106 can only be used for the purpose specified within the S106 agreement. For example, a developer who builds 6 new houses may be required to make a payment to the Council to fund the delivery and maintenance of a play area for the children who are expected to live in the houses.
6. The inclusion of this regulation within the Financial Regulations formalises the current practice of the S151 Officer signing to approve the Council's use of the funds for the correct purpose. The alternative to this process would be to require Member approval for the application of S106 funds. This would not be an appropriate use of Members' time, given that the use of the S106 funds is not discretionary, and the S151 Officer is merely signing to agree proper use of the funds, in line with the developer agreement.

Finance & Resources Overview and Scrutiny

7. This proposed amendment to the Regulations was considered by the Finance & Resources OSC in June 2015. The Committee noted the change and did not raise any further issues for Cabinet to consider.