

# Audit Agenda



Thursday 17 September 2020 at 6.30 pm

## Microsoft Teams - Microsoft Teams

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 Birnie	Councillor Silwal
Councillor Herbert Chapman (Chairman)	Councillor Symington
Councillor Mahmood	Councillor Townsend

Substitute Members:  
Councillors

For further information, please contact Corporate and Democratic Support or 01442 228209

## 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 3 - 11)

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. ANNUAL RIPA REPORT** (Pages 12 - 53)

**6. FINAL OUTTURN REPORT 19/20** (Pages 54 - 69)

**7. STATEMENTS OF ACCOUNTS 19/20 AND LETTER OF REPRESENTATION** (Pages 70 - 161)

**8. EXTERNAL AUDIT PROGRESS REPORT** (Pages 162 - 190)

Grant Thornton 19/20 Audit Findings report

**9. INTERNAL AUDIT PROGRESS REPORT**

**10. FUTURE WORK PROGRAMME** (Page 191)

## AUDIT COMMITTEE

MINUTES OF THE MEETING HELD ON: 24 June 2020 via Microsoft Teams

### ATTENDING

#### **Councillors:**

Chapman (Chairman)  
Birnie  
Douris  
Elliot  
Silwal  
Symington  
Townsend

#### **DBC Officers:**

Nigel Howcutt – Assistant Director Finance & Resources  
Fiona Jump – Group Manager Financial Services  
Farida Hussain – Group Manager Legal & Corporate Support  
Matt Rawdon – Group Manager People & Performance  
Ben Trueman – Group Manager Technology & Digital Transformation  
Cassy O'Neil – Corporate Support Team Leader  
Marie Sells - Member Support Officer (Minutes)

#### **Outside Representatives:**

Amber Banister - Grant Thornton  
Sarah Knowles - Mazars  
Philip Lazanby - TIAA  
Jonathan Sims -TIAA

The Meeting commenced at 6.30pm

No.	AGENDA ITEM
1	<b>APOLOGIES FOR ABSENCE</b>  The Chair offered apologies for James Deane
2	<b>DECLARATIONS OF INTEREST</b>  There were no Declarations of Interest.

3	<p><b>MINUTES OF THE PREVIOUS MEETING</b></p> <p>The Minutes of the previous meeting held on 5 February 2020 were reviewed and agreed.</p>
4	<p><b>PUBLIC PARTICIPATION</b></p> <p>There was no public Participation.</p>
5	<p><b>EXTERNAL AUDIT – AUDIT PLAN ADEENDUM COVID-19</b></p> <p>ABanister from Grant Thornton introduced the report and as background explained this plan was originally presented in February including decisions that were made as result of risk assessment that took place in January. It is usual for this to be updated throughout the year as any changes occur. COVID-19 is a significant change, so has been factored in to the addendum that sets out how it will affect the plan this year. The pandemic is a risk at financial statement level. The response is twofold – set as significant risk for audit and sets out steps to be taken to respond to that. Some actions already underway including discussions with management. There will be further work on governance to ensure response remains robust.</p> <p>ABanister continued that they will be looking at financial planning pre and post pandemic to distinguish those Councils who were already in difficulty before the pandemic and those that were doing well and the pandemic has caused a road bump that there will need to be recovery from. Dacorum falls into later category.</p> <p>NHowcutt followed on from Ambers comment, adding this is something that Grant Thornton are putting to all their authorities. Our draft accounts will be published tomorrow. Tried to write statement of account and narrative, taking into consideration COVID 19 while still not knowing what the impact will be has been quite difficult. There is still a lot of uncertainty but we have increased our provisions to allow for what may be coming.</p> <p>CLlr Townsend commented that he assumed the external audit process would be kicked off through accounts, assumed this would come to meeting when we close down accounts so questioned why this was on the agenda now.</p> <p>NHowcutt responded that the purpose of this coming to the meeting tonight is to provide an addendum to the initial audit plan. This was on the agenda for the March meeting which didn't take place. This is to allow the Council to know what Grant Thornton are going to spend their time on and from a governance perspective to give a steer on what officers and the AC we should be focused on.</p> <p>ABanister responded that the actual audit process on accounts is not starting until next week. This addendum is due to an update to risk assessment, due to this being a significant event globally.</p>

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## INTERNAL AUDIT SERVICE REPORTS

S Knowles introduced the report, explaining that the first item is Capital Programme Report which starts on Pg.13. Good assurance report, no recommendations raised. One finding was noted due to one project selected for sample not having a fully completed capital bid which is required by the Council, but it was found that this is due to it being a historic budget process and since that time the process and governance has been strengthened, therefore this has not been raised as a recommendation but felt it should be noted within the report.

Cllr Townsend commented that as a general feature capital programmes tend to be late, would this have been picked up by this report?

S Knowles responded that they would have looked at budget setting and monitoring which would have incorporated if there may have been any delays. There were not any particular delays in the areas looked at.

Cllr Silwal referred to capital programme commenting that there is reference to five projects on pg.15 but he can only find four projects listed and so asked; what was the fifth project?

S Knowles responded that all 5 are included (2 were included under a single bullet point).

Cllr Silwal referred to there didn't appear to be a clearly defined structure in place for overall plan and individual projects.

S Knowles responded that the difference in the two is more to do how the reporting happens; the programme overall gets reported at a higher level where as individual projects are managed within directorates, so this is just how each one is reported.

F Jump commented to assure Members that correct level of scrutiny was applied for the item covered by the note in the report.

S Knowles moved on to Core Financials & Budgetary Control, advising that in the past few years have had some really strong outcomes so this year's piece of work looked at more of a self-assessment, sending feedback forms out to the service to see how they thought their controls were operating (see Pg.31) no recommendations to raise in these areas and able to give a good assurance.

S Knowles referred to Apprenticeship Scheme and Levy, advising this piece of audit work commenced just as we were entering lockdown so a different approach had to be taken on this with a different way of working, thanking the service for their cooperation. In terms of evidence received it was good to see. No recommendations raised in this piece of work and good assurance overall.

S Knowles introduced the Governance Role report advising this had two priority 2 recommendations, but overall substantial. The two areas highlighted were compliance with mandatory training and members register of interest forms. Both recommendations were accepted so no further comments.

BChapman referred to the 4 Councillors who had not submitted their forms in time and asked, what is being done about this?

Cllr Birnie picked up that the report states that the forms have now been returned.

Cllr Douris commented that in his role as Chair of Member Development Steering Group (MDSG) he is aware that there is some new software being introduced that will make the training much easier with the ability to log into the training programme and select the courses you want to go on. Will also detail those Members who have not completed the mandatory training. Will also allow for some remote training. Excellent piece of work which will benefit everybody.

N Howcutt urged all Members to make sure they attend mandatory training and also support colleagues to make that happen. We are looking at different ways of delivering that and feedback from members is always welcome. This is the first year of implementing mandatory training.

Cllr Symington wanted to follow up on a couple of things, one of notes in the report was it appeared to be the responsibility of the Chief Executive to send reminders to Group Leaders which she does not believe has happened.

C ONeil responded that this is a new reporting process, Members were given time to complete mandatory training following their appointment and as such Qtr 4 was the first circulation of reporting to the Chief Executive and Monitoring Officer. Given the current situation there has been some tolerance regarding completing mandatory training and additional sessions will be provided to give all Members opportunity to complete. There is a mechanism to escalate to Standards if required but efforts will be made to resolve before that is required.

Cllr Syminton referred to register of interest advising that recently tried to change hers and was directed to website to self-serve, but was not able to do so, it would not allow editing and that button required was not available on her account. This was reported to Member Support on 6<sup>th</sup> June.

C ONeil responded she would get that looked at as a priority.

S Knowles introduced Disaster Recovery and Website Accessibility, advising these are two ICT reports. Disaster Recovery had three priority 2 recommendations and two housekeeping recommendations. Website Accessibility two priority 2 recommendations.

Cllr Birnie expressed his disappointment regarding the outcomes in these two areas, advising that he was surprised to see that they were given substantial assurance ratings considering there are three significant findings in terms of disaster recovery and the additional two housekeeping. Cannot understand how can come up with substantial assurance under those circumstances.

S Knowles responded that the report is a summary of the culmination of their findings, a lot more is tested than what is seen in the report. It is a balance with mitigating circumstances, if there were not mitigations then that would raise concerns which would lead to a priority 1 due to a fundamental issue.

Cllr Birnie responded that the mitigation offered for the significant findings on Disaster Recovery, which he noted hadn't been updated since 2014, was that they would get on to it in August, expressing that he is unable to understand that leaving it until August gives any sense of urgency for something that is considered to be significant.

Cllr Birnie also referred to Website Accessibility and the fact that residents regularly report they cannot get things to work on a regular basis and he agrees with their concerns.

B Trueman responded as the Group Manager responsible for ICT to clarify that Disaster Recovery is different to Business Continuity. In this audit that Business Continuity Plan is what ICT does in terms of their own service delivery when they do not have access to technology – every department in the Council has their own plan for this. This is not to set out how ICT support the organisation through a recovery situation. The high level disaster recovery schedule being referred to as not having been updated since 2014 is a very specific document about what order we would look to restore services if we lost our network connections to the organisation. It had been through the update in 2017, BTrueman offered apologies that the update date had not been changed from 2014 to 2017 which was an oversight on part of officers.

Cllr Birnie commented that audit found that the staff induction process did not include disaster recovery.

BTrueman responded that annual training and testing on disaster recovery is run for the team.

Cllr Symington followed up commenting that the report is dated March 2020 and some of the timescales were for April/June 2020 and asked; have these actions already been taken?

BTrueman responded that anything dated June or earlier has already been completed.

Cllr Symington referred to Pg.84 (Website Accessibility) where it says that the Council is 93<sup>rd</sup> and asked, is that a centile or is that out of a specific number of authorities?

BTrueman responded it is a straightforward ranking.

Cllr Symington referred to matter of priority and timescale for fixing website, which is October 2020, commenting that timescale doesn't feel like it is being applied as a priority. There are often complaints about Planning Portal and the report also refers to underlined coding issues.

BTrueman responded to advise this audit refers to accessibility in terms of those who have visual and other impairments and how well the website is suited to them in terms of screen readers, clarifying that it does not refer to website usability.

Cllr Symington responded that the Planning Portal coding issue is specifically referred to in the report.

	<p>BTrueman responded that the underlying coding issues relate to accessibility and are due to this being 3<sup>rd</sup> party software and coding that we cannot access. Need to go back to supplier to ask them what they can do as it is not compatible with screen readers. October 2020 may sound like a long timescale but there is a lot of build and test to undertake in terms of accessibility to deliver this.</p> <p>SKnowles confirmed this audit referred to accessibility in terms of visual and other impairments, not the usability of the website.</p> <p>CLlr Birnie commented the website is not very useable for residents and Members alike, urging that internal auditors look at this on the next occasion.</p> <p>BTrueman responded that although this report this is specific brief in terms of accessibility, he would welcome detailed feedback from Members regarding usability.</p> <p>CLlr Douris responded to the comments from CLlr Symington and CLlr Birnie and responded that we should recognise that the website is an integral part of how we communicate with our residents, suggesting this comes back to either Audit or Overview &amp; Scrutiny to ensure the matters raised have been addressed.</p> <p>N Howcutt responded that he would ensure that is on the Finance &amp; Resource OSC forward plan.</p>
7	<p><b>INTERNAL AUDIT ANNUAL REPORT 2019/20</b></p> <p>SKnowles introduced the report as a summary of all the work carried out in 2019/20, culminating in internal audits opinion on the Councils framework of governance, risk management and internal control. Can be used to inform Governance Statement. On pg.95 you will see that the 2019/20 controls are substantial based on all the work carried out across all the audit plans, along with managements response to recommendations and whether they have been happy to accept and take forward for implementation.</p> <p>There are some benchmarking diagrams on pg.97 and a summary of the work done on pg.99 and pg.100.</p> <p>CLlr Townsend referred to internal financial controls and asked if the conclusion is based on the report that was presented in previous agenda item?</p> <p>SKnowles responded this is based on all the work that has been done throughout the year as set out on pg.99.</p> <p>BChapman wished SKnowles well for everything she has done and thanked her as her time working with Dacorum comes to an end. NHowcutt echoed those thanks.</p>
8	<p><b>TIAA – WELCOME TO THE NEW INTERNAL AUDITORS</b></p> <p>NHowcutt introduced two new members to committee, Phillip Lazanby – Head of Internal Audit and Jonathan Sims - Senior Auditor who will be working closely with Group Managers.</p>

NHowcutt handed over to PLazanby who personally introduced himself as Director of Audit at TIAA, living in Dacorum with a background of more than 20 years primarily in public sector but also private.

PLazanby then went on to present the plan, directing committee members to pg.110 which sets out the plan for the next year, with six audits to be delivered by end of Qtr2. He added that it might be fair to anticipate some slippage due to current COVID-19 situation, however it is intended they will progress as planned and will escalate any delays to NHowcutt. Will commence delivery as soon as the plan is approved.

He highlighted the first key area is key financial controls, looking at financial ledger. Typically a topic in every Council that is audited and something Jonathan is familiar with auditing at various Councils.

Second key area is budgetary control – gives a window into how the organisation works. The level of financial assurance received from speaking to previous auditor and looking at external audit gives general sense everything is in place at Dacorum.

CLlr Townsend asked; does budgetary control include capital programme?

PLazanby responded at high level only, a scoping document would be required to look at that in any detail.

CLlr Townsend responded that his concern is around the fact slippage is generally around capital projects.

NHowcutt commented that there are generally two types of slippage in these programmes; acceptable slippages due to unexpected issues out of our control such as an archaeological find etc. Unacceptable slippages are where a contractor runs over excessively, which we have to respond to. It is generally expected that there will be slippages for capital projects and hence they will have a contingency applied to their project.

CLlr Birnie commented this could in part be something that must be affected by COVID-19 and ability to get on to sites. However, with regard contractors running over, that is down to selection of contractors which forms a part of governance which we have always had a green light on, so he does not see this would be a high concern.

PLazanby gave an overview that the remaining areas would focus on Council Tax, NMDR (Business Rates), Housing Benefits & Business Rates. Then moving on to operational risks, such as business continuity including pandemic arrangements. Also Planning, Housing Rents and Empty Homes. There are also a number of strategic topic such as GDPR to be looked at.

CLlr Townsend referred to Planning and the extent to which we audit the consultation and decision making process, expressing that residents have expressed valid concerns that decisions are made by officers when they have not received the correct information, for example information from HCC on roads. He asked; will the audit cover these sort of questions? To what extent will it delve into the governance?

	<p>PLazanby responded they would start by looking at complains and concerns raised and if that is a concern that is apparent then would anticipate it would be included in this report.</p> <p>Cllr Townsend asked; before we embark on that internal audit, do we as the committee get to review your plan of attack, or will we just be presented the outcomes?</p> <p>NHowcutt responded the report circulated with the agenda sets out the plan, one of the key elements is communication with stakeholders. He added that he would be happy to meet with Cllr Townsend to ensure any elements he wants to see factored into the scope of future audits are included.</p> <p>Cllr Birnie asked to be included in that meeting between Cllr Townsend and NHowcutt.</p> <p>PLazanby advised the report needs full approval in order for them to commence work.</p> <p>Cllr Syminton commented that this a very interesting piece of work, and asked NHowcutt; how does this plan compare with previous Internal Audit? Is the cost comparison a consideration?</p> <p>NHowcutt responded that when procurement process for internal audit was undertaken, cost was included in scope but was not the main driver. Confidence in delivery and outcomes was the main driver so that the reports being completed are something we can hold up and be confident about. Costs very similar to previous provider. Scope of work follows on from what we were doing with Mazars. The big expectation is that we fulfil our full 2020 audit programme despite the obstacles and hurdles presented by current COVID-19 situation.</p> <p>Cllr Townsend commented that on reading the agenda he could find no cover sheet to indicate Members are being asked to approve this, which he commented he is happy to do, but if we are being asked to approve something there should be a cover sheet setting out what we are being asked to do.</p> <p>NHowcutt responded that the point has been noted.</p> <p>Cllr Silwal referred to GDPR and asked; following exit from EU, will that continue or be replaced?</p> <p>PLazanby responded that he expects GDPR to continue and not be replaced by Data Protection Act. Do think there will be an impact in short and medium term in passing around of information due to COVID-19, people will need to make pragmatic decisions.</p>
9	<p><b>STRATEGIC RISK REGISTER UPDATE</b></p> <p>NHowcutt advised the Strategic risk register comes to Audit Committee to review on a quarterly basis. As of last week a new strategic risk has been added to the register in relation to COVID-19, as pg.119 onwards of agenda. The risk is owned by Sally Marshall, and the Portfolio Holder is Andrew Williams. This risk outlines impact of COVID-19 on service delivery both financially and operationally. This is a new risk, will develop over time. The inherent and mitigated risk scores are both still quite high, partly because we do not know how things will pan out and how we will have to react based on Government</p>

	<p>instruction. This will form part of strategic register and was presented to Cabinet as an additional item.</p> <p>Cllr Townsend commented that it seems odd to couch it in terms of COVID-19, a global pandemic is a general risk, it just happens to be the case that we are in the midst of one now. What is in the governance framework that this has to have separate status?</p> <p>NHowcutt stated the strategic risks are generally broad and overarching. The two most recent additions, Brexit which was requested by members and now COVID-19 are included so that members get a regular update, on the specific response to these external risks. It may be that over time the title changes to something broader but for the time being it focuses on COVID-19.</p> <p>Cllr Symington referred to business surveys and asked if these will be repeated?</p> <p>NHowcutt responded that there have been two different surveys, one getting in touch with over 2.5k businesses verbally and another a short survey from asset management team to see how businesses are able to react to COVID-19 and how they have been impacted by policies. Stakeholders will continue to be contacted going forward to assess where business performance.</p>
<b>10</b>	<p><b>WORK PROGRAMME</b></p> <p>The Chair invited any questions.</p> <p>Cllr Birnie suggested that any additions could be submitted after the meeting to Member Support.</p>
	<p>The Chair closed the meeting, which ended at 19.45</p>

# Agenda Item 5



<b>Report for:</b>	<b>Audit Committee</b>
<b>Date of meeting:</b>	<b>17<sup>th</sup> September 2020</b>
<b>Part:</b>	<b>1</b>
If Part II, reason:	

Title of report:	
Contact:	Portfolio Holder for Corporate and Contracted Services  Mark Brookes, Assistant Director, Corporate and Contracted Services  Usman Mohammed – Litigation Barrister
Purpose of report:	<ol style="list-style-type: none"> <li>1. To inform the Audit Committee regarding the Council's use of Directed Surveillance and Covert Human Intelligence Sources.</li> <li>2. Report on the results of the inspection by the Investigatory Powers Commissioner's Office.</li> </ol>
Recommendations	<p>That the Audit Committee:</p> <ol style="list-style-type: none"> <li>1. Notes the outcome of the inspection by the Investigatory Powers Commissioner's Office.</li> <li>2. Agrees the recommendations set out in paragraph 3.5 of this report in response to the Chief Inspector's observations.</li> <li>3. Agrees the suggested amendments to the Council's RIPA procedural guidance to ensure it remains fit for purpose.</li> </ol>
Period for post policy/project review	This report will be produced annually to ensure that members are kept up to date with the Council's use of its surveillance powers.
Corporate	The use of surveillance powers supports all of the Council's corporate objectives.

objectives:	
Implications:	<u>Financial</u>  There are no direct financial implications arising from this report.
'Value for money' implications	<u>Value for money</u>  There are no direct value for money implications from this report, however, the use of surveillance can prevent criminal activity such as fly-tipping which can incur clean-up costs if the activity is not prevented.
Risk implications	A failure to follow correct procedures and authorisations when carrying out surveillance activity could lead to evidence acquired becoming inadmissible in court.
Community Impact Assessment	The impact of surveillance on the community is assessed as part of each individual authorisation.
Health and safety Implications	There are no direct health and safety implications arising from this report.
Background papers:	None
Glossary of acronyms and any other abbreviations used in this report:	RIPA – Regulation of Investigatory Powers Act 2000  CHIS – Covert Human Intelligence Sources  The Code - Property Interference Code 2018  IPCO – Investigatory Powers Commissioner's Office

**Executive Summary:**

The Regulation of Investigatory Powers Act (RIPA) came into force in 2000. The Act allowed:

- Councils to carry out covert surveillance of alleged offenders and to instruct individuals to form relationships with the intention of obtaining information for the prevention and detection of crime.
- Compliance with RIPA ensures that the surveillance actions taken by the Council are acceptable interference of qualified rights within the Human Rights Act 1998, in particular the right to privacy and the right to a fair trial, when gathering evidence in preparing cases for Court.

## 1. Introduction

- 1.2.1 When undertaking its functions the Council must comply with the Human Rights Act 1998. Article 8 establishes a qualified right to respect for private and family life. In certain circumstances that right may be interfered with.
- 1.2 The Regulation of Investigatory Powers Act 2000 (RIPA) provides a statutory framework under which the Council may seek authorisation to interfere with this right.

## 2 Background

2.1 Authorisation can only be granted where interference is:

- (a) In accordance with the law
- (b) Necessary
- (c) Proportionate.

2.2 Under RIPA, the Council may seek authorisation to permit directed surveillance, the use of Covert Human Intelligence Sources (CHIS).

2.3 The Council's use of RIPA is tightly controlled. All authorisations are subject to approval by the Magistrates' Court and the use of directed surveillance and acquisition of communication data should only be permitted for :

- (a) The prevention or detection of criminal offences (at least one of which must be punishable by a maximum of at least 6 months imprisonment) or
- (b) Prescribed offences relating to the underage sale of alcohol or tobacco.

2.4 By law, elected members are not permitted to be involved in any individual application/authorisation, however paragraph 3.35 of the Covert Surveillance and Property Interference Code 2018 ('the Code') states that:

*"Elected member's of a local authority should review the authority's use of the 2000 Act and set the policy at least once a year. They should also consider internal reports on the use of the 2000 Act on a regular basis to ensure it is being used consistently with the local authority's policy and the policy remains fit for purpose."*

## 3. Oversight of RIPA activities

- 3.1 RIPA and associated statutory Codes of Practice prescribe the information to be included in an application to carry out surveillance activities and the thresholds to be met before applications can be approved.
- 3.2 The IPCO carries out scheduled audits of the use of RIPA by Local Authorities to monitor quality of applications and compliance with the Codes.
- 3.3 In addition all authorisations for surveillance activities carried out by the Council under RIPA must be independently reviewed and approved by a Magistrates' Court.
- 3.4 IPCO carried last carried out a review of the Council in relation to surveillance activities on 22<sup>nd</sup> June 2018. A copy of the Inspector's inspection report and the Investigatory Powers Commissioner's letter dated 26<sup>th</sup> July 2018 may be found at Annex A. The outcome of the inspection was favourable and noted that "that there is in place a coherent process for the management of surveillance and CHIS, supported by a comprehensive corporate policy document".
- 3.5 The inspector did however make some recommendations to improve the Council's RIPA policies and procedures which are set out below:

	Observation by the Inspector	Officer recommendations to address observations
1	Within the section applying to CHIS it makes reference to 'appropriate arrangements for the management and oversight of a CHIS' needing to address the health and safety of the source. This must include the requirement to complete a risk assessment (to be signed off by the Authorising Officer) detailing any factors that may impact upon the welfare of the source	Additional wording has been added to section 9 (b) page 20 shown by tracked changes in the annexed RIPA Policy
2	RIPA Section 29(5) states there must be persons responsible for the oversight and management of a source, roles known as Handler and Controller. The policy should be altered to require the applicant to detail who these people will be in relation to the source.	Additional wording has been added to section 9 (b) page 20 requiring the 'handler' and 'controller' to be named in the application - shown by tracked changes in the annexed RIPA Policy

3	Reference to urgent oral authorisation remains within section H12 and must be removed.	Reference to urgent oral authorisation in section H12, page 20 have been removed.
4	Training – regular refresher training should be provided for key staff.	Training for Investigating Officers and Authorising Officers was provided in May 2018 by an external provider. It is recommended that this will be carried out every 2 years and will therefore be repeated in 20/21
5	Reports to Members	Due to the low level of authorisations it is recommended an annual report is brought to the Audit Committee to keep Members informed on the Council's use of directed surveillance.

#### 4. Annual Review of the use of RIPA – 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020

- 4.1 During this period there were no applications to use covert human intelligence sources (CHIS), including applications relating to juvenile CHIS.
- 4.2 During this period there were 3 applications submitted for Directed Surveillance authorisation, all of which were authorised and all of which were granted judicial approval.
- 4.3 All of these Directed Surveillance operations were concluded during this period.

Activity Authorised	Nature of offence under investigation	Outcome
Directed Surveillance	Flytipping, Markyate (Sept 19)	One offender prosecuted and convicted – Fine £640 plus costs £848
Directed Surveillance	Flytipping, Markyate, (January 20)	4 incidents recorded, currently under investigation (delayed due to Covid-19)
Directed Surveillance	Flytipping, Barnes Lane, Kings Langley, January	3 cameras stolen from the location with no

	20)	recordings shown. Remaining camera's removed to prevent further losses.
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## **5. Conclusions**

- 5.1 The IPCO inspection provides the Council with an external review of the way the Council is operating its powers under RIPA. It provides assurance that the Council is undertaking such powers in a robust manner and confirms the Council is legally compliant.
- 5.2 Officers propose to proceed with the recommended actions in response to the Inspector's observations and Members are asked to confirm their support.
- 5.3 Officers will provide a further annual report to the Audit Committee in April/May 2021 updating on the progress regarding the recommendations and informing them on the Council's use of RIPA for the Committee's further consideration.



## **CORPORATE POLICY & PROCEDURES DOCUMENT FOR COVERT SURVEILLANCE AND THE USE OF COVERT HUMAN INTELLIGENCE SOURCES**

PREPARED IN COMPLIANCE WITH THE REGULATION OF  
INVESTIGATORY POWERS ACT 2000 AND THE REVISED HOME  
OFFICE CODES OF PRACTICE ISSUED IN APRIL 2010

AUTHOR: MARK BROOKES, ASSISTANT DIRECTOR (CORPORATE  
AND CONTRACTED SERVICES), EXT 2236

FIRST PUBLISHED: 2005

LAST REVIEWED: FEBRUARY 2018



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**NB:**

The Regulation of Investigatory Powers Act 2000 ('RIPA') refers to 'Designated Officers'. For ease of understanding and application within Dacorum Borough Council, this Corporate Policy & Procedures Document refers to 'Authorising Officers'. Furthermore, such Officers can only act under RIPA if they have been duly certified by the Council's Assistant Director (Corporate and Contracted Services). For the avoidance of doubt, therefore, all references to duly certified Authorising Officers refer to 'Designated Officers' under RIPA.

## **A. Introduction and Key Messages**

1. This Corporate Policy & Procedures Document is based upon the requirements of the Regulation of Investigatory Powers Act 2000 ('RIPA') and the revised Codes of Practice issued by the Home Office pursuant to Section 71 of RIPA and which came into effect on 6<sup>th</sup> April 2010. The authoritative position on RIPA is, of course, the Act itself and the Home Office's Codes of Practice on Covert Surveillance and Covert Human Intelligence Sources. Any officer who is unsure about any aspect of this document should contact, at the earliest possible opportunity, the Council's Assistant Director (Corporate and Contracted Services), for advice and assistance. The revised Codes of Practice can be downloaded from the Home Office web site or a hard copy can be obtained from the Assistant Director (Corporate and Contracted Services).
2. This document and the related forms can be found on the Council's Intranet.
3. The Assistant Director (Corporate and Contracted Services) will maintain and check the Corporate Register of all RIPA authorisations, reviews, renewals, cancellations and rejections. It is the responsibility of the relevant Authorising Officer, however, to ensure the Assistant Director (Corporate and Contracted Services) receives a copy of the relevant forms within 1 week of authorisation, review, renewal, cancellation or rejection.
4. RIPA, the Codes of Practice and this document are important for the effective and efficient operation of the Council's actions with regard to covert surveillance and Covert Human Intelligence Sources. This document will, therefore, be kept under review by the Assistant Director (Corporate and Contracted Services). Authorising Officers must bring any suggestions for continuous improvement of this document to the attention of the Assistant Director (Corporate and Contracted Services) at the earliest possible opportunity.
5. If you are in any doubt on RIPA, the Codes of Practice, this document or the related legislative provisions, please consult the Assistant Director (Corporate and Contracted Services).

## **B. Borough Council Policy Statement**

1. The Council takes seriously its statutory responsibilities and will, at all times, act in accordance with the law, and take necessary and proportionate action in these types of enforcement matters involving the use of covert surveillance. In that regard, the Assistant Director (Corporate and Contracted Services), is duly authorised by the Council's Corporate Management Team as the Council's 'Senior Responsible Officer' with responsibility to keep this document up to date and to amend, delete, add or substitute relevant provisions, as necessary. For administration and operational effectiveness, the Assistant Director (Corporate and Contracted Services) is also authorised to add or substitute officers authorised for the purpose of RIPA.

## C. General Information on RIPA

1. The Human Rights Act 1998 (which incorporated the European Convention on Human Rights into UK law) requires the Council, and organisations working on its behalf, to respect the private and family life of the citizen, his/her home and his/her correspondence.
2. This is not an absolute right, but a qualified right. Accordingly, in certain circumstances, the Council, as a 'Relevant Public Authority' under RIPA, may interfere in the citizen's right to privacy mentioned above, if such interference is:
  - (a) **in accordance with the law;**
  - (a) **necessary** (as defined in this document); **and**
  - (b) **proportionate** (as defined in this document).
3. RIPA provides a statutory mechanism for authorising **directed surveillance** and the use of a '**covert human intelligence source**' ('**CHIS**'). Directed surveillance is defined later in section E, but is essentially surveillance which is covert and is carried out in places other than residential premises or private vehicles. A CHIS is a person used by the Council to establish or maintain a personal or other relationship with another person for the covert purpose of obtaining information (e.g. undercover agents). RIPA seeks to ensure that any interference with an individual's right under the Human Rights Act 1998 is **necessary** and **proportionate**. In doing so, RIPA seeks to ensure both the public interest and the human rights of individuals are suitably balanced.
4. Directed surveillance can only be authorised under RIPA to prevent or detect criminal offences that are either punishable, whether on summary conviction or indictment, by a maximum term of at least 6 months imprisonment or are related to the underage sale of alcohol and tobacco. The offences relating to the latter are set out in section E. This crime threshold applies only to the authorisation of directed surveillance under RIPA, not to the authorisation of the use of CHIS.
5. An authorisation for the use of directed surveillance or the use of a CHIS can only take effect once an order approving the authorisation has been granted by a Justice of the Peace (JP). This also applies to a **renewal** of an authorisation.
6. Directly employed Council staff and external agencies working for the Council are covered by RIPA for the time they are working for the Council. All external agencies must, therefore, comply with RIPA and the work carried out by agencies on the Council's behalf must be properly authorised by one of the Council's designated Authorising Officers. Authorising Officers are those whose posts appear in **Appendix 1** to this document and, duly added to or substituted by the Assistant Director (Corporate and Contracted Services).
7. If the correct RIPA procedures are not followed, evidence may be disallowed by the courts, a complaint of maladministration could be made to the Ombudsman, and/or the Council could be ordered to pay compensation. Such action would, of course, harm the reputation of the Council and will, undoubtedly, be the subject of adverse press and media interest. It is essential, therefore, that all Council staff involved with RIPA comply

with this document and any further guidance that may be issued, from time to time, by the Assistant Director (Corporate and Contracted Services).

8. A flowchart of the procedures to be followed appears at **Appendix 2**.

9. **Necessity and proportionality**

9.1 The Authorising Officer must –

- believe that the surveillance activities which are being authorised are **necessary for the purpose of preventing or detecting crime or of preventing disorder** and,

in the case of **directed surveillance**

- be satisfied that what is being investigated is a criminal offence which meets the threshold.

This is the only statutory ground available for local authorities for the use of covert surveillance. The Authorising Officer must also believe that the surveillance activities are **proportionate** to what is sought to be achieved by carrying them out. This involves balancing the seriousness of the intrusion into the privacy of the person who is the subject of the operation (or any other person who may be affected) against the need for the surveillance in investigative and operational terms.

9.2 The authorisation will not be proportionate if it is excessive in the overall circumstances of the case. Each action authorised should bring an expected benefit to the investigation or operation and should not be disproportionate or arbitrary. The fact that a suspected offence may be serious will not alone render intrusive actions proportionate.

9.3 The following elements of proportionality should therefore be considered:

- Balancing the size and scope of the proposed activity and the potential intrusion into the subject's personal life against the gravity and extent of the perceived crime or offence;
- Explaining how and why the methods to be adopted will cause the least possible intrusion on the subject and others;
- Considering whether the activity is an appropriate use of RIPA and a reasonable way, having considered all reasonable alternatives, of obtaining the necessary result;
- Evidencing, as far as reasonably practicable, what other methods had been considered and why they were not used

10. **Collateral intrusion**

Before authorising applications for directed surveillance, the Authorising Officer should also take into account the risk of obtaining private information about persons who are not the subjects of the surveillance (members of the subject's family for example). This is

referred to as collateral intrusion. All applications should include an assessment of the risk of collateral intrusion and details of any measures taken to limit this. The same proportionality tests apply to the likelihood of collateral intrusion as to intrusion into the privacy of the intended subject of the surveillance. The Authorising Officer must therefore consider fully the proportionality of the proposed actions.

## D. What RIPA Does and Does Not Do

### 1. RIPA does:

- require prior authorisation of directed surveillance.
- prohibit the Council from carrying out intrusive surveillance.
- require authorisation of the conduct and use of a CHIS
- require safeguards for the conduct and use of a CHIS
- require judicial approval before authorisations for the use of directed surveillance or the use of CHIS can take effect.

### 2. RIPA does not:

- make conduct unlawful where it would be otherwise lawful.
- prejudice or dis-apply any existing powers available to the Council to obtain information by any means not involving conduct that may be authorised under RIPA. For example, it does not affect the Council's current powers to obtain information via the DVLA or to get information from the Land Registry as to the ownership of a property.

### 3. If the Authorising Officer or any Applicant is in any doubt, s/he should ask the Assistant Director (Corporate and Contracted Services) BEFORE any directed surveillance and/or CHIS is authorised, renewed, cancelled or rejected.

## E. Types of Surveillance

### 1. 'Surveillance' includes

- monitoring, observing or listening to persons, watching or following their movements, listening to their conversations, or their other activities or communications.
- recording anything mentioned above in the course of authorised surveillance.
- surveillance, by or with, the assistance of appropriate and approved surveillance device(s).

**Surveillance can be overt or covert.**

### 2. Overt Surveillance

Most of the surveillance carried out by the Council will be done overtly – there will be nothing secretive, clandestine or hidden about it. In many cases, Officers will be behaving in the same way as a normal member of the public (e.g. in the case of most test purchases), and/or will be going about Council business openly (e.g. a market inspector walking through markets).

3. Similarly, surveillance will be overt if the subject has been told it will happen (e.g. where a noisemaker is warned (preferably in writing) that noise will be recorded if the noise continues, or where an entertainment licence is issued subject to conditions, and the licensee is told that officers may visit without notice or identifying themselves to the owner/proprietor to check that the conditions are being met.

### 4. Covert Surveillance

Covert Surveillance is carried out in a manner calculated to ensure that the person subject to the surveillance is unaware of it taking place. (Section 26(9)(a) of RIPA).

5. RIPA regulates two types of covert surveillance: directed surveillance and intrusive surveillance and the use of Covert Human Intelligence Sources (CHIS).

### 6. Directed Surveillance

6.1 Directed Surveillance is surveillance which: -

- is covert; and
- is not intrusive surveillance (see definition below – the Council must not carry out any intrusive surveillance);
- is not carried out in an immediate response to events which would otherwise make seeking authorisation under RIPA unreasonable, e.g. spotting something suspicious and continuing to observe it; and
- it is undertaken for the purpose of a **specific investigation** or operation in a manner **likely to obtain private information** about an individual (whether or not that person is specifically targeted for purposes of an investigation). (Section 26(10) of RIPA).

## 6.2 Directed Surveillance Crime Threshold



The use of directed surveillance can only be authorised under RIPA to prevent or detect criminal offences that are punishable, whether on summary conviction or indictment, by a maximum term of at least 6 months imprisonment or are related to the underage sale of alcohol and tobacco. The offences relating to the latter are sections 146, 147 and 147A of the Licensing Act 2003 and section 7 of the Children and Young Persons Act 1933. This means that-

- directed surveillance cannot be authorised for the purpose of preventing disorder unless this involves a criminal offence punishable by at least 6 months imprisonment
- directed surveillance can be authorised for the purpose of preventing or detecting specified criminal offences relating to the underage sale of alcohol and tobacco where the necessity and proportionality tests are met and prior approval from a JP has been granted.

## 7. Private information

In relation to a person 'private information' includes any information relating to his private and family life, his home and his correspondence. It should be taken generally to include any aspect of a person's private or personal relationship with others, including family and professional or business relationships. The fact that covert surveillance occurs in a public place or on business premises does not mean that it cannot result in the obtaining of private information about a person. This is likely to be the case where that person has a reasonable expectation of privacy even though acting in public and where the Council is making a record of that person's activities for future consideration or analysis.

Example: Two people holding a conversation in a street, or on a bus, may have a reasonable expectation of privacy over the contents of their conversation, even though they are associating in public. The contents of such a conversation should still be considered as private information.

Private life considerations are particularly likely to arise if several records are to be analysed together in order to establish, for example, a pattern of behavior.

Example: Council officers wish to drive past a café for the purposes of obtaining a photograph of the exterior. Reconnaissance of this nature is not likely to require a directed surveillance authorisation as no private information about any person is likely to be obtained or recorded. However, if the Council wished to repeat the exercise, for example to establish a pattern of occupancy of the premises by any person, the accumulation of information is likely to result in the obtaining of private information about that person and a directed surveillance authorisation would be required.

Prolonged surveillance targeted on a single person will undoubtedly result in the obtaining of private information about him/her and others that s/he comes into contact, or associates, with.

8. Similarly, although overt town centre CCTV cameras do not normally require authorisation, if a particular camera is being used for a specific purpose, which involves prolonged surveillance on a particular person, authorisation will be required. The way a

person runs his/her business may also reveal information about his or her private life and the private lives of others.

## 9. Confidential information

Special consideration must be given to authorisations that involve confidential personal information. Where such material has been acquired and retained, the matter should be reported to the Assistant Director (Corporate and Contracted Services) so that s/he can inform the Office of Surveillance Commissioners or Inspector during his next inspection and the material made available to him if requested.

Confidential personal information is information held in confidence relating to the physical or mental health or spiritual counselling of a person (whether living or dead) who can be identified from it. Such information, which can include both oral and written communications, is held in confidence if it is held subject to an express or implied undertaking to hold it in confidence or it is subject to a restriction on disclosure or an obligation of confidentiality contained in existing legislation.

Examples include consultations between a health professional and a patient, or information from a patient's medical records.

10. For the avoidance of doubt, only those Officers designated and certified to be 'Authorising Officers' for the purpose of RIPA can authorise 'Directed Surveillance' if, and only if, the RIPA authorisation procedures detailed in this document are followed. If an Authorising Officer has not been 'certified' for the purposes of RIPA, s/he can not carry out or approve/reject any action set out in this Corporate Policy & Procedures Document.

**Only the Chief Executive can authorise applications for covert surveillance when knowledge of confidential information is likely to be acquired.**

## 11. Intrusive Surveillance

This is when it: -

- is covert;
- relates to anything taking place on residential premises or in any private vehicle;
- and, involves the presence of a person in the premises or in the vehicle or is carried out by a surveillance device in the premises/vehicle. Surveillance equipment mounted outside the premises will not be intrusive, unless the device consistently provides information of the same quality and detail as might be expected if they were in the premises/vehicle.

Residential premises includes any part of premises which are being occupied or used by any person, however temporarily, for residential purposes or otherwise as living accommodation. It includes hotel accommodation. However, common areas to which a person has access in connection with their use or occupation of accommodation are excluded from the definition of residential premises.

Examples of common areas of residential premises which are excluded would include:

- a communal stairway in a block of flats;
- a hotel reception area or dining room;
- the front garden or driveway of premises readily visible to the public.

A private vehicle is any vehicle which is used primarily for the private purposes of the person who owns it or a person otherwise having the right to use it. This includes, for example, a company car, owned by a leasing company and used for business and pleasure by the employee of a company.

**Local authorities are not allowed to carry out intrusive surveillance and therefore no Council officer can authorise a covert surveillance operation if it involves intrusive surveillance as defined above.**

## 12. **Where authorisation is not required**

Some surveillance activity does not constitute directed surveillance under RIPA and therefore authorisations are not required. Such activity includes:

- covert surveillance by way of an immediate response to events;
- covert surveillance as part of general observation activities;
- covert surveillance not relating to the prevention or detection of crime or the prevention of disorder;
- overt use of CCTV
- specific situations not requiring an authorization

These types of surveillance activity are explained in more detail below.

## 13. **Immediate response**

Covert surveillance that is likely to reveal private information about a person but is carried out by way of an immediate response to events such that it is not reasonably practicable to obtain an authorisation under RIPA.

Example: An authorisation would not be required where Council officers conceal themselves in order to observe an incident that they happen to come across where a person appears to be in the act of illegally dumping waste.

## 14. **General observation activities**

The general observation duties of many Council enforcement officers do not require authorisations under RIPA.

Example: Public protection officers attending an anti-social behaviour hot-spot would not normally require an authorisation provided their objective was to merely observe the location to ascertain the extent of the problem and to see whether individuals can be identified. The activity may be part of a specific investigation but is general observational activity, rather than targeted surveillance of individuals, and the obtaining of private information is unlikely.

15. **Not related to the prevention or detection of crime or the prevention of disorder**

In the case of local authorities directed surveillance can only be authorised under RIPA if it is for the purpose of preventing or detecting crime or of preventing disorder. Covert surveillance for any other general purposes should be conducted under other relevant legislation. A local authority can only use RIPA in relation to its 'core functions' i.e, the 'specific public functions' undertaken by a particular authority in contrast to the 'ordinary functions' undertaken by all authorities (e.g. employment issues).

Example: A Council employee is off work due, he claims, to an injury sustained at work for which he is suing the Council. The employee's manager suspects the employee is exaggerating the seriousness of their injury and that they are, in fact, fit enough to come to work. The manager wishes to place the employee under covert surveillance outside of his normal work environment to establish that he is indeed fit for work and to gather evidence for disciplinary proceedings against the employee for deceiving the Council. Such surveillance, even though likely to result in obtaining private information, does not constitute directed surveillance under RIPA as it does not relate to the Council's core functions. It relates instead to the carrying out of its employment functions which are common to all authorities. Surveillance of this nature would be covered by the Data Protection Act 1998 and the Council's own employment policies.

16. **CCTV**

The use of overt CCTV cameras does not normally require an authorisation under RIPA. Their operation is covered by the Data Protection Act 1998 and the code of practice issued by the Information Commissioner's Office in October 2014 entitled 'In the picture: A data protection code of practice for surveillance cameras and personal information'.

However, where overt CCTV cameras are used in a covert and pre-planned manner as part of a specific investigation or operation, for the targeted surveillance of a specific person or group of people, an authorisation will be required.

17. **Specific situations not requiring an authorisation**

There are a number of specific situations which do not require an authorisation under RIPA. The specific situations most relevant to the Council are –

- the overt or covert recording of an interview of a member of the public where it is made clear that the interview is entirely voluntary and that the interviewer is a Council officer;
- the covert recording of suspected noise nuisance where the intention is only to record excessive noise levels from adjoining premises and the recording device is calibrated to record only excessive noise levels.

18. **Examples of different types of Surveillance**



<b>Type of Surveillance</b>	<b>Examples</b>
<u>Overt</u>	<ul style="list-style-type: none"> <li>- Police Officer or Estates Warden on patrol</li> <li>- Signposted Town Centre CCTV cameras (in normal use)</li> <li>- Recording noise coming from outside the premises after the occupier has been warned that this will occur if the noise persists.</li> <li>- Most test purchases (where the officer behaves no differently from a normal member of the public).</li> </ul>
<u>Covert</u> but not requiring prior authorisation	<ul style="list-style-type: none"> <li>- CCTV cameras providing general traffic, crime or public safety information</li> </ul>
<u>Directed</u> must be RIPA authorised.	<ul style="list-style-type: none"> <li>- Officers follow an individual or individuals over a period, to establish whether s/he is working when claiming benefit or off long term sick from employment.</li> <li>- Test purchases where the officer has a hidden camera or other recording device to record information which might include information about the private life of a shop-owner, e.g. where s/he is suspected of running his business in an unlawful manner.</li> </ul>
<u>Intrusive</u> – <b>Council cannot do this!</b>	<ul style="list-style-type: none"> <li>- Planting a listening or other device (bug) in a person's home or in their private vehicle.</li> </ul>

### **Who is a CHIS?**

1. Someone who establishes or maintains a personal or other relationship for the covert purpose of helping the covert use of the relationship to obtain information. **In normal circumstances the Council will not use a CHIS. If consideration is given to the use of a CHIS the Assistant Director (Corporate and Contracted Services) must be consulted first.**
2. RIPA does not normally apply in circumstances where members of the public volunteer information to the Council as part of their normal civic duties, or to contact numbers set up to receive information.

### **What must be authorised?**

3. The conduct or use of a CHIS requires prior authorisation.
  - **Conduct** of a CHIS = Establishing or maintaining a personal or other relationship with a person for the covert purpose of (or is incidental to) obtaining and passing on information.
  - **Use** of a CHIS = Actions inducing, asking or assisting a person to act as a CHIS and the decision to use a CHIS in the first place.
4. **If a CHIS is used the RIPA procedures, detailed in this document, must be followed. As with directed surveillance, authorisations for the use of a CHIS cannot take effect until an order has been obtained from a JP. However, the crime threshold which applies to directed surveillance does not apply to the use of a CHIS.**

### **Juvenile Sources**

5. Special safeguards apply to the use or conduct of juvenile sources (i.e. under 18 year olds). On no occasion can a child under 16 years of age be authorised to give information against his or her parents.

**Only the Chief Executive or, in his or her absence, the person deputising for him or her can authorise the use of Juvenile Sources.**

### **Vulnerable Individuals**

6. A 'vulnerable individual' is a person who is or may be in need of community care services by reason of a mental or physical disability, age or illness, and who is or may be unable to take care of himself or herself, or unable to protect himself or herself against significant harm or exploitation.
7. A vulnerable individual will only be authorised to act as a source in the most exceptional of circumstances.

**Only the Chief Executive or, in his or her absence, the person deputising for him or her can authorise the use of vulnerable individuals.**

## **Test Purchases**

9. Carrying out test purchases will not (as highlighted above) require the purchaser to **establish a relationship with the supplier with the covert purpose of obtaining information** and, therefore, the purchaser will not normally be a CHIS.

For example, authorisation would not normally be required for test purchases carried out in the ordinary course of business (e.g. walking into a shop and purchasing a product over the counter).

10. By contrast, “entrapment cases” could require a prior CHIS authorisation if the foregoing criteria were present.

For example, Licensing Officers who pretend to be fares to catch unwary private hire vehicles doing unlicensed pick-ups.

Developing a relationship with a person in the shop, to obtain information about the seller’s suppliers of an illegal product (e.g. illegally imported products) will require authorisation as a CHIS.

Similarly, using mobile hidden recording devices or CCTV cameras to record what is going on in the shop will require authorisation as directed surveillance.

A combined authorisation can be given for a CHIS and also directed surveillance.

## **Anti-social behaviour activities (e.g. noise, violence, etc)**

10. Persons who complain about anti-social behaviour, and are asked to keep a diary, will not normally be a CHIS, as they are not required to establish or maintain a relationship for a covert purpose. Recording the level of noise (e.g. the decibel level) will not normally capture private information and, therefore, does not require authorisation.
11. Recording sound (with a DAT recorder) on private premises could constitute intrusive surveillance, unless it is done overtly. For example, it will be possible to record if the noisemaker is warned (preferably in writing) that this will occur if the level of noise continues. Placing a stationary or mobile video camera outside a building to record anti social behaviour on residential estates will require prior authorisation.

## **G. Authorising Officer Responsibilities**

1. The Assistant Director (Corporate and Contracted Services) will ensure that sufficient numbers of Authorising Officers are duly certified to take action under this document.
2. It will be the responsibility of Authorising Officers who have been duly certified to ensure their relevant members of staff are suitably trained as 'Applicants' so as to avoid common mistakes appearing on forms for RIPA authorisations.
3. Authorising Officers will also ensure that staff who report to them follow this Corporate Policy & Procedures Document and that they do not undertake or carry out any form of surveillance without first complying with the requirements of this document.
4. Authorising Officers must also pay particular attention to any health and safety issues that may be raised by any proposed surveillance activity. Under no circumstances, should an Authorising Officer approve any RIPA form unless, and until s/he is satisfied that a proper risk assessment has been carried out and the health and safety of Council employees/agents are suitably addressed and/or risks minimised, so far as is possible. If an Authorising Officer is in any doubt, s/he should obtain prior guidance on the same from his/her manager, the Council's Corporate Health & Safety Lead Officer or the Assistant Director (Corporate and Contracted Services).
5. Authorising Officers must also ensure that, when sending copies of any forms to the Assistant Director (Corporate and Contracted Services) (or any other relevant authority), the same are sent in **sealed** envelopes and marked '**Strictly Private & Confidential**'.

## H. Authorisation Procedures

1. Directed surveillance and the use of a CHIS can only be lawfully carried out if properly authorised, and in strict accordance with the terms of the authorisation. **Appendix 2** provides a flow chart of the process from application to recording of information.

### Authorising Officers

2. Forms can only be signed by officers of the Council who are at the level of Chief Officer, Assistant Director, or Group Manager and are named as Authorising Officer in **Appendix 1**.

**Only the Chief Executive or, in his or her absence, the person deputising for him or her can authorise an application for directed surveillance when confidential information is likely to be acquired.**

This Appendix will be kept up to date by the Assistant Director (Corporate and Contracted Services), and added to as needs require. If a Chief Officer wishes to add, delete or substitute a post, s/he must refer such request to the Assistant Director (Corporate and Contracted Services) for consideration, as necessary. The Assistant Director (Corporate and Contracted Services) is authorised to add, delete or substitute posts listed in **Appendix 1**.

3. Authorisations under RIPA are separate from delegated authority to act under the Council's Constitution. RIPA authorisations are for specific investigations only, and must be renewed or cancelled once the specific surveillance is complete or about to expire. **The authorisations do not lapse with time!**
4. If the Assistant Director (Corporate and Contracted Services) feels that an Authorising Officer has not complied fully with the requirements of this document, he/she may retract that Officer's authorisation until s/he has undertaken appropriate training or a one-to-one meeting with him/her.

### Application Forms

5. Only the approved RIPA forms set out in this document must be used. Any other forms will be rejected by the Authorising Officer and/or the Assistant Director (Corporate and Contracted Services).

6. **Directed Surveillance and use of Covert Human Intelligence forms – See Appendix 3**

Form RIP 1	<b>Application</b> for Authority for Directed Surveillance
Form RIP 2	<b>Renewal</b> of Directed Surveillance Authority
Form RIP 3	<b>Cancellation</b> of Directed Surveillance
Form RIP 4	<b>Review</b> of Directed Surveillance
Form RIP 5	<b>Application</b> for use of Covert Human Intelligence Source
Form RIP 6	<b>Renewal</b> of authorisation for use of Covert Human Intelligence Source
Form RIP 7	<b>Cancellation</b> of Covert Human Intelligence Source
Form RIP 8	<b>Review</b> of use of Covert Human Intelligence Source

## Grounds for Authorisation

7. Directed Surveillance (form RIP 1) and the use of a CHIS (Form RIP 5) can only be authorised by the Council for the **prevention or detection of crime or the prevention of disorder**. As explained in sections C and E above, authorisations for **directed surveillance** are also subject to the crime threshold test.

## Assessing the Application Form

8. Before an Authorising Officer signs a Form, **s/he must:** -
- (a) Have due regard for RIPA, the Home Office revised Codes of Practice, the Human Rights Act 1998, this Corporate Policy & Procedures Document and any other guidance issued, from time to time, by the Assistant Director (Corporate and Contracted Services) on such matters;
  - (b) Satisfy his/herself that the RIPA authorisation is: -
    - (i) **in accordance with the law;**
    - (ii) **necessary** in the circumstances of the particular case on the ground mentioned above;
    - (iii) **proportionate** to what it seeks to achieve;  
  
and in the case of **directed surveillance**,
    - (iv) be satisfied that what is being investigated is a criminal offence which meets the crime threshold test.
  - (c) 'Proportionate' means the Authorising Officer must believe that intruding upon someone's privacy through surveillance is proportionate to the desired outcome taking into account the size of the problem as against the breach of privacy

In assessing whether or not the proposed surveillance is proportionate, the Authorising Officer must be satisfied that the application form demonstrates that every other reasonable means of gathering the information has been considered and explains why the alternative means considered would not be likely to achieve the desired outcome. The Authorising Officer must also be satisfied that the proposed method of surveillance is the least intrusive.

The proportionality test is explained in more detail in paragraph 7 above.

The Authorising Officer must in each case follow the "five Ws" (i.e, who, what, where, when and why) incorporated into the forms to make clear what is being authorised. They must also explain how and why they are satisfied that the proposed action is both **necessary** and **proportionate**. It is not enough simply to state that it is so – the reasons **why** it is so must be given.

Every question on the application form must be dealt with fully, following the prompts which are now incorporated in the forms.

- (d) Take into account the risk of accidental intrusion into the privacy of persons other than the specified subject of the surveillance (**collateral** intrusion). Measures must be taken wherever practicable to avoid or minimise (so far as is possible) collateral intrusion and the matter may be an aspect of determining proportionality;
- (e) Set a date for review of the authorisation and review on only that date;
- (f) Allocate a Unique Reference Number (URN) for the application as follows: -.

Year / Service / Number of Application

- (g) Ensure that any RIPA Service Register is duly completed, and that a copy of the RIPA Forms (and any review/cancellation of the same) is forwarded to the Assistant Director (Corporate and Contracted Services) for inclusion in the Central Register, **within 1 week of the relevant authorisation, review, renewal, cancellation or rejection.**

## **Additional Safeguards when Authorising a CHIS**

9. When authorising the conduct or use of a CHIS, the Authorising Officer **must also**: -
- (a) be satisfied that the **conduct** and/or **use** of the CHIS is proportionate to what is sought to be achieved;
  - (b) be satisfied that **appropriate arrangements** are in place for the management and oversight of the CHIS and name the handler and controller in the application (RIPA section 29(5); and this must address health and safety issues through a risk assessment (to be signed off by the Authorising Officer)
  - (c) consider the likely degree of intrusion of all those potentially affected;
  - (d) consider any adverse impact on community confidence that may result from the use or conduct or the information obtained; and
  - (e) ensure **records** containing particulars are not available except on a need to know basis.

## **Duration**

10. The Form **must be reviewed in the time stated (which can be any time stated in the application) and cancelled** once it is no longer needed. The 'authorisation' to carry out/conduct the surveillance lasts for a maximum of 3 months (from authorisation) for directed surveillance and 12 months (from authorisation) for a CHIS. However, whether the surveillance is carried out/conducted or not, in the relevant period, does not mean the 'authorisation' is 'spent'. In other words, **the Forms do not expire and remain 'live' until cancelled!** The forms must be reviewed and/or cancelled (once they are no longer required)!
11. Authorisations can be renewed in writing at any time before the expiry date, although it is advisable for an application for renewal not to be made until shortly before the expiry date. Authorisations can be renewed more than once if they continue to meet the criteria for authorisations. The Authorising Officer must consider the matter afresh, including taking into account the benefits of the surveillance to date, and any collateral intrusion that has occurred. The Authorising Officer must still be satisfied that the surveillance is still necessary and proportionate.
12. The renewal will begin on the day when the authorisation would have expired.

## **The Need For Judicial Approval**

13. If the Council wishes to authorise the use of directed surveillance or the use of a CHIS under RIPA it will need to obtain an order approving the grant **or renewal** from a **Justice of the Peace** before it can take effect. The JP must be satisfied that the statutory tests have been met and that the use of the covert surveillance is necessary and proportionate before he/she can issue an order approving the use of the covert surveillance described in the application.

14. The judicial approval process is in addition to the authorisation process under the relevant parts of RIPA as outlined in the Codes of Practice. Therefore, the process of assessing necessity and proportionality, completing the RIPA application form and seeking the approval of the Authoring Officer remains the same.
15. When the RIPA application form has been completed and authorised by the Authorising Officer it must be given to the Assistant Director (Corporate and Contracted Services) who will arrange for a member of the Council's Legal Team to arrange a hearing date at the magistrates court as early as possible. The member of the Legal Team will complete the judicial application/order form kept by the Assistant Director (Corporate and Contracted Services) for the purpose and will attend the hearing with the investigating officer. The original RIPA authorisation will need to be shown to the JP but this will be brought back to the office, together with a copy of the signed order (if granted), and given to the Assistant Director (Corporate and Contracted Services) so that it can be placed on the Central Register.
16. As the judicial approval process also applies to applications for the renewal of an authorisation it is important to ensure that the application for judicial approval is made in good time before the deadline for the renewal expires. For example, the renewal deadline may expire when the magistrates court is not sitting (holiday periods for example) in which case the renewal application will need to be brought forward before the holiday period starts.

## I. Working With / Through Other Agencies

1. When some other agency has been instructed on behalf of the Council to undertake any action under RIPA, this document and the forms in it must be used as normal and the agency advised or kept informed, as necessary, of the various requirements. They must be made aware explicitly what they are authorised to do.
2. When some other agency (e.g. Police, Customs & Excise, Inland Revenue etc): -
  - (a) wish to use the Council's resources (e.g. CCTV surveillance systems), that agency must use its own RIPA procedures and, before any officer agrees to allow the Council's resources to be used for the other agency's purposes, s/he must obtain a copy of that agency's RIPA form for the record (a copy of which must be passed to the Assistant Director (Corporate and Contracted Services) for the Central Register) and/or relevant extracts from the same which are sufficient for the purposes of protecting the Council and the use of its resources;
  - (b) wish to use the Council's premises for their own RIPA action, the officer should, normally, co-operate with the same, unless there are security or other good operational or managerial reasons as to why the Council's premises should not be used for the agency's activities. Suitable insurance or other appropriate indemnities may be sought, if necessary, from the other agency for the Council's co-operation in the agent's RIPA operation. In such cases, however, the Council's own RIPA forms should not be used as the Council is only 'assisting' and not being 'involved' in the RIPA activity of the external agency.
3. With regards to paragraph 2(a) above, if the Police or other Agency wish to use Council resources for general surveillance, as opposed to specific RIPA operations, an appropriate letter requesting the proposed use, extent of remit, duration, who will be undertaking the general surveillance and the purpose of it must be obtained from the Police or other Agency before any Council resources are made available for the proposed use.
4. **If in doubt, please consult with the Assistant Director (Corporate and Contracted Services) at the earliest opportunity.**

## J. Record Management

1. **The Council must keep a detailed record of all authorisations, renewals, cancellations and rejections and a Central Register of all Authorisation Forms will be maintained and monitored by the Assistant Director (Corporate and Contracted Services).**

### 2. Records Maintained

The following documents must be retained by the Assistant Director (Corporate and Contracted Services) (or his/her designated co-ordinator) for such purposes.

- a copy of the Forms together with any supplementary documentation and notification of the approval given by the Authorising Officer;
- a record of the period over which the surveillance has taken place;
- the frequency of reviews prescribed by the Authorising Officer;
- a record of the result of each review of the authorisation;
- a copy of any renewal of an authorisation, together with the supporting documentation submitted when the renewal was requested;
- the date and time when any instruction was given by the Authorising Officer;
- the Unique Reference Number for the authorisation (URN).

3. Each form will have a URN. The service co-ordinators will issue the relevant URN to Applicants. The cross-referencing of each URN takes place within the Forms for inspection purposes. The relevant Service code to be followed is as per **Appendix 1**. Rejected Forms will also have URN's.

### Central Register maintained by the Assistant Director (Corporate and Contracted Services)

4. Authorising Officers must forward details of each form to the Assistant Director (Corporate and Contracted Services) for the Central Register, within 1 week of the authorisation, review, renewal, cancellation or rejection. The Assistant Director (Corporate and Contracted Services) will monitor the same and give appropriate guidance, from time to time, or amend this document, as necessary.
5. The Council will retain records for a period of at least three years from the ending of the authorisation. The Office of the Surveillance Commissioners (OSC) can inspect the Council's policies and procedures, and individual authorisations.

### Retention and Destruction of Evidence

6. Where evidence gathered from surveillance could be relevant to future or pending court proceedings, it should be retained in accordance with established disclosure requirements for a suitable period, commensurate to any subsequent review. Particular attention should be paid to the Criminal Procedure and Investigations Act 1996 which

requires evidence gathered in criminal investigations to be recorded and retained.

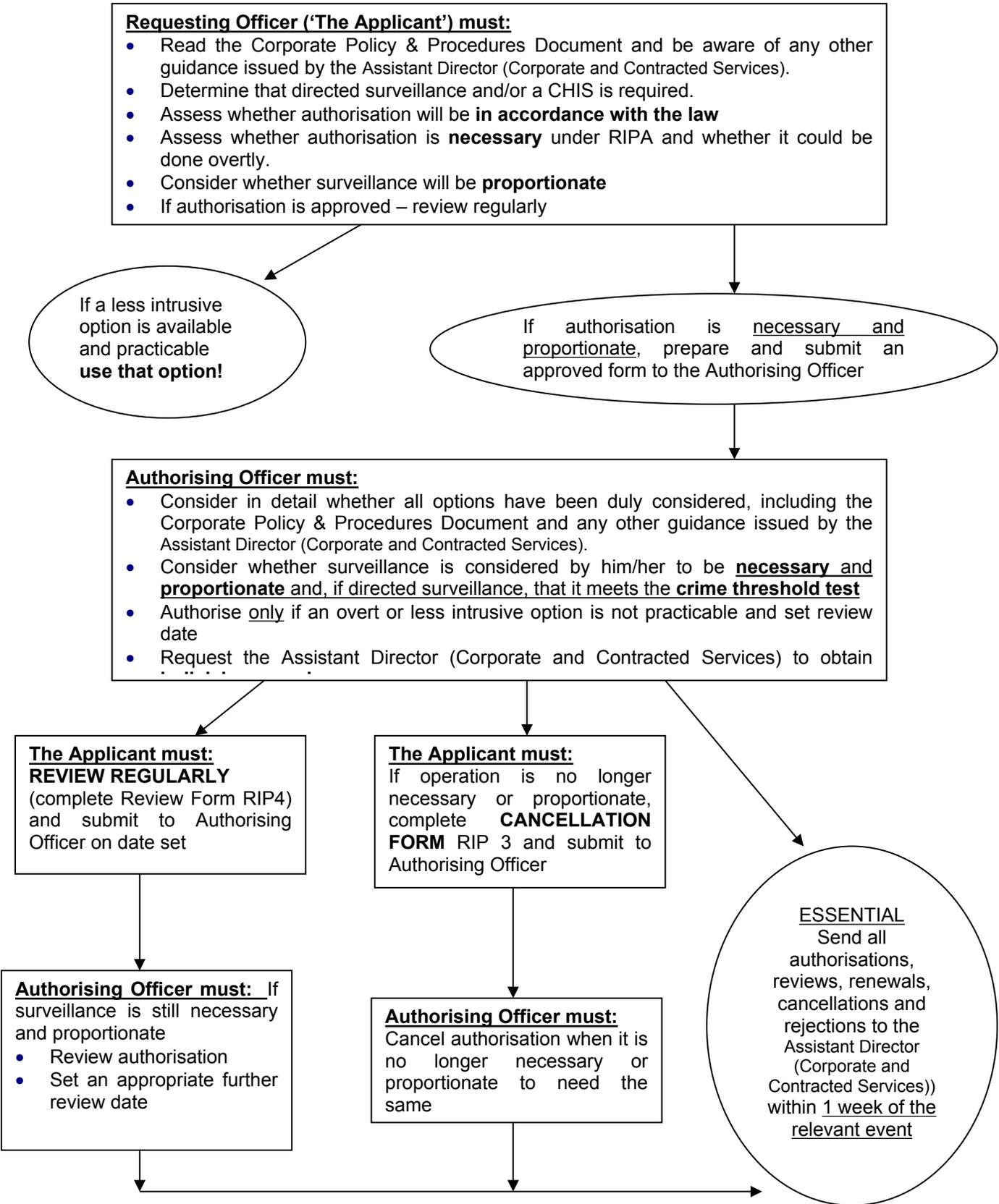
## **K. Concluding Remarks of the Assistant Director (Corporate and Contracted Services)**

1. Where there is an interference with the right to respect for private life and family guaranteed under Article 8 of the European Convention on Human Rights, and where there is no other source of lawful authority for the interference, or if it is held not to be necessary or proportionate to the circumstances, the consequences of not obtaining or following the correct authorisation procedure set out in RIPA and this document, may be that the action (and the evidence obtained) will be held to be unlawful by the Courts pursuant to Section 6 of the Human Rights Act 1998.
2. Obtaining an authorisation under RIPA and following this document, will ensure, therefore, that the action is carried out in accordance with the law and subject to stringent safeguards against abuse of anyone's human rights.
3. Authorising Officers must direct their minds to the application every time they are asked to sign a form. They must never sign or rubber stamp forms without thinking about their personal and the Council's responsibilities.
4. Any boxes not needed on the form(s) must be clearly marked as being 'NOT APPLICABLE', 'N/A' or a line put through the same. Great care must also be taken to ensure accurate information is used and is inserted in the correct boxes. Reasons for any refusal of an application must also be kept on the form and the form retained for future inspections.
5. For further advice and assistance on RIPA, please contact the Council's Assistant Director (Corporate and Contracted Services) who is also the Council's Monitoring Officer.





RIPA FLOW CHART



NB: In if doubt, ask the Assistant Director (Corporate and Contracted Services) BEFORE any directed surveillance and/or CHIS is authorised, renewed, cancelled or rejected.

**RIPA forms**

- Form RIP 1      **Authorisation** Directed Surveillance
- Form RIP 2      **Renewal** of a Directed Surveillance Authorisation
- Form RIP 3      **Cancellation** of a Directed Surveillance Authorisation
- Form RIP 4      **Review** a Directed Surveillance Authorisation
- Form RIP 5      **Application** for Authorisation of the conduct or use of a Covert Human Intelligence Source (CHIS)
- Form RIP 6      **Application** for Renewal of a CHIS
- Form RIP 7      **Cancellation** of an Authorisation for the use or conduct of a CHIS
- Form RIP 8      **Review** of a CHIS Authorisation



Investigatory Powers  
Commissioner's Office

PO Box 29105, London  
SW1V 1ZU

Sally Marshall  
Chief Executive  
Dacorum Borough Council  
Civic Centre  
Marlowes  
Hemel Hempstead  
Hertfordshire  
HP1 1HH

26 July 2018

Dear Ms Marshall,

### Inspection of Dacorum Borough Council

I write with reference to a recent desktop-based Inspection of your Council which was undertaken by one of my Inspectors of Surveillance Powers, Gráinne Athorn, with the considerable assistance of the Senior Responsible Officer for RIPA (Regulation of Investigatory Powers Act 2000) matters, Mark Brookes.

You will see from the attached Report that Mrs Athorn has noted that there is in place a coherent process for the management of surveillance and CHIS, supported by a comprehensive corporate policy document. There remains extant one recommendation from the 2014 Inspection Report, relating to the provision of RIPA refresher training to key personnel. Mr Brookes has given an undertaking that this will take place shortly.

Mrs Athorn flagged the requirement for the Council to provide Members regularly with information as to the use made of surveillance and CHIS powers. This is particularly important in light of the recent use of directed surveillance to assist a fly tipping investigation. If I may express the view, this seems to me to have been an entirely appropriate use of your powers, and the recommendations by Ms Athorn – which are intended to be of assistance for the future – should not be taken as any form of discouragement from using evidential opportunities of this kind.

I have attached Mrs Athorn's Report for your consideration and invite you to contact me should you have any questions or concerns about anything that you see within it.

Yours sincerely,

The Rt. Hon. Lord Justice Fulford  
The Investigatory Powers Commissioner

**IPCO/INSP/075**

The Rt. Hon. Sir Adrian Fulford  
Investigatory Powers Commissioner  
Investigatory Powers Commissioner's Office  
PO Box 29105  
London SW1V 1ZU

22 June 2018

**OSC INSPECTION – DACORUM BOROUGH COUNCIL**

**1 Date of Inspection**

A desktop review of Dacorum Borough Council was undertaken on Friday 22<sup>nd</sup> June 2018.

**2 Inspector**

Mrs Gráinne Athorn.

**3 Introduction**

- 3.1 Dacorum Borough Council is a second tier local authority in the county of Hertfordshire. It is one of the ten district or borough councils in the county, which contains no unitary authorities. The principal towns are Hemel Hempstead, Berkhamsted and Tring, but it also contains part of the Chiltern area of outstanding natural beauty.
- 3.2 The senior leadership team is comprised of the Chief Executive Sally Marshall, Corporate Director of Housing and Regeneration, Mark Gaynor and Finance and Operations, James Deane. They are supported by a team of six Assistant Directors which includes the Solicitor to the Council Mark Brooks who performs the role of Senior Responsible Officer (SRO) for matters concerning the Regulation of Investigatory Powers Act 2000 (RIPA). The role of RIPA Coordinator is allocated to Nargis Sultan, Lead Litigation Lawyer.
- 3.3 Dacorum BC was last inspected during November 2014 by Assistant Surveillance Commissioner HH Sir David Clarke.
- 3.4 The address for correspondence is Civic Centre, Marlowes, Hemel Hempstead, Hertfordshire HP1 1HH or by e mail to [Sally.Marshall@dacorum.gov.uk](mailto:Sally.Marshall@dacorum.gov.uk)

## 4 Inspection Approach

- 4.1 The purpose of the inspection was to examine policies, procedures, operations and administration in respect of directed surveillance and covert human intelligence sources (CHIS) under the Regulation of Investigatory Powers Act 2000 (RIPA). The last inspection was undertaken during 2014 by Assistant Surveillance Commissioner HH Sir David Clarke. In the period since this Inspection Dacorum Borough Council has utilised directed surveillance powers on one occasion. Detailed information relating to this activity was provided during the course of this review.
- 4.2 This report has been prepared without visiting Dacorum Borough Council, however to assess the ongoing compliance of the Council, information provided by the SRO has been reviewed which included a copy of the Corporate Policy and Procedures Document for Covert Surveillance and the use of CHIS, a copy of the central record and details of the directed surveillance application and subsequent reviews.

## 5 Actions Taken on Past Recommendations

- 5.1 In his report of 2011 Assistant Surveillance Commissioner HH Sir David Clarke made three recommendations:
- 5.2 Recommendation 1 - *That DBC's RIPA Policy document be amended in accordance with paragraph 12 of the Inspection Report.*

The policy has been comprehensively reviewed and all proposed amendments have all been made - recommendation **discharged**.

- 5.3 Recommendation 2 - *RIPA training needs analysis be conducted by or under the direction of the SRO, and that in-house training be provided so as to ensure that a proper level of RIPA awareness is maintained throughout the council.*

No RIPA training has been provided since the last Inspection, however the SRO has advised that it will take place shortly. This recommendation will remain **extant** until training is provided to relevant council officials.

- 5.4 Recommendation 3 - *The extant CHIS authorisation 2014/LG/leo/1 be cancelled and fresh consideration given to the future conduct of licensing enforcement investigations.*

The related authorisation was cancelled soon after the Inspection and the policy has been updated to reflect recent guidance concerning all types of investigation. **Discharged**.

## **6 Review of Policies and Procedures**

6.1 Dacorum's Corporate Policy and Procedures Document for Covert Surveillance and the use of CHIS is a comprehensive and well set out manual which seeks to guide the reader as to what RIPA covers and how it may be applied in relation to council business. The document has been comprehensively updated since the last Inspection and thus contains key components of current guidance including the crime threshold introduced in 2012 and court authorisation procedures.

6.2 There remain a number of areas where the policy would benefit from being further updated:

- Within the section applying to CHIS it makes reference to 'appropriate arrangements for the management and oversight of a CHIS' needing to address the health and safety of the source. This must include the requirement to complete a risk assessment (to be signed off by the Authorising Officer) detailing any factors that may impact upon the welfare of the source.
- RIPA Section 29(5) states there must be persons responsible for the oversight and management of a source, roles known as Handler and Controller. The policy should be altered to require the applicant to detail who these people will be in relation to the source.
- Finally, despite the removal of urgent oral authorisations from the body of the policy, reference to them remains within section H12 and must be removed.

## **7 Training**

7.1 With the continued ability to use RIPA powers comes an obligation to ensure preparedness by ensuring that key staff complete regular refresher training, thus ensuring their knowledge is up to date with recent developments in legislation, guidance and best practice. The most recent training made available to key personnel such as Authorising Officers was in 2011. Since that time legislation has changed the application of RIPA powers to local councils and tactics such as open source research has emerged. To ensure that personnel who may have a role in RIPA process, or who may authorise such conduct are fully up to date with legislation, codes of practice, and best practice, it is important that training is provided. This is a particularly acute need where surveillance powers are being actively used.

7.2 The Senior Responsible Officer for RIPA matters has provided a commitment that a training needs analysis will be conducted and a course delivered, the

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second recommendation of the 2014 report will remain extant until this is completed.

### **8. Reports to Members**

- 8.1 To ensure that Members have an awareness of the Council's use of RIPA they should be informed on a regular basis how often these powers are used. No reports relating to the Council's use of RIPA have been made since the last Inspection which is of concern because directed surveillance powers were used as recently as early 2018. It is therefore recommended that an exceptional report be made to Members as a matter of urgency prior to the quarterly reporting requirement (even for negative returns) recommencing.

### **9 Liaison with the Magistrates' Court**

- 9.1 Dacorum BC has made use of RIPA powers and as such liaison with the Magistrates' Court has taken place in accordance with procedures set out within the corporate policy. Evidence of the Court's authorisation was provided as part of the Inspection process.

### **10 Authorising Officers**

- 10.1 There are presently three nominated Authorising Officers, albeit one post is currently vacant. Both AOs completed training in 2011. These roles are both Assistant Director posts which are sufficiently senior to fulfil the requirements of SI 2010/521 which states that AOs must be of at least Director, Head of Service or Manager level.

### **11 CCTV and Technical Equipment**

- 11.1 Dacorum Borough Council operates a CCTV system which is operated in accordance with the CCTV Code of Practice, and as such there is in place a protocol for the use of the system by third parties such as police. The Council also retains three mobile surveillance cameras which are held under the control of the CCTV Manager.

### **12 Directed Surveillance**

- 12.1 In February 2018 Directed Surveillance Authorisation was granted in order to facilitate an investigation into the systemic dumping of domestic and construction waste onto private land within the Dacorum Borough Council area. The application for directed surveillance contained a good briefing as to the extent of

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this activity so far, the locations affected and a coherent operational plan in terms of what equipment was to be deployed and why.

- 12.2 Evidence was provided to the AO to show that less invasive means such as proactive patrols had been utilised, however due to the nature of the offences these were unlikely to yield the desired result of identifying the perpetrators. The necessity was based upon offences relating to the dumping of waste that may be environmentally hazardous, therefore fulfilling the required crime threshold.
- 12.3 The application may have been enhanced by further addressing the following areas:
- No details were provided as to what private information was to be obtained, which is important in allowing the AO to effectively judge proportionality.
  - Proportionality considerations contained no detailed reference to the potentially serious environmental impact on the fly tipping, for example by explaining what harmful materials dumped waste had previously contained which would help further justify the proposed activity.
- 12.4 At the time of this report two reviews have been completed. During the first month no incidents were captured. During the second an incident was captured but the images were insufficient to identify the perpetrators. In both cases the AO offered only minimal comments. At the very least, an AO must justify why continuance of the authorisation was necessary, particularly in light of the outcome of the second review.
- 12.5 It is evident that correct authorisation procedures have been observed, particularly in reference to the authorisation of the surveillance by the Magistrates' Court. Likewise it is helpful to observe that the authorisation has been regularly reviewed. It is difficult to ascertain from the Authorising Officer's comments whether they have exercised active oversight of the investigation in terms of the surveillance tactics being used which further highlights the need for refresher training.

## 13 Conclusions

- 13.1 Despite the fact that Dacorum Borough Council had not used its surveillance powers for some time, the most recent investigation into environmentally damaging fly tipping appears to have been managed well and in accordance with legislation and the Council's internal policy.
- 13.2 The majority of recommendations made by Assistance Surveillance Commissioner Sir David Clarke in 2014 have been completed, in particular the

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policy has been comprehensively updated. The only outstanding matter remains the need to provide key officers with refresher training. It is not for IPCO to dictate how the Council chooses to deliver such training other than to state that internal refresher training provided by legal services is sufficient.

- 13.3 It is notable that Members have not been made aware of the use that has been made of RIPA (or otherwise) for a number of years. The only recommendation of this report is to direct that the requirement of the Covert Surveillance and Property Interference Code of Practice, to produce regular reports, must be delivered.

### 14 Recommendations

- 14.1 Recommendation 2/2014 remains extant:

*RIPA training needs analysis be conducted by or under the direction of the SRO, and that in-house training be provided so as to ensure that a proper level of RIPA awareness is maintained throughout the council.*

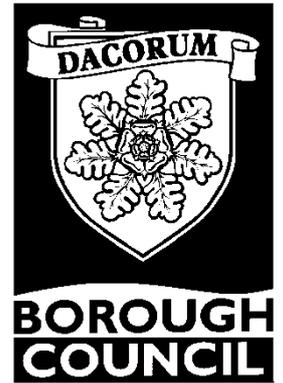
- 14.2 Recommendation 1/2018:

An exceptional report should be made to Members as to the use of covert surveillance powers and the reporting of such activity on a quarterly basis should commence.

**Gráinne Athorn**  
**Surveillance Inspector**

# Agenda Item 6

## AGENDA ITEM: SUMMARY



<b>Report for:</b>	<b>AUDIT COMMITTEE</b>
<b>Date of meeting:</b>	<b>17 September 2020</b>
<b>PART:</b>	<b>I</b>
If Part II, reason:	

<b>Title of report:</b>	<b>Final Outturn 2019/20</b>
<b>Authors:</b>	Fiona Jump, Group Manager (Financial Services) Nigel Howcutt, Assistant Director (Finance and Resources)
<b>Contact:</b>	Cllr Graeme Elliot, Portfolio Holder for Finance and Resources  James Deane, Corporate Director (Finance and Operations)
<b>Purpose of report:</b>	The purpose of this report is to present the Council's final outturn for 2019/20.
<b>Recommendations:</b>	It is recommended that Members of the Audit Committee: <ul style="list-style-type: none"> <li>a) review the final financial outturn for 2019/20 (Appendices A and B);</li> <li>b) for 2019/20, approve a General Fund revenue contribution to capital of £150k and a final Housing Revenue Account revenue contribution to capital of £3.814m</li> <li>c) for 2019/20, approve the following reserve movements as set out at 5.5: a contribution to the Dacorum Development reserve of £56k, a contribution to the Funding Equalisation Reserve of £1m and; transfer £792k to the HRA revenue commitments reserve to support future HRA service priorities.</li> <li>d) review the capital slippage for 2019/20 (Appendix C).</li> </ul>
<b>Statutory Officer Comments:</b>	<b>Section 151 Officer:</b> My comments are included within the body of this report and within the commentary and explanatory foreword to the Statement of Accounts.  <b>Monitoring Officer:</b> No further comments to add.

Corporate objectives:	Ensuring efficient, effective and modern service delivery.
Consultees:	None
Background papers:	Provisional Outturn 2019/20 Cabinet 19 May 2020 Agenda item 7

## 1. Executive summary

1.1 The provisional outturn for 2019/20 was presented to Cabinet on 19 May 2020. The reported provisional outturn position included:

- A balanced budget position for the General Fund.
- A surplus of £1.344m including a contribution to reserves for future year pension liabilities of £460k. This position excluded final depreciation movements and corporate recharges.
- The General Fund capital programme reported slippage of £0.4m and an overspend variance of £2.4m (12.7% of current budget).
- The Housing Revenue Account capital programme reported slippage of £0.8m and an overspend variance of £0.6m (1.5% of current budget).

The position incorporated reserve movements which Cabinet recommended for approval to Council at the meeting.

1.2 This final outturn report for 2019/20 has been produced following audit work undertaken in conjunction with our external auditors and the publication of the Audit Findings Report by the Council's external auditors. The completion of the external audit process is only subject to the completion of the audit of the Hertfordshire County Council Pension Fund.

1.3 The overall balanced budget position reported for the General Fund has not changed for the final outturn. The position now includes:

- Adjustments relating to the financing of capital expenditure £150k;
- An increase in the final recharge to the HRA £57k.
- Additional reserve movements outlined at 5.5 below.

1.4 The finalisation of depreciation and corporate recharges has reduced the surplus on the Housing Revenue Account from £1.344m to £1.251m, a movement of £93k. Appendices A, B and C provide more detail on the General Fund, Housing Revenue Account and Capital position for 2019/20.

## 2. General Fund Revenue Outturn

2.1 Appendix A shows the final outturn position on the General Revenue Fund. This is summarised in the table below:

<b>Table 1</b>	<b>Current Budget</b>	<b>Outturn</b>	<b>Variance</b>	<b>Variance</b>
<b>Scrutiny Committee Area</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>%</b>
Finance and Resources	16,415	16,569	154	0.9%
Housing and Community	537	615	78	14.5%
Strategic Planning and Environment	8,434	9,305	871	10.3%
<b>Net cost of services*</b>	<b>25,386</b>	<b>26,489</b>	<b>1,103</b>	<b>4.3%</b>
Investment Property	(4,317)	(4,208)	109	2.5%
Core Funding	(21,070)	(22,281)	(1,211)	5.7%
<b>Contribution (to)/ from General Fund Working Balance</b>	<b>(1)</b>	<b>0</b>	<b>1</b>	<b>0.0%</b>

\*The Net Cost of Services figures in the table above excludes capital charges. This is consistent with the position presented in Table 1 of the Narrative Report in the 2019/20 Statement of Accounts.

## 2.2 Key service variances to budget within the General Fund are unchanged between the provisional and final outturn. These include:

- Planning – overall pressure of £170k. The end of year position is a pressure of £75k in employee costs. The planning service have been successful in driving new business, particularly in the previous financial year, and this income was essentially funding in advance for specific key projects. Officers have had to be realigned to these key projects and additional short term agency staff have been recruited to backfill substantive posts. In addition the Planning software has been ungraded to provide a more efficient and effective service. Agency costs have been incurred to backfill staff involved in the project team. In addition, Planning income did not fully achieve the budget by £95k, due to some large one-off fees expected in Q4 being delayed to 2020/21.
- Garages – overall pressure of £335k. The pressure relates to the Garage service income not being achieved and is a continuation of 2018/19 position. Void rates continue at around 31%. A consolidated garage management strategy is being developed to improve occupancy levels, and progress will be reported back to Members in 2020/21.
- Commercial Waste Services – pressure of £200k. Despite Commercial Waste making a contribution overall towards corporate recharges, income for the service has not met the budgeted target due to the ongoing effect of loss of customers. A full review of the service including marketing and charging structure has been carried out, and service improvements are underway. A reduction to the income budget of £200k has been built in to the 2020/21 budget. It should be noted that budget performance in 2020/21 will be affected by the impact of coronavirus.
- Fleet – overall pressure of £230k. This relates to the maintenance of ageing fleet vehicles in Waste Services, including additional short term hire costs and repair costs. At Council 17 July 2019, approval was granted to bring the repair and maintenance of vehicles and equipment back in house. This will mitigate the financial pressure in this area going forward.

- Waste Services – pressure of £200k. The aging waste fleet has led to increasing maintenance requirements, which in turn has necessitated the hiring of additional vehicles in order to maintain the service. Replacement split-bodied vehicles are not always available for hire, in which case separate rounds have been put on for the collection of co-mingled and food waste. This has given rise to additional employee and fuel costs. This pressure should reduce over the next 12 months as new vehicles are on order and have started to arrive.

2.3 Key variances within Core Funding areas are unchanged from provisional outturn:

- New Burdens grants funding- surplus of £258k. Increased new burdens funding of £258k across services. This funding is not ring-fenced for a specific use and has therefore been treated as core funding. The material items are £100k relating to the Revenues and Benefits service to support the implementation of welfare reform changes such as the migration from Housing Benefit to Universal Credit, and £69k relating to Private Sector Housing.
- Minimum Revenue Provision- surplus of £165k surplus relating to the Minimum Revenue Provision. The Minimum Revenue Provision (MRP) is a minimum amount which a Council must charge against its revenue budget each year for the financing of capital expenditure which has been initially funded by borrowing. The MRP is £165k lower than budgeted for 2019/20, resulting from below-budget capital expenditure in 2018/19.
- Investment Income – surplus of £279k. General Fund Investment Income has exceeded budget as balances of cash reserves are higher than had been anticipated due to lower than budgeted capital expenditure in 2018/19 and the early part of 2019/20.

2.4 Key variances that have changed since provisional outturn are as follows:

- An additional revenue contribution of £150k to finance the capital programme. The transfer arises from the finalisation of the position on flexible use of capital receipts in 18/19. Amounts accrued for in 18/19 were £150k greater than final amounts settled and paid in 2019/20. The proposed transaction returns this balance to capital resources.

### **3. Housing Revenue Account**

3.1. The final outturn position is detailed at Appendix B to this report. The overall position for the Housing Revenue Account has changed by a reduction to the overall reported surplus of £93k following the finalisation of recharges between the General Fund and the HRA. This results in a total balance available to transfer to reserves of £1.251m at final outturn compared to £1.344m at provisional outturn.

3.2. Key variances to budget within the Housing Revenue Account are detailed below.

Dwelling Rent and Charges to Tenants and Leaseholders - £236k over-recovery

3.3. The overachievement of income includes the following:

- £160k of additional income is being recovered through Housing Benefit. This relates to Housing Benefit subsidy for tenants in supported housing.
- £82k overachievement of rental income due to budget expectations on new build sites being set prudently in advance of allocations and rent levels being agreed.

Repairs and Maintenance- £556k under budget

3.4. This underspend against budget has arisen as a result of the gain share on Osborne budgets from the open book arrangement of the contract. The gain share is the element of savings made in relation to maintenance works undertaken, and is verified by an independent advisor commissioned by the Council. In the last financial year, this saving has increased by £470k. This demonstrates that the contract is achieving value for money whilst still delivering a high quality housing maintenance service.

Supervision and Management, including recharges - £235k under budget

3.5. The reported underspend includes the following key variances:

- £160k relating to vacancies across the service. Recruitment to these vacancies is currently underway.
- There are also a number of smaller surpluses across minor budgets in this area, such as £60k in Lifeline equipment expenditure and £35k in Under Occupation Incentive Scheme.
- The final recharge to the HRA from the General Fund was £93k over budget.

Depreciation - £1.7m over budget

3.6. Housing stock has increased in value, resulting in capital charges also seen an increase. The depreciation charge is allocated to the Major Repairs Reserve to fund future maintenance requirements on the HRA housing stock.

Revenue Contributions to Capital - £1.7m under budget

3.7. The impact of the additional depreciation charge is a reduction in the revenue contribution to capital. The previously approved revenue contribution to capital was £5.48m. The final revenue contribution to capital is £3.814m.

Other Expenditure including contribution to bad debt provision- £273k under budget

3.8. The full budget for the bad debt provision increase has not been required this financial year, as the level of arrears currently held is sufficiently provided for. Since the introduction of Universal Credit (UC) in 2018/19, the HRA business plan has increased bad debt provision by £675k, to account for expected increases in bad debt related to the delayed and late payments of rent by UC.

The actual increase in bad debt provision realised over this period has only being £150k.

#### 4. Capital Programme

4.1. Appendix C shows the capital outturn in detail by scheme. The final capital outturn position is unchanged from the provisional position. The table below summarises the overall capital outturn position. The 'Slippage' column refers to projects where expenditure is still expected to be incurred, but it will now be in 2019/20 rather than 2018/19. The 'Variance' column refers to projects which are now complete, but have come in under or over budget and projects which are no longer required.

Table 2	Current Budget	Slippage	Revised Budget	Final Outturn	Variance to current budget %	
Scrutiny Committee Area	£000	£000	£000	£000	£000	
Finance & Resources	8,154	(667)	7,487	9,027	1,540	18.9%
Strategic Planning & Environment	3,671	200	3,871	4,063	192	5.2%
Housing & Communities	6,762	26	6,788	7,419	631	9.3%
<b>GF Total</b>	<b>18,587</b>	<b>(441)</b>	<b>18,146</b>	<b>20,509</b>	<b>2,363</b>	<b>12.7%</b>
<b>HRA Total</b>	<b>37,987</b>	<b>(841)</b>	<b>37,146</b>	<b>37,722</b>	<b>576</b>	<b>1.5%</b>
<b>Grand Total</b>	<b>56,574</b>	<b>(1,282)</b>	<b>55,292</b>	<b>58,231</b>	<b>2,939</b>	<b>5.2%</b>

#### General Fund Major Variances

4.2. There is slippage of £0.4m on the General Fund and an overall variance to budget of £2.4m, unchanged from provisional outturn. The slippage to future years includes:

- Line 54: slippage of £0.1m on Rossgate Shopping Centre relating to structural works. Due diligence around building regulations has taken longer than expected and towards the end of March issues arose around access to the interior of the building due to Covid-19.
- Line 107: slippage of £0.25m on Civic Zone Regeneration project (DevCo). Designs have been finalised and the project is ongoing. It is expected that this budget will be fully utilised in 2020/21
- Line 178: accelerated spend of £0.1m on Vehicle Replacement Programme. Three vehicles for grounds maintenance and one refuse vehicle which had been planned for 2020/21 were sourced earlier than anticipated. This will improve service delivery and help to minimise hire costs.

The additional spend of £2.4m is made up as follows:

- Line 74: additional spend of £0.3m on Bunkers Farm. This will be offset by a contribution from Watford Borough Council to be received on completion of the project.
- Line 95: additional spend of £0.25m on Tring Swimming Pool. Additional works were required to complete the project, including resurfacing of the swimming pool and upgrade work to the changing room ceiling. After contributions from Tring School to fund a portion of the works, the overall variance to budget over the lifetime of the project is reduced to £30k.
- Line 97: additional expenditure of £1.15m on Berkhamsted Multi-Storey car park. The project has exceeded the original estimates due to the following:
  - An increase in construction costs of £0.7m - construction costs have increased from the tender price that was submitted in 2017. This is a result of contract variations required during the mobilisation and build programme, such as utility diversion works, new electrical substation and additional mechanical and engineering costs.
  - An increase in project management costs of £0.3m – the original budget estimates were set before the constraints of the site were known. The process to achieve planning permission was significantly protracted and the detailed design stage complicated by site and planning restrictions. The mobilisation and build period has been extended from 9 months to 18 months and project management services have been required throughout this period.
  - Temporary car park c. £0.2m – this was an unknown cost at project commencement as it was a condition imposed through planning permission. An additional £0.3m of expenditure is expected to be required in 2020/21 to complete the project. Cabinet recommended to Council a supplementary budget of £300k in 2020/21 to fund the remaining expenditure required to complete the project at their meeting on 19 May 2020.
- Line 155: expenditure £0.2m over budget on Disabled Facilities Grants. This expenditure is fully funded from grant income received from Hertfordshire County Council.
- Line 158: Affordable Housing Development Fund. Grant expenditure to Housing Associations is £0.4m over budget. This is expenditure on approved schemes to fund the creation of new affordable housing in the borough, and is fully funded from receipts from disposal of properties under Right to Buy (1-4-1 receipts).
- Line 170: additional expenditure of £0.1m on Waste Services wheeled bins. New bins have an estimated useful life of greater than a year and have therefore been treated as capital expenditure.

#### Housing Revenue Account Capital

- 4.3. The HRA capital programme is unchanged from provisional outturn, being broadly on budget with £0.8m.

- Line 201 and 205: slippage of £0.1m on Property and Place Planned Fixed Expenditure. This budget will be utilised in 2020/21 to fund compliance work.
  - Line 211: £0.3m of slippage on Martindale. The site has been affected by the Covid-19 outbreak and social distancing requirements which have halted the construction during the latter part of March. Completion is now expected during Quarter 3 of 2020/21.
  - Line 214: £0.3m of slippage on Stationer's Place/Magenta Court. As per the Martindale site, this scheme has also been affected by the Covid-19 situation, which has resulted in lower than expected expenditure in March 2020. The site is expected to complete towards the end of Quarter 2 2020/21.
  - Line 210 and 222: These lines offset each other, as the budgets for land acquisition of Paradise Fields are built in to the New Build General line.
  - Line 216 and 217: overspend of £0.5m on Swing Gate Lane, due to a number of factors including planning requirements, some contamination on site, archaeological issues and client changes.
- 4.4. The nature of large capital build projects is that there is often some slippage on projects due to the volume of differing variables involved. The finance team have worked closely with project leads to re-profile the 2020-24 capital programme.

## **5. Balances and Reserves**

- 5.1. Appendix C shows the capital outturn in detail by scheme. The final capital outturn position is unchanged from the provisional position. The table below summarises the overall capital outturn position. The 'Slippage' column refers to projects where expenditure is still expected to be incurred, but it will now be in 2019/20 rather than 2018/19. The 'Variance' column refers to projects which are now complete, but have come in under or over budget and projects which are no longer required.
- 5.2. The Reserves Summary at Appendix D reflects the movements approved by Council in February 2020 and updated for the reserve movements as set out below.
- 5.3. In cases where reserves were to be drawn down in 2019/20 to fund budgeted expenditure which was not spent in full, only the amount required to fund actual expenditure was drawn down. Where the balance is now required in 2020/21, the carry forward of unspent reserve budgets was recommended for Council approval by Cabinet on 19 May 2020.
- 5.4. Variances over £50k on recommended reserve movements compared to the original budget and additional movements approved in year are as follows. This section includes approved reserve drawdowns where the amount was not finalised until the end of the financial year. Cabinet recommended to Council to approve these reserve movements on 19 May 2020.
- Drawdown of £94k from Local Development Framework reserve to fund work on Hemel Garden Communities. Council approved use of the reserve

on 18 September 2019 but the amount of expenditure was not known until year end.

- Drawdown of £194k from the Invest to Save reserve to fund costs of transfer to Herts Building Control. Council approved use of the reserve on 18 September 2019, but the amount of expenditure was not finalised until year end.
- Drawdown of £54k from Planning Enforcement and Appeals reserve to fund legal costs in Planning, in line with approved use of the reserve.
- Drawdown of £75k from Uninsured Losses reserve to fund Insurance costs.
- Drawdown of £93k from Management of Change reserve to fund New Normal projects. Council approved use of the reserve on 27 November 2019, but the timing of expenditure was not fully known until year end.
- Reduced drawdown of £125k from the Management of Change reserve relating to the cost of the Apprentice scheme. A full year of cost was budgeted, but costs were only incurred from November after conclusion of the recruitment process.

5.5. Following finalisation of the outturn position, it is recommended that Members recommend to Council to approve the following additional reserve movements:

- Dacorum Development Reserve – a £56k contribution to reserve following notification of amounts due to the Council under the 75% Hertfordshire Business Rates pilot. This makes the total contribution to the Dacorum Development Reserve arising from the pilot £556k in 2019/20.
- Funding Equalisation Reserve - £1m contribution to reserve arising from a combination of timing differences in Collection fund Income (Council Tax and Non-Domestic Rates) received or paid by the council and additional government grants received to fund the collection service.
- HRA revenue commitments reserve- £792k to be transferred to this reserve to support future HRA service commitments. This is to be funded from the final HRA surplus of £1.251m, the balance having previously been approved for transfer to reserves.

## **6. Conclusion**

6.1. Members are asked to:

- note the final 2019/20 outturn position for the Council
- to recommend to Council final revenue contributions to capital of General Fund (£150k) and HRA (£3.814m).
- to recommend to Council the additional reserve transfers detailed at 5.5 to this report.



## Dacorum Borough Council

### Final Outturn 2019/20

	<i>Full Year</i>		
	Adjusted Budget £000	Outturn £000	Variance £000
<b>Cost of Services</b>			
Finance and Resources	16,415	16,569	154
Housing and Community	537	615	78
Strategic Planning and Environment	8,434	9,305	871
<b>Net Cost of Services</b>	<b>25,386</b>	<b>26,489</b>	<b>1,103</b>
<b>Other Items</b>			
Investment Property	(4,317)	(4,208)	109
Investment Income, Interest Payments and MRP	782	358	(424)
Parish Precept Payments	816	816	0
Government Grants	(2,179)	(3,353)	(1,174)
Revenue Contribution to Capital	0	150	150
Taxation (Council Tax and Business Rates)	(16,276)	(15,906)	370
<b>Total Other Items</b>	<b>(21,174)</b>	<b>(22,143)</b>	<b>(969)</b>
<b>Transfers between Reserves / Funds</b>			
Net Recharge to the HRA	(4,213)	(4,346)	(133)
<b>Net Movement on General Fund Working Balance</b>	<b>(1)</b>	<b>0</b>	<b>1</b>

\* Note, the Net Cost of Services figures in the table above excludes capital charges. This is consistent with the position presented in Table 1 of the Narrative Report in the 2019/20 Statement of Accounts, tabled as a separate agenda item at the September 2020 Audit Committee meeting.

 <b>Housing Revenue Account</b> <b>Final Outturn 2019/20</b>				
	<b>Adjusted Budget</b>	<b>Final Outturn</b>	<b>Variance</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>%</b>
<b>Income:</b>				
Dwelling Rents and charges to tenants and leaseholders	(54,688)	(54,924)	(236)	0.4%
Non-Dwelling Rents	(102)	(101)	1	-1.0%
Interest and Investment Income	(435)	(372)	63	-14.5%
Contribution towards Expenditure	(645)	(672)	(27)	4.2%
<b>Total Income*</b>	<b>(55,870)</b>	<b>(56,069)</b>	<b>(199)</b>	<b>0.4%</b>
<b>Expenditure:</b>				
Repairs & Maintenance*	12,105	11,549	(556)	-4.6%
Supervision & Management and Recharges	13,092	12,857	(235)	-1.8%
Depreciation	12,625	14,303	1,678	13.3%
Revenue Contribution to Capital	5,480	3,814	(1,666)	-30.4%
Interest Payable	11,558	11,558	0	0.0%
Other Expenditure	1,010	737	(273)	-27.0%
<b>Total Expenditure</b>	<b>55,870</b>	<b>54,818</b>	<b>(1,052)</b>	<b>-1.9%</b>
<b>HRA Deficit / (Surplus)</b>	<b>0</b>	<b>(1,251)</b>	<b>(1,251)</b>	<b>0.0%</b>
Transfer to / (from) Housing Reserves	0	1,251	1,251	0.0%
<b>Residual HRA Deficit / (Surplus)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>
<b>Housing Revenue Account Balance:</b>				
Opening Balance at 1 April 2019	(2,892)	(2,892)	0	0.0%
Deficit / (Surplus) for year	0	0	0	0.0%
Proposed Contributions to Reserves	0	0	0	0.0%
<b>Closing Balance at 31 March 2020</b>	<b>(2,892)</b>	<b>(2,892)</b>	<b>0</b>	<b>0.0%</b>

\* Note that income from the General Fund relating to garage repairs (£39k) is shown here within income. This is consistent with the presentation of this income in Table 2 of the Narrative Report in the 2019/20 Statement of Accounts, tabled as a separate agenda item at Audit Committee September 2020.

CAPITAL PROGRAMME MONITORING BY SCRUTINY COMMITTEE FOR MARCH 2020

APPENDIX C

Scheme	Budget Holder	Original Budget	Prior Year Slippage	Adj's, Supps, Virements	Adjustments (Slip. C/F)	In-Year Adjustments	Current Budget	YTD Spend	Outturn	Slippage	Over / (Under)	
<b>General Fund</b>												
<b>Finance and Resources</b>												
<b>Commercial Assets and Property Development</b>												
47	Service Lease Domestic Properties	Richard Rice	30,000	0	0	0	0	30,000	25,539	25,539	0	(4,461)
48	Old Town Hall - Cafe Roof and stonework renewal	Richard Rice	0	60,000	0	(60,000)	(60,000)	0	0	0	0	0
49	Demolition of Civic Centre	Richard Rice	0	433,527	0	0	0	433,527	355,319	355,319	(78,208)	(0)
50	Victoria Hall Tring Staircase Renewal	Richard Rice	20,000	0	0	0	0	20,000	24,654	24,654	0	4,654
51	Bennetts End Community Centre - Replace Roof	Richard Rice	0	0	0	0	0	0	0	0	0	0
52	Adeyfield Community Centre - replace roof	Richard Rice	0	0	0	0	0	0	0	0	0	0
53	Tring Community Centre - new play area for Children's Nursery	Richard Rice	0	11,144	0	0	0	11,144	0	0	(11,144)	0
54	Rossgate Shopping Centre - Structural Works	Richard Rice	0	300,901	0	(190,901)	(190,901)	110,000	0	0	(110,000)	0
55	Leys Road - Roof	Richard Rice	0	0	0	0	0	0	0	0	0	0
56	The Denes Shopping Centre - Renew Walkway & Canopy Covering	Richard Rice	0	27,286	0	0	0	27,286	16,490	16,490	0	(10,797)
57	Grovehill Shopping Centre - renew car park	Richard Rice	30,000	0	0	0	0	30,000	21,984	21,984	0	(8,016)
58	58 High St (Old Town), Hemel - Remove and Rebuild Wall	Richard Rice	0	40,900	0	0	0	40,900	75,699	75,699	0	34,799
59	100 High St (Old Town), Hemel - Window Replacement	Richard Rice	0	14,000	0	0	0	14,000	0	0	(14,000)	0
60	Half Moon Yard - Replace soffit/facia & external facade	Richard Rice	0	18,000	0	0	0	18,000	0	0	0	(18,000)
61	Long Chaulden Roof	Richard Rice	0	55,020	0	(55,020)	(55,020)	0	0	0	0	0
62	Bellgate - Walkway Renovation	Richard Rice	0	66,000	0	0	0	66,000	23,000	23,000	(43,000)	0
63	Stoneycroft - Car Park Refurbishment	Richard Rice	55,000	0	0	0	0	55,000	56,510	56,510	0	1,510
64	Hobbs Hill - Window and Door Renewal	Richard Rice	15,000	0	0	0	0	15,000	0	0	0	(15,000)
65	Bennettsgate - Window Renewal	Richard Rice	90,000	(4,250)	0	(85,750)	(85,750)	0	0	0	0	0
67	Central Nursery Roof Replacement	Richard Rice	15,000	0	0	0	0	15,000	13,450	13,450	0	(1,550)
68	Northbridge Road Highway Improvements	Richard Rice	45,000	0	0	0	0	45,000	0	0	(45,000)	0
69	Queens Square Canopy Renewal	Richard Rice	50,000	0	0	0	0	50,000	18,564	18,564	(31,436)	0
70	Land Adjacent to Okeford Drive	Richard Rice	0	0	36,000	0	36,000	36,000	36,000	36,000	0	0
71	Kingshill Cemetery - Toilet Provision	Richard Rice	0	29,502	0	0	0	29,502	75,001	75,001	0	45,499
72	Heath Lane Chapel - Replace roof	Richard Rice	0	14,000	0	0	0	14,000	0	0	0	(14,000)
73	Kingshill Cemetery Infrastructure (New Burial Area)	Richard Rice	0	40,000	0	0	0	40,000	0	0	0	(40,000)
74	Bunkers Farm	Richard Rice	200,000	548,881	400,000	0	400,000	1,148,881	1,434,558	1,434,558	0	285,677
			<b>550,000</b>	<b>1,654,911</b>	<b>436,000</b>	<b>(391,671)</b>	<b>44,329</b>	<b>2,249,240</b>	<b>2,176,767</b>	<b>2,176,767</b>	<b>(332,788)</b>	<b>260,315</b>
<b>Procurement and Contracted Services</b>												
77	Berkhamsted Sports Centre - Roof Replacement	Ben Hosier	0	1,100	0	0	0	1,100	0	0	0	(1,100)
78	Hemel Hempstead Sports Centre - Roof	Ben Hosier	100,000	0	(100,000)	0	(100,000)	0	0	0	0	0
79	Dacorum Athletics Track - Resurface Track	Ben Hosier	(350,000)	550,000	0	(133,645)	(133,645)	66,355	66,288	66,288	(67)	0
80	Berkhamsted Sports Centre - heating system upgrade	Ben Hosier	0	0	66,000	0	66,000	66,000	65,939	65,939	0	(61)
81	Hemel Hempstead Sports Centre - Astroturf renewal	Ben Hosier	0	70,000	0	(70,000)	(70,000)	0	0	0	0	0
82	Berkhamsted Sports Centre - Installation of new hot water calorifiers	Ben Hosier	0	50,000	0	0	0	50,000	28,332	28,332	0	(21,668)
83	Berkhamsted Sports Centre - Building Management System	Ben Hosier	0	150,000	(150,000)	0	(150,000)	0	0	0	0	0
84	Leisure Works - Berkhamsted Swimming Pool Walls Refurbishment	Ben Hosier	33,000	0	0	0	0	33,000	32,950	32,950	0	(50)
85	Leisure Works - Jarmans Athletics Track Renew Floodlights	Ben Hosier	18,000	0	0	0	0	18,000	20,925	20,925	0	2,925
86	Leisure Works - Replacement of Disability Hoists Hemel and Berkhamsted	Ben Hosier	20,000	0	0	0	0	20,000	14,061	14,061	0	(5,939)
87	Leisure Works - Replacement of Fire Exit Door (Hemel)	Ben Hosier	20,000	0	0	0	0	20,000	33,095	33,095	0	13,095
88	Leisure Works - Replacement of Circulation Pump (Hemel)	Ben Hosier	12,000	0	0	0	0	12,000	11,668	11,668	0	(332)
89	Leisure Works - Replace Pool Cover Structure (Hemel)	Ben Hosier	64,000	0	(26,000)	0	(26,000)	38,000	28,801	28,801	0	(9,199)
90	Leisure Works - Replace Air Handling Unit in the Pool (Hemel)	Ben Hosier	390,000	0	0	(270,000)	(270,000)	120,000	1,660	1,660	0	(118,340)
93	Hemel Hempstead Sports Centre - Arena Seating	Ben Hosier	0	0	112,000	0	112,000	112,000	103,843	103,843	0	(8,157)
94	Berkhamsted Leisure Centre Improvements Works	Ben Hosier	0	0	331,000	0	331,000	331,000	279,000	279,000	(52,000)	0
95	Tring Swimming Pool	Ben Hosier	0	284,527	0	0	0	284,527	539,203	539,203	0	254,676
96	Car Park Refurbishment	Ben Hosier	260,000	303,235	0	(553,235)	(553,235)	10,000	16,340	16,340	6,340	0
97	Multi Storey Car Park Berkhamsted	Ben Hosier	1,162,093	2,456,181	0	0	0	3,618,274	4,776,349	4,776,349	0	1,158,075
99	Works to The Forum - Pigeon Proofing of Photovoltaic Panels	Ben Hosier	20,000	0	0	0	0	20,000	16,571	16,571	0	(3,429)
			<b>1,749,093</b>	<b>3,865,043</b>	<b>233,000</b>	<b>(1,026,880)</b>	<b>(793,880)</b>	<b>4,820,256</b>	<b>6,035,025</b>	<b>6,035,025</b>	<b>(45,727)</b>	<b>1,260,496</b>

**CAPITAL PROGRAMME MONITORING BY SCRUTINY COMMITTEE FOR MARCH 2020**

Scheme	Budget Holder	Original Budget	Prior Year Slippage	Adj's, Supps, Virements	Adjustments (Slip. C/F)	In-Year Adjustments	Current Budget	YTD Spend	Outturn	Slippage	Over / (Under)
<b>Finance and Resources (continued)</b>											
<b>Development Management and Planning</b>											
103 Planning Software Replacement	Sara Whelan	0	64,614	0	0	0	64,614	97,976	97,976	0	33,362
		<b>0</b>	<b>64,614</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>64,614</b>	<b>97,976</b>	<b>97,976</b>	<b>0</b>	<b>33,362</b>
<b>Finance &amp; Governance Management</b>											
107 Civic Zone Regeneration Upgrade (DevCo)	James Deane	650,000	(85,129)	0	0	0	564,871	311,225	311,225	(253,646)	(0)
		<b>650,000</b>	<b>(85,129)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>564,871</b>	<b>311,225</b>	<b>311,225</b>	<b>(253,646)</b>	<b>(0)</b>
<b>Housing &amp; Regeneration Management</b>											
115 The Forum (Public Service Quarter)	Mark Gaynor	0	0	0	0	0	0	46,142	46,142	0	46,142
		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>46,142</b>	<b>46,142</b>	<b>0</b>	<b>46,142</b>
<b>Information, Communication and Technology</b>											
120 Rolling Programme - Hardware	Ben Trueman	75,000	0	45,000	0	45,000	120,000	88,344	88,344	0	(31,656)
121 Software Licences - Right of Use	Ben Trueman	50,000	0	0	0	0	50,000	24,678	24,678	0	(25,322)
122 Website Development	Ben Trueman	0	26,841	0	0	0	26,841	22,566	22,566	0	(4,275)
123 Mobile Working	Ben Trueman	45,000	0	(45,000)	0	(45,000)	0	0	0	0	0
124 Future vision of CRM	Ben Trueman	(110,000)	241,344	0	(75,000)	(75,000)	56,344	33,470	33,470	0	(22,874)
125 Improvement works to The Forum	Ben Trueman	0	94,793	0	0	0	94,793	115,354	115,354	0	20,561
		<b>60,000</b>	<b>362,978</b>	<b>0</b>	<b>(75,000)</b>	<b>(75,000)</b>	<b>347,978</b>	<b>284,412</b>	<b>284,412</b>	<b>0</b>	<b>(63,566)</b>
<b>People</b>											
128 EIS Replacement	Matt Rawdon	0	70,000	0	0	0	70,000	59,849	59,849	(10,151)	0
130 Self Service Kiosks	Matt Rawdon	0	0	25,000	0	25,000	25,000	0	0	(25,000)	0
		<b>0</b>	<b>70,000</b>	<b>25,000</b>	<b>0</b>	<b>25,000</b>	<b>95,000</b>	<b>59,849</b>	<b>59,849</b>	<b>(35,151)</b>	<b>0</b>
<b>Revenues, Benefits and Fraud</b>											
132 Revenues and Benefits new servers	Chris Baker	0	12,000	0	0	0	12,000	15,178	15,178	0	3,178
		<b>0</b>	<b>12,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12,000</b>	<b>15,178</b>	<b>15,178</b>	<b>0</b>	<b>3,178</b>
<b>Totals: Finance and Resources</b>		<b>3,009,093</b>	<b>5,944,417</b>	<b>694,000</b>	<b>(1,493,551)</b>	<b>(799,551)</b>	<b>8,153,959</b>	<b>9,026,574</b>	<b>9,026,574</b>	<b>(667,312)</b>	<b>1,539,927</b>

**CAPITAL PROGRAMME MONITORING BY SCRUTINY COMMITTEE FOR MARCH 2020**

Scheme	Budget Holder	Original Budget	Prior Year Slippage	Adj's, Supps, Virements	Adjustments (Slip. C/F)	In-Year Adjustments	Current Budget	YTD Spend	Outturn	Slippage	Over / (Under)
<b>Housing and Community</b>											
<b>Procurement and Contracted Services</b>											
146 Rolling Programme - CCTV Cameras	Ben Hosier	25,000	0	0	0	0	25,000	23,255	23,255	(1,745)	0
147 Alarm Receiving Centre	Ben Hosier	0	33,627	0	(33,627)	(33,627)	0	0	0	0	0
148 CCTV Equipment Refresh	Ben Hosier	490,000	0	0	(490,000)	(490,000)	0	0	0	0	0
		<b>515,000</b>	<b>33,627</b>	<b>0</b>	<b>(523,627)</b>	<b>(523,627)</b>	<b>25,000</b>	<b>23,255</b>	<b>23,255</b>	<b>(1,745)</b>	<b>0</b>
<b>People</b>											
152 Verge Hardening Programme	Matt Rawdon	350,000	(106,063)	0	0	0	243,937	166,516	166,516	(79,884)	2,463
153 Storage Facility at Grovehill Adventure Playground	Matt Rawdon	0	25,000	0	0	0	25,000	25,025	25,025	0	25
154 Capital Grants - Community Groups	Matt Rawdon	20,000	0	0	0	0	20,000	18,825	18,825	0	(1,175)
		<b>370,000</b>	<b>(81,063)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>288,937</b>	<b>210,366</b>	<b>210,366</b>	<b>(79,884)</b>	<b>1,313</b>
<b>Property and Place</b>											
155 Disabled Facilities Grants	Alan Mortimer	741,000	10,670	0	0	0	751,670	942,006	942,006	0	190,336
		<b>741,000</b>	<b>10,670</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>751,670</b>	<b>942,006</b>	<b>942,006</b>	<b>0</b>	<b>190,336</b>
<b>Strategic Housing</b>											
158 Affordable Housing Development Fund	David Barrett	1,629,000	2,062,567	598,000	0	598,000	4,289,567	4,736,915	4,736,915	0	447,348
159 Northend & Westerdale (Garage Development)	David Barrett	370,000	1,407,359	0	(493,330)	(493,330)	1,284,029	1,391,474	1,391,474	107,445	0
161 Wood House - Office Space Fit Out	David Barrett	0	0	0	0	0	0	17,318	17,318	0	17,318
162 Temporary Accommodation - creation of new units	David Barrett	90,000	32,711	0	0	0	122,711	98,147	98,147	0	(24,564)
		<b>2,089,000</b>	<b>3,502,637</b>	<b>598,000</b>	<b>(493,330)</b>	<b>104,670</b>	<b>5,696,307</b>	<b>6,243,855</b>	<b>6,243,855</b>	<b>107,445</b>	<b>440,103</b>
<b>Totals: Housing and Community</b>		<b>3,715,000</b>	<b>3,465,871</b>	<b>598,000</b>	<b>(1,016,957)</b>	<b>(418,957)</b>	<b>6,761,914</b>	<b>7,419,482</b>	<b>7,419,482</b>	<b>25,816</b>	<b>631,752</b>
<b>Strategic Planning and Environment</b>											
<b>Environmental Services</b>											
166 Wheeled Bins & Boxes for New Properties	Craig Thorpe	10,000	0	0	0	0	10,000	131,562	131,562	0	121,562
171 Play Area Refurbishment Programme	Craig Thorpe	0	0	0	0	0	0	48,144	48,144	0	48,144
172 Waste & Recycling Service Improvements	Craig Thorpe	36,000	11,414	0	0	0	47,414	73,306	73,306	0	25,892
173 Commercial Waste Collection System	Craig Thorpe	0	1,700	0	0	0	1,700	0	0	0	(1,700)
174 Gadebridge Park - Splash Park	Craig Thorpe	0	0	0	0	0	0	0	0	0	0
175 Gadebridge Park - Renovation of White Bridge	Craig Thorpe	250,000	209,426	0	(370,000)	(370,000)	89,426	12,349	12,349	0	(77,078)
176 Cupid Green Waste Site Renovation	Craig Thorpe	100,000	0	0	0	0	100,000	128,702	128,702	0	28,702
177 Cupid Green Welfare Facilities	Craig Thorpe	90,000	0	0	0	0	90,000	122,687	122,687	0	32,687
138 Upgrade of Hand Arm Vibration Monitoring System	Craig Thorpe	0	0	0	0	0	0	20,052	20,052	20,052	0
178 Fleet Replacement Programme	Craig Thorpe	1,122,328	1,715,643	0	162,000	162,000	2,999,971	3,138,850	3,138,850	138,879	0
179 Fleet Services Renew Plant & Equipment	Craig Thorpe	46,500	155,000	60,000	0	60,000	261,500	273,204	273,204	0	11,704
180 Fleet Service Management System Upgrade	Craig Thorpe	34,000	(22,000)	0	0	0	12,000	13,475	13,475	0	1,475
		<b>1,688,828</b>	<b>2,071,183</b>	<b>60,000</b>	<b>(208,000)</b>	<b>(148,000)</b>	<b>3,612,011</b>	<b>3,962,331</b>	<b>3,962,331</b>	<b>158,931</b>	<b>191,389</b>
<b>Strategic Planning and Regeneration</b>											
185 Urban Park/Education Centre (Durrants Lakes)	Chris Taylor	80,000	54,015	0	(134,015)	(134,015)	0	0	0	0	0
186 Maylands Business Centre	Chris Taylor	0	0	0	0	0	0	0	0	0	0
187 Town Centre Access Improvements	Chris Taylor	565,000	74,280	0	(600,000)	(600,000)	39,280	100,841	100,841	61,561	0
188 The Bury - Conversion into Museum and Gallery	Chris Taylor	0	55,000	0	(35,000)	(35,000)	20,000	0	0	(20,000)	0
		<b>645,000</b>	<b>183,295</b>	<b>0</b>	<b>(769,015)</b>	<b>(769,015)</b>	<b>59,280</b>	<b>100,841</b>	<b>100,841</b>	<b>41,561</b>	<b>0</b>
<b>Totals: Strategic Planning and Environment</b>		<b>2,333,828</b>	<b>2,254,478</b>	<b>60,000</b>	<b>(977,015)</b>	<b>(917,015)</b>	<b>3,671,291</b>	<b>4,063,171</b>	<b>4,063,171</b>	<b>200,492</b>	<b>191,389</b>
<b>Totals - Fund: General Fund</b>		<b>9,057,921</b>	<b>11,664,766</b>	<b>1,352,000</b>	<b>(3,487,523)</b>	<b>(2,135,523)</b>	<b>18,587,164</b>	<b>20,509,228</b>	<b>20,509,228</b>	<b>(441,004)</b>	<b>2,363,068</b>

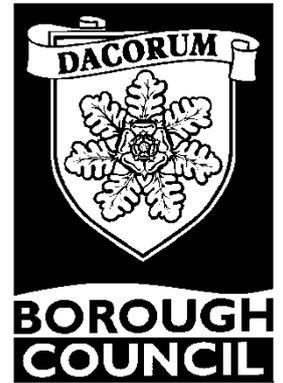
**CAPITAL PROGRAMME MONITORING BY SCRUTINY COMMITTEE FOR MARCH 2020**

Scheme	Budget Holder	Original Budget	Prior Year Slippage	Adj's, Supps, Virements	Adjustments (Slip. C/F)	In-Year Adjustments	Current Budget	YTD Spend	Outturn	Slippage	Over / (Under)	
<b>Housing Revenue Account</b>												
<b>Housing and Community</b>												
<b>Property &amp; Place</b>												
201	Planned Fixed Expenditure	Alan Mortimer	12,000,000	0	0	(167,682)	(167,682)	11,832,318	11,929,003	11,929,003	167,682	0
202	Pain/Gain Share (Planned Fixed Expenditure)	Alan Mortimer	0	0	0	0	0	0	(188,503)	(188,503)	0	0
203	M&E Contracted Works	Alan Mortimer	700,000	0	0	0	0	700,000	792,285	792,285	0	0
204	Communal Gas & Heating	Alan Mortimer	3,000,000	0	0	0	0	3,000,000	2,671,693	2,671,693	0	0
205	DBC Commissioned Capital Works	Alan Mortimer	(439,505)	3,420,524	0	(616,446)	(616,446)	2,364,573	2,575,472	2,575,472	(284,622)	0
206	Special Projects	Alan Mortimer	146,000	767,853	0	(853,800)	(853,800)	60,053	4,200	4,200	(55,853)	0
			<b>15,406,495</b>	<b>4,188,377</b>	<b>0</b>	<b>(1,637,928)</b>	<b>(1,637,928)</b>	<b>17,956,944</b>	<b>17,784,151</b>	<b>17,784,151</b>	<b>(172,793)</b>	<b>0</b>
<b>Strategic Housing</b>												
210	New Build - General Expenditure	David Barrett	(326,953)	5,750,715	(900,000)	(318,608)	(1,218,608)	4,205,154	0	0	0	(4,205,154)
211	Martindale	David Barrett	8,221,449	2,021,510	0	(1,767,461)	(1,767,461)	8,475,498	8,211,259	8,211,259	(264,239)	(0)
212	Strategic Acquisitions - Housing	David Barrett	0	0	161,000	0	161,000	161,000	217,272	217,272	0	56,272
213	Kylina Court (Previously known as Wood House)	David Barrett	0	0	0	0	0	0	61,259	61,259	0	61,259
214	Stationers Place / Apsley Paper Mill	David Barrett	3,895,519	2,193,192	0	(1,130,000)	(1,130,000)	4,958,711	4,637,926	4,637,926	(320,785)	0
215	Able House	David Barrett	0	0	0	0	0	0	0	0	0	0
216	Swing Gate Lane	David Barrett	0	0	0	0	0	0	372,127	372,127	0	372,127
217	Swing Gate Lane Conversion	David Barrett	0	0	0	0	0	0	153,720	153,720	0	153,720
218	Bulbourne	David Barrett	800,000	34,656	0	(764,700)	(764,700)	69,956	6,265	6,265	(63,691)	0
219	Coniston Road	David Barrett	60,000	39,200	0	355,800	355,800	455,000	441,908	441,908	(13,092)	0
220	Eastwick Row	David Barrett	120,000	11,529	900,000	84,951	984,951	1,116,480	1,098,254	1,098,254	(18,226)	(0)
221	St Margaret's Way	David Barrett	400,000	41,148	0	(424,148)	(424,148)	17,000	500	500	(16,500)	0
222	Paradise Fields	David Barrett	150,000	5,739	0	0	0	155,739	4,289,566	4,289,566	0	4,133,827
223	Gaddesden Row	David Barrett	100,000	(7,668)	0	284,974	284,974	377,306	411,983	411,983	34,677	0
224	Randalls Ride	David Barrett	120,000	0	0	(120,000)	(120,000)	0	7,549	7,549	7,549	(0)
225	Garage Sites - New Build Developments	David Barrett	500,000	0	0	(475,000)	(475,000)	25,000	9,730	9,730	(15,270)	0
226	Wilstone	David Barrett	120,000	0	0	(106,562)	(106,562)	13,438	14,988	14,988	1,550	(1)
227	Marchmont Fields	David Barrett	0	0	0	0	0	0	2,365	2,365	0	2,365
228	Paradise Depot	David Barrett	0	0	0	0	0	0	1,490	1,490	0	1,490
			<b>14,160,015</b>	<b>10,090,021</b>	<b>161,000</b>	<b>(4,380,754)</b>	<b>(4,219,754)</b>	<b>20,030,282</b>	<b>19,938,161</b>	<b>19,938,161</b>	<b>(668,027)</b>	<b>572,051</b>
<b>Totals: Housing and Community</b>			<b>29,566,510</b>	<b>14,278,398</b>	<b>161,000</b>	<b>(6,018,682)</b>	<b>(5,857,682)</b>	<b>37,987,226</b>	<b>37,722,311</b>	<b>37,722,312</b>	<b>(840,821)</b>	<b>575,906</b>
<b>Totals - Fund: Housing Revenue Account</b>			<b>29,566,510</b>	<b>14,278,398</b>	<b>161,000</b>	<b>(6,018,682)</b>	<b>(5,857,682)</b>	<b>37,987,226</b>	<b>37,722,311</b>	<b>37,722,312</b>	<b>(840,821)</b>	<b>575,906</b>
<b>Totals</b>			<b>38,624,431</b>	<b>25,943,164</b>	<b>1,513,000</b>	<b>(9,506,206)</b>	<b>(7,993,206)</b>	<b>56,574,389</b>	<b>58,231,540</b>	<b>58,231,540</b>	<b>(1,281,824)</b>	<b>2,938,973</b>

<b>General Fund Reserves Summary</b>	<b>Balance as at 31/03/2019 £'000</b>	<b>Adjusted Budget 2019/20 £'000s</b>	<b>Net Reserve Movement 2019/20 £'000</b>	<b>Balance as at 31/03/2020 £'000</b>
Civic Buildings Major Repairs Reserve	200			200
Capital Development Reserve	300			300
Earmarked Grants Reserve	106	(72)	(18)	88
Management of Change Reserve	1,113	(34)	9	1,122
Technology Reserve	256			256
Savings Efficiencies Reserve	604	317	317	921
On Street Car Parking Reserve	202	(56)	(82)	120
Local Development Framework Reserve	419	254	197	616
Dacorum Development Reserve	36	3,134	3,163	3,199
Climate Change and Sustainability Reserve	0			0
Planning Enforcement & Appeals Reserve	54		(54)	0
Planning & Regeneration Project Reserve	103	(103)	(103)	0
Litigation Reserve	115	30	202	317
Vehicle Replacement Reserve	1,400	(1,400)	(1,400)	0
Invest to Save Reserve	198	(4)	(198)	0
Building Control Reserve	0			0
Tring Swimming Pool Repairs Reserve	8	(8)	(8)	0
Youth Provision Reserve	44			44
Election Reserve	120	(120)	(120)	0
Uninsured Loss Reserve	672		(252)	420
Training & Development Reserve	23	(23)	(23)	0
Housing Conditions Survey Reserve	96	(35)	(50)	46
Dacorum Partnership Reserve	39	(39)	(39)	0
Dacorum Rent Aid - Guarantee Scheme	15			15
Rent Guarantee Scheme Reserve	15			15
Funding Equalisation Reserve	5,297		1,000	6,297
Pensions Reserve	1,973	200	200	2,173
Maylands Plus Reserve	46	23		46
<b>Total Earmarked Reserves</b>	<b>13,454</b>	<b>2,064</b>	<b>2,741</b>	<b>16,195</b>
<b>Working Balance</b>	<b>2,502</b>	<b>0</b>	<b>0</b>	<b>2,502</b>
<b>Total General Fund Reserves</b>	<b>15,956</b>	<b>2,064</b>	<b>2,741</b>	<b>18,697</b>

# Agenda Item 7

## AGENDA ITEM: SUMMARY



<b>Report for:</b>	<b>AUDIT COMMITTEE</b>
<b>Date of meeting:</b>	<b>17 September 2020</b>
<b>PART:</b>	<b>I</b>
If Part II, reason:	

<b>Title of report:</b>	<b>Statement of Accounts 2019/20</b>
<b>Author:</b> <b>Contact:</b>	Lexi Schultz, Team Leader ( Financial and Regulatory Accounting)  Cllr Graeme Elliot, Portfolio Holder for Finance and Resources James Deane, Corporate Director (Finance and Operations)
<b>Purpose of report:</b>	The purpose of this report is to present the Council's Statement of Accounts for 2019/20. It covers: <ul style="list-style-type: none"><li>• Account and Audit Regulations 2015</li><li>• The Account and Audit (Coronavirus) (Amendment) Regulations 2020</li><li>• Section 21(2) Local Government Act 2003</li><li>• Statement of Accounts</li><li>• Commentary on financial statements</li></ul>
<b>Recommendations:</b>	It is recommended that Members of the Audit Committee: <ul style="list-style-type: none"><li>a) review the Statement of Accounts 2019/20 (Appendix A) and raise any matters on which assurance is sought in order to approve the Statements on behalf of the Council;</li><li>b) subject to consideration of the External Auditor's Audit Findings Report, approve the Letter of Representation (Appendix B) in the capacity of those charged with Governance and;</li></ul>

	c) subject to a) and b) above, approve the Statement of Accounts for 2019/20.
Corporate objectives:	Ensuring efficient, effective and modern service delivery.
Statutory Officer Comments:	<p><b>Section 151 Officer:</b></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><b>Monitoring Officer:</b></p> <p>The Council has a statutory duty to approve the 2019/20 Statement of Accounts by 30 November 2020 in accordance with Account and Audit (Coronavirus) (Amendment) Regulations 2020.</p>
Consultees:	None
Background papers:	Audit Findings Report 2019/20 Audit Committee September 2020.

## 1. Background

- 1.1 The purpose of this report is to present the final outturn and the final Statement of Accounts for 2019/20 for Members' approval.

## 2. Executive summary

- 2.1 The Account and Audit (Coronavirus) (Amendment) Regulations 2020 requires local authorities to approve their financial statements for 2019/20 by 30<sup>th</sup> November 2020. The appointed Auditor must complete their audit and issue the relevant audit opinion to ensure the statutory deadline is met. The Council's appointed Auditor is Grant Thornton UK LLP.
- 2.2 The purpose of the external audit of the financial statements is to give an opinion on:
- 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
  - whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards.
- 2.3 The Auditor's opinion is added to the Statement of Accounts, with further detail of the audit findings provided in the Audit Findings Report to the Council. The Audit Findings Report appears as a separate agenda item for Audit Committee on 17<sup>th</sup> September 2020.
- 2.4 The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting 2019/20 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

### **3. Statement of Accounts**

- 3.1 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.
- 3.2 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:
  - ensure the regularity of transactions, by putting in place systems of internal control to ensure that financial transactions are lawful;
  - maintain proper accounting records; and
  - prepare financial statements that give a true and fair view of the financial position of the body and its expenditure and income.
- 3.3 The Statement of Accounts includes a Narrative Report 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.
- 3.4 The Council is required to submit a letter of representation to its appointed Auditor. This letter confirms the basis upon which the Council has produced its Statement of Accounts and how the Council has participated in the external audit process. This letter is contained at Appendix B to this report.

### **4. Changes to the Draft Accounts Approved by the Corporate Director (Finance and Operations) on 25<sup>th</sup> June 2020**

- 4.1 The Council published its draft Statement of Accounts on 25<sup>th</sup> June 2020, in line with the statutory deadline of the 31<sup>st</sup> August 2020. Since its publication, Council officers have agreed the following amendments to the Statement of Accounts with the appointed Auditor. These are:
  - Comprehensive Income and Expenditure Statement (CIES) and Expenditure and Funding Analysis (EFA). Reclassification of two properties from Investment Properties to Other Land and Buildings. The revaluation movement of £400k for these properties was accounted for as Investment Properties rather than as Other Land and Buildings. Net Cost of Services has subsequently been increased by £400k and Financing and Investment Income and Expenditure reduced by £400k. Note 10 (Financing and Investment Income and Expenditure) has also been amended to reflect this.
  - Balance Sheet: Property, Plant and Equipment. The value of The Elms held on the Fixed Asset register did not reconcile to the supporting Valuation Report. Property, Plant and Equipment has subsequently been reduced by £338k as has the Revaluation Reserve. Note 27 (Property, Plant and Equipment) has also been amended to reflect this change as has Note 32 (Revaluation Reserve).
  - Balance Sheet- short and long term debtors. It was identified that Community Infrastructure Levy debt subject to instalment plans of greater

than 1 year was not split between long and short term debt on the balance sheet. Short term debt was subsequently reduced by £2.3m and long term debt increased by £2.3m. Notes 22 (Long-term debtors), 23 (Short-term debtors) and 36 (Financial Instruments) were updated to reflect this change.

- 4.2 The amendments detailed above are set out in the Audit Findings Report.
- 4.3 There have been no other material changes to the Statement of Accounts since the publication of the draft accounts on 25<sup>th</sup> June 2020.

## **5. Expenditure and Funding Analysis**

- 5.1 The Expenditure and Funding Analysis shows how annual expenditure is used and funded from income (government grants, rents, council tax and business rates) in comparison with the income and expenditure in accordance with generally accepted accounting practices. It shows how this expenditure is allocated for decision making purposes between the Council's committee. Income and expenditure accounted for under generally accepted accounting practices is presented in full detail in the Comprehensive Income and Expenditure Statement.

## **6. Comprehensive Income and Expenditure Statement**

- 6.1 The Comprehensive Income and Expenditure Statement (CIES) reports the net cost for the year of all functions for which the Council is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers.
- 6.2 The CIES for 2019/20 reflects a net gain of £127.8m and consists of the following:
  - Surplus on the Provision of Services of £10.8m (2018/19 surplus of £14.8m);
  - Other Comprehensive Income of £138.5m (2018/19 income of £154.3m).
- 6.3 The reduction in Surplus on the Provision of Services of £4.0m between years is due to:
  - A reduction in Total Cost of Services of £3.0m;
  - An increase in Other Operating Expenditure of £2.6m;
  - An increase in Financing and Investment Income and Expenditure of £0.8m;
  - An increase in taxation and Non Specific Grant Income of £4.4m.
- 6.4 Other Comprehensive Income and Expenditure for the year was £138.5m and consists of:
  - £108.0m surplus on revaluation of property, plant and equipment;

- £30.5m actuarial gain on pension asset/ liabilities.

## **7. Balance Sheet**

- 7.1 The Balance Sheet is fundamental to understanding the Council's financial position at the year end. It shows the balances, reserves the long term indebtedness and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.
- 7.2 The Council's net worth was £1.0363bn as at 31 March 2020, which represents an increase of £127.8m on the previous financial year. The change between years is driven by Other Comprehensive Income of £138.5m (2018/19 £154.3m).

## **8. Movement in Reserves Statement**

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

## **9. Cash Flow Statement**

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

## **10. Housing Revenue Account**

- 10.1 The Housing Revenue Account (HRA) is 'ring-fenced' from the General Fund. This reflects the Council's statutory obligation to maintain a separate revenue account for local authority housing provision in accordance with Part 6 of the Local Government and Housing Act 1989.
- 10.2 The HRA statement shows a deficit of £10.6m for 2019/20. This is a decrease of £1.8m to the deficit reported in 2018/19, which was £12.4m. The reduction in deficit in 2019/20 relates largely to a reduction in asset impairment and depreciation charges for the year and an increase in gains on disposal on non-current assets.

## **11. Collection Fund**

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

## **12. Conclusion**

- 12.1 The Statement of Accounts represents a detailed picture of the Council's financial activity for 2019/20. Members are asked to review the accounts and Letter of Representation presented to them today and approve these documents.



**Dacorum Borough Council**

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**Statement of Accounts  
2019/20**

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# Introduction – Leader of the Council

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Welcome to Dacorum Borough Council's Statement of Accounts for the financial year 2019/20.

During the last financial year, Dacorum has continued to thrive as a borough where people want to live, work and enjoy their leisure time. These accounts show you how we managed our finances in 2019/20 whilst delivering against our key priorities:

- A clean, safe and enjoyable environment
- Building strong and vibrant communities
- Ensuring economic growth and prosperity
- Providing good quality, affordable homes, in particular for those most in need
- Ensuring efficient, effective and modern service delivery

During 2019/20, the Council has:

- Continued to invest in supporting local businesses to promote growth and employment opportunities.
- Continued to invest in new affordable homes in the borough via the Council's new build housing program and via grant funding to other providers of affordable housing.
- Worked with partner local authorities on proposals for a new residential and commercial development for Hemel Hempstead, known as Hemel Garden Communities.
- Completed structural work on our new multi- storey car park in Berkhamsted, which will help to support local businesses and encourage visitors to the town.
- Retained Green Flag Award for five of our parks and green spaces in recognition of our excellent standards of park management.
- Recognised local achievements via our Community Champion Award ceremony and Community Grant Awards evening.
- Showed our appreciation for our Armed Forces in a day of community celebration at Gadebridge Park.

The coronavirus pandemic emerged in the latter stages of the 19/20 financial year and continues to have a profound effect upon the way we live and work in Dacorum, the council will remain focussed in 20/21 to ensure those who need help are supported, especially those most vulnerable.

During 2020/21, Dacorum Borough Council will:

- Continue to build new Council homes for local people.
- Continue to support local businesses.
- Continue to ensure that those who need help due to the impact of the coronavirus pandemic are supported.

**Councillor Andrew Williams**

# Introduction – Corporate Director

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As the Council's Chief Financial Officer, I have pleasure in writing the Narrative Report for Dacorum Borough Council's Statement of Accounts for 2019/20.

The Narrative Report and the notes that follow give you a clear picture of the figures that 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 financial implications for local government of the coronavirus pandemic continue to unfold and we will maintain our responsive and adaptive approach to support our local residents and businesses, as well as manage our finances during this period of uncertainty.

We will respond to economic challenges by ensuring that we regularly review our Medium Term Financial Strategy and ensure that our forecasts are both robust and prudent. 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.

The work of the Council's finance team is critical in ensuring that the proper protection and stewardship of public funds is conducted efficiently and effectively. The work that the team does, working with colleagues to challenge spend and to help improve and deliver value for money is critical in ensuring that high quality services continue to be delivered to our residents.

I would welcome your comments and feedback on the format of the Statement of Accounts to enable us to make them as accessible as possible.

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

### Borough Profile

The Borough approximately has a population of around 153,000 living in around 60,000 households. There are 111,000 residents on the Electoral Register.

Dacorum's population is split across 3 main urban towns of Hemel Hempstead, Tring and Berkhamsted. Hemel Hempstead the largest settlement in Dacorum, with a population of over 90,000. Almost 80% of the land in Dacorum is classified as rural land with 60% of the land designated as Green belt.

### Corporate Plan 2020-2025

Dacorum Borough Council's five priorities for the community for the period 2020-2025 were adopted in January 2020.

The five priorities are:

- **A clean, safe and enjoyable environment**
- **Building strong and vibrant communities**
- **Ensuring economic growth and prosperity**
- **Providing good quality affordable homes, in particular for those most in need**
- **Ensuring efficient, effective and modern service delivery**

The Council's corporate plan sets out its approach to meeting these five priorities.

### Political and Strategic Framework

The Council holds elections for all Members once every four years, with elections last held in May 2019. As at 31 March 2020, the Council was made up of 31 Conservatives, 19 Liberal Democrats and 1 Independent.

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.

Financial reporting within the Council is based on the scrutiny committee structure to support and open and transparent process for fiscal scrutiny.

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.

### Council Structure and Services

The Council provides the following services within the borough:

**Environmental Services** – including waste management, refuse collection and the management of the Council's parks and green spaces.

**Environmental and Community Protection Services** – including emergency planning and environmental health.

**Housing Services** – including management of the council's Housing Revenue Account (HRA) housing stock and the provision of information and service for Council tenants and leaseholders.

**Planning and Regeneration Services** – including building control, planning enforcement and economic development.

**Revenues and Benefits Provision** – including the collection of council tax and business rates and the payment of housing benefit and council tax support.

**Community Services** – including leisure, arts and entertainment provision and community grant funding.

### Challenges and Opportunities

The Council faces operational and financial challenges over the short, medium and long term. These include:

- The social and economic consequences of the Covid 19 pandemic are currently unfolding at the time of the publication of the Council's draft 2019/20 accounts. The full financial impact of the pandemic will not be known for some time and represents the key financial risk for the authority.
- In the immediate term, the Council has seen a significant impact on local businesses, with income to the Council from business rates and commercial rents lower than 2020/21 target levels. Pressures on Council expenditure are also forecast for 2020/21. The Council is working with its suppliers in order to support continuity of Council services and objectives in the medium to long term.
- The Government has issued limited funding to the Council to help mitigate the impact of the pandemic. The Council continues to monitor the pressures arising from the pandemic and their implications for the financial position for 20/21 and beyond. Longer term planning to manage the financial consequences of the pandemic will be addressed as part of our medium term financial strategy, to be updated later in 2020/21.
- Brexit- the ongoing impact of the United Kingdom's exit from the European Union in January 2020 continues to be uncertain. Interest and inflation rates, labour costs, property and rental values may all be affected either adversely or beneficially.
- Local Authority funding mechanisms are increasingly uncertain as the government has delayed the proposed funding changes until the financial year 22/23. The changes as a result of the Fair Funding Review and the subsequent changes to business rates retention could impact on the amount of retained business rates for the Council as well as increasing future risk of appeals and business rate reductions.

The Council also continues work on a number of opportunities for the benefit of the borough:

- The development of proposals for Hemel Garden Communities, a new residential and commercial development for Hemel Hempstead.
- The provision of affordable housing for the borough, via our new build program.
- The development of the Council's updated long term Local Plan.

### Operational Performance

The Council operates a robust system of performance management supported by a performance reporting system. Members have the opportunity to scrutinise and challenge operational performance reports via Overview and Scrutiny Committee meetings.

The Council has achieved the following during 2019/20 against its corporate priorities (2018/19 figures in brackets, where figures have changed year on year):

#### A clean, safe and enjoyable environment

- Collected 9,650 tonnes of food waste (9,562)
- Maintained parks and gardens across Dacorum including 62 play areas, 5 Green Flag parks and 2 Queen Elizabeth II Fields In Trust

- Dealt with 2,700 planning applications (2,754)

### **Building strong and vibrant communities**

- Continued our programme of community grants.
- Recognised our Armed Forces via a day of community celebration at Gadebridge Park
- Entertained around 12,000 people with performances at the Old Town Hall Theatre
- Managed 24 (24) car parks, 19 (22) of which have Park Mark for safety
- Welcomed around 27,000 (32,250) children to our adventure playgrounds

### **Ensuring economic growth and prosperity**

- Completed structural work on a new multi-storey car park in Berkhamsted
- Achieved 100% occupancy at the Maylands Business Centre

### **Providing good quality affordable homes, in particular for those most in need**

- Started the development of 87 (133) new affordable homes in the borough (inclusive of registered provider/ housing association developments supported by Council grant funding).

### **Ensuring efficient, effective and modern service delivery**

- Handled 83,902 (88,178) of calls in our Contact Centre
- Identified £0.4m (£1.3m) of savings as part of the 2019/20 budget setting process.

## **Financial Performance**

The Council operates an ongoing reporting cycle on its financial performance throughout the year that sits alongside the publication of the Statement of Accounts (this document) after the end of the financial year. As part of this reporting cycle, financial information is provided internally to senior officers of the Council and publically to its elected members via our committee meeting system. The format of this reporting aims to facilitate officers and elected members in the decision making processes of the organisation. This format is locally agreed by our officers and elected members.

The Statement of Accounts presents a summary of the Council's financial performance for the year in a format that is required by law and best practice accounting guidance. These figures include accounting adjustments to those figures presented in the Council's reporting cycle, described above, as required by law.

The Council's income and expenditure are categorised across the following three 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, capital reserves, government grants, revenue contributions and borrowing.

Services are also categorised under three different areas within the Council's financial reports, each with an associated Overview and Scrutiny Committee. These are:

- **Housing and Community** (includes services such as arts and entertainment, adventure playgrounds, the management of anti- social behaviour and homelessness). This committee is

## Narrative Report

also responsible for the Council Landlord Function (the HRA), which is identified separately throughout the accounts);

- **Finance and Resources** (includes community centres, cemeteries, leisure management, public conveniences, parking services and support services such as human resources, IT and finance).
- **Strategic Planning and Environment** (includes services such as waste collection, planning and development)

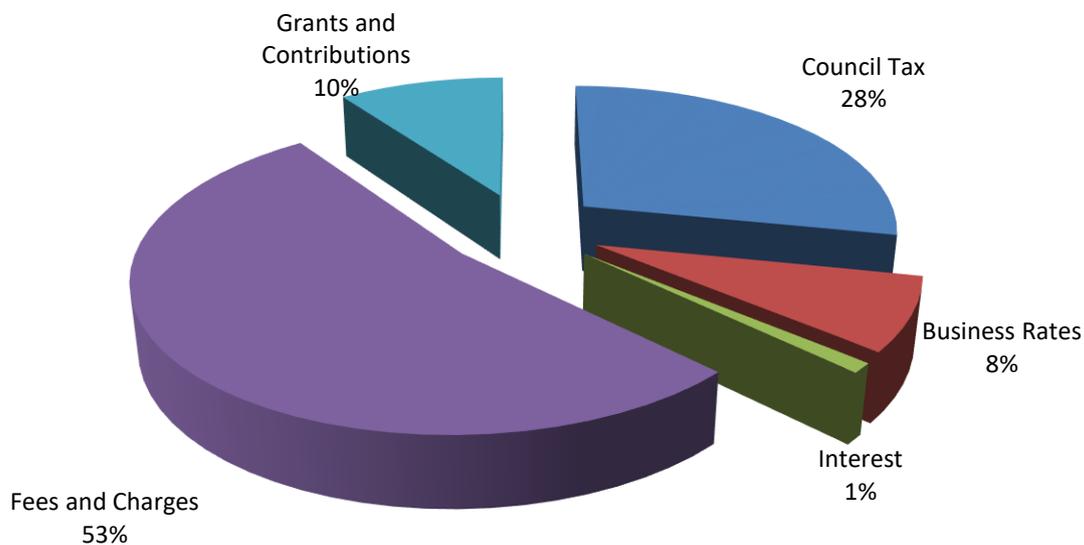
The three committees shown play an important role in guiding and examining our policies and operational and financial performance. They are involved in keeping the Council's activities under review. They scrutinise the proposals, actions and decisions of the Cabinet and Council; as well as developing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

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

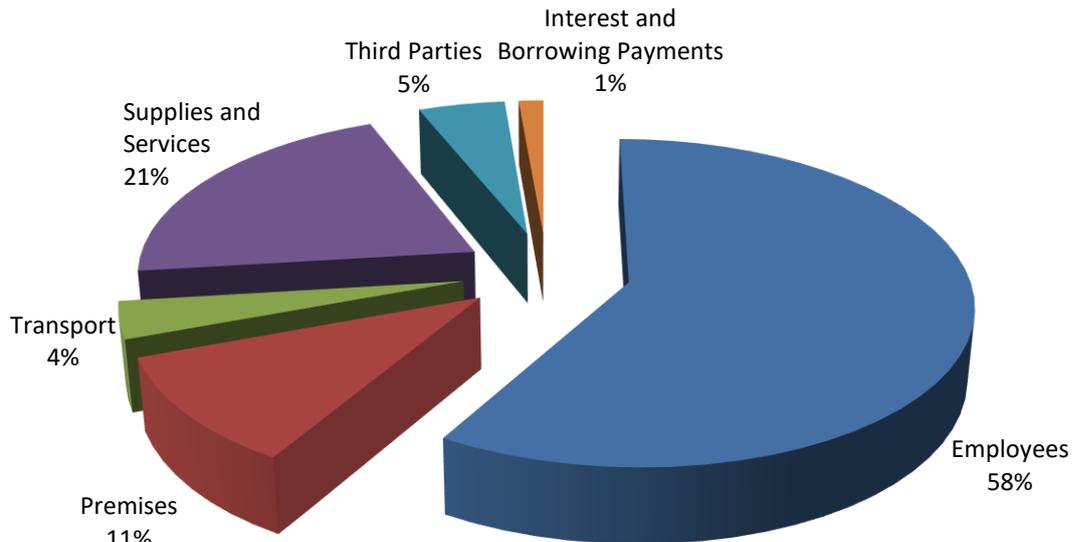
### General Fund Revenue Account

The following charts outline where the Council's General Fund revenue money came from, how it was spent and on which services. These charts exclude income and expenditure relating to housing benefits and the Housing Landlord function, which is accounted for within the Housing Revenue Account.

#### Sources of funding

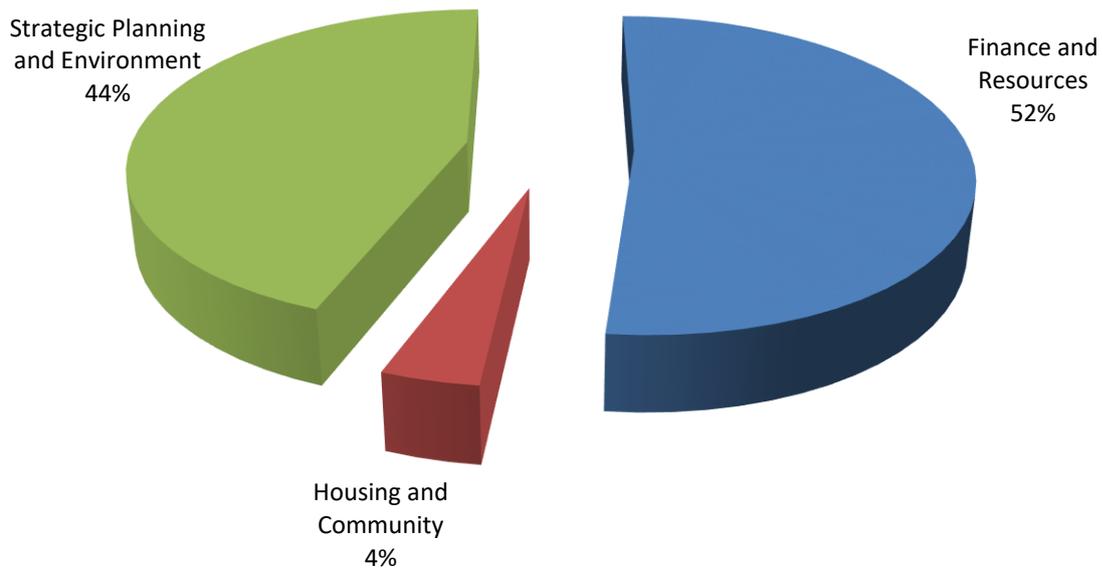


How the funding was spent<sup>1</sup>



<sup>1</sup> Third Party payments and supplies and services covers payments made to the Council's contractors as well as day to day operational expenditure not falling in other expenditure categories.

Split of where the funding was spent, by Scrutiny Committee area <sup>2</sup>



<sup>2</sup> This excludes income and expenditure relating to housing benefits and the Housing Landlord function, which is accounted for within the Housing Revenue Account

The table below summarises the Council's General Fund Revenue Account for 2019/20:

**Table 1- General Fund Revenue Financial Performance 2019/20**

	<b>Budget</b>	<b>Actuals</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Finance and Resources	11,725	11,847	122
Housing and Community	863	912	50
Strategic Planning and Environment	8,976	10,231	1,255
<b>Net Cost of Services</b>	<b>21,564</b>	<b>22,990</b>	<b>1,426</b>
Investment Property	(4,317)	(4,207)	109
Interest on Investment Income, Interest Payable and Minimum Revenue Provision	782	358	(424)
Parish Precept Payments	816	816	0
Government Grants	(2,179)	(4,353)	(2,174)
Revenue Contribution to Capital	0	150	150
Taxation (Council Tax and Business Rates)	(16,276)	(15,906)	370
<b>Net (Income)/ Expenditure- Other Items</b>	<b>(21,174)</b>	<b>(23,143)</b>	<b>(1,969)</b>
<b>(Surplus)/ Deficit on Provision of Services</b>	<b>390</b>	<b>(153)</b>	<b>(543)</b>
Net Recharge to the HRA	(4,213)	(4,346)	(133)
Contribution To / (From) Earmarked Reserves	3,822	4,499	677
<b>Net Movement on General Fund Working Balance</b>	<b>(1)</b>	<b>(0)</b>	<b>1</b>

### General Fund services Financial Performance

Key budget variances have arisen during the year in relation to:

- Housing and Community
  - A shortfall against budgeted income from Council-owned garages
- Strategic Planning and Environment
  - Staff costs and professional fees within the Planning Service
  - A shortfall against target income for Commercial Waste services
  - Maintenance Costs associated with the Council's waste fleet vehicles.

These variances were managed in year and any underlying pressures informed the 2020/21 budget setting process.

These Services variances emerged prior to the Covid 19 pandemic. The steps taken to mitigate these variances in the current year, along with others that emerge, will be monitored and reported to officers and members as part of the 2020/21 financial reporting cycle.

### Interest and Minimum Revenue Provision (MRP)

The Council invests its cash balances in line with its agreed Treasury Management Strategy, for which it generates interest receipts, in 2019/20 the returns on investments exceeded budget expectations due to strong cash balances.

The Council has loans with the Public Works Loans Board (PWLb) to support its General Fund capital programme for which it must make interest payments each year.

The Minimum Revenue Provision is a charge the Council is required to make to its revenue account each year for the financing of capital expenditure which has been initially funded by borrowing.

### **Government Grants**

The Council receives some non-ring fenced grants from the Government to support its service provision. This includes the New Homes Bonus and also grants provided by Government to compensate for reliefs awarded to ratepayers.

### **Taxation (business rates and council tax)**

The Council collects business rates and council tax income on behalf of itself, central government and other local government bodies, such as Hertfordshire County Council and the Police and Crime Commissioner. During 2019/20, the Council was also part of a pilot scheme together with all other local authorities in Hertfordshire to increase the proportion of business rates retained locally. The taxation value shown at Table 1 above is the amount of business rates and council tax that the Council is able to retain in 2019/20.

The net collectable amount of council tax in Dacorum for 2019/20 (for Dacorum Borough Council, Hertfordshire County Council and the Police and Crime Commissioner for Hertfordshire) was £102.4m (2018/19 £96.9m). The Council achieved a collection rate of 98.0% (2018/19 98.3%). Total council tax ratepayer arrears attributable to all three authorities (for all years) amounted to £5.3m (2018/19 £4.7m).

### **Recharge to the HRA**

The Council's HRA utilises services provided by the General Fund. A charge is made to the HRA for the provision of these services.

### **Contributions to and From Reserves**

The Council makes use of its reserves to support specific organisational goals. The Council's working balance remains in line with the Council's Medium Term Financial Strategy. A detailed breakdown of the movements to and from reserves can be seen in Note 13 to the Accounts. There is a difference of £1.758m between the reserve movements shown in Table 1 and the sum of the General Fund reserve movements shown in Note 13. This relates to the use of reserves to support capital expenditure in 2019/20, which have nil impact on the General Fund revenue position.

### Housing Revenue Account (HRA)

The table below summarises the financial position on the Council's HRA for 2019/20:

**Table 2: HRA Revenue Financial Performance 2019/20**

	<b>Budget</b>	<b>Actuals</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Dwelling Rents and Service Charges	(52,786)	(53,080)	(294)
Non Dwelling Rents	(102)	(101)	1
Charges for Services and Facilities	(1,902)	(1,844)	58
Interest on Investment Income	(435)	(372)	63
Contributions towards expenditure	(645)	(672)	(27)
<b>Total Income</b>	<b>(55,870)</b>	<b>(56,069)</b>	<b>(199)</b>
Repairs and Maintenance	12,105	11,549	(556)
Supervision and Management	8,860	8,511	(349)
Recharges	4,232	4,346	114
Depreciation	12,625	14,303	1,678
Revenue Contribution to Capital	5,480	3,814	(1,666)
Interest Payable	11,558	11,558	0
Other Expenditure	1,010	737	(273)
<b>Total Expenditure</b>	<b>55,870</b>	<b>54,818</b>	<b>(1,052)</b>
<b>(Surplus)/ Deficit prior to reserve movements</b>	<b>0</b>	<b>(1,251)</b>	<b>(1,251)</b>
Contribution To / (From) Reserves	0	1,251	1,251
<b>HRA Deficit / (Surplus)</b>	<b>0</b>	<b>0</b>	<b>0</b>
Working Balance Brought Forward	(2,894)	(2,894)	0
<b>Working Balance Carried Forward</b>	<b>(2,894)</b>	<b>(2,894)</b>	<b>0</b>

#### Income

The HRA receives rental from its tenants and service charge income from its tenants and leaseholders. It also receives interest from the investment of its cash balances.

#### Expenditure

Costs incurred by the HRA include those relating to the repair and maintenance of its properties and other day to day costs associated with the operation of the Council's landlord function. The HRA also has loans with the PWLB that require annual interest payments that are charged each year to the HRA revenue budget.

Other expenditure includes contributions to the HRA's bad debt provision and the payment of rent and council tax on HRA properties.

### Reserve movements

Reserve movements include amounts to support upfront pension costs in 2020/21 and to support future investment in the HRA. A detailed breakdown of the movements to and from reserves can be seen in Note 13 to the Accounts. There is a difference of £13.66m between the reserve movements shown in Table 2 and the sum of the HRA reserve movements shown in Note 13. This relates to the use of reserves to support capital expenditure in 2019/20, which has nil impact on the HRA revenue position.

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.

### Link between Tables 1 and 2 and the Expenditure and Funding Analysis

The Council operates an ongoing reporting cycle on its financial performance throughout the year that sits alongside the publication of the Statement of Accounts (this document) after the end of the financial year. As part of this reporting cycle, financial information is provided internally to senior officers of the Council and publically to its elected members via our committee meeting system. The format of this reporting, reflected in Tables 1 and 2 above, aims to facilitate officers and elected members in the decision making processes of the organisation. This format is locally agreed by our officers and elected members.

The Statement of Accounts presents a summary of the Council's financial performance for the year in a format that is required by law and accounting guidance. These figures include accounting adjustments to those figures presented in the Council's reporting cycle, described above, as required by law.

The tables below show how the information presented in Tables 1 and 2 in this Narrative Report relate to Net Expenditure Chargeable to the General Fund and HRA Balances, Column 1 of the Expenditure and Funding Analysis (EFA) presented in note 7 of the Statement of Accounts.

The Net Expenditure chargeable to General Fund balances for each General Fund Scrutiny Committee is presented identically in Table 1 and the EFA.

### Table 3: EFA Net Expenditure Chargeable to Housing Revenue Account Balances

	<b>£000</b>
<b>HRA Surplus in Table 2, Before Reserve Movements</b>	<b>(1,251)</b>
<b>Add back:</b>	
Revenue Contribution to Capital	(3,815)
Interest on Investment Income	372
Recharges from the General Fund	(4,346)
Interest Payable	(11,558)
<b>HRA Net Cost of Service- EFA column 1</b>	<b>(20,598)</b>

**Table 4: EFA Other Income and Expenditure**

	£000	£000
<b>General Fund</b>		
Investment Property	(4,207)	
Interest on Investment Income, Interest Payable and Minimum Revenue Provision	358	
Parish Precepts	816	
Government Grant Income	(4,353)	
Revenue Contribution to Capital	150	
Taxation Income (Council Tax and Business Rates)	(15,906)	
<b>GF Net Income- Other Items (Items in Table 1 Not Included in Net Cost of Services)</b>		<b>(23,143)</b>
<b>Housing Revenue Account</b>		
Revenue Contribution to Capital	3,815	
Interest on Investment Income	(372)	
Interest Payable	11,558	
<b>HRA Net Expenditure (Items in Table 2 Not Included in Net Cost of Services)</b>		<b>15,001</b>
<b>GF and HRA - Items in Tables 1 and 2 Not Included in Net Cost of Services</b>		<b>(8,142)</b>
<b>Use of Earmarked Reserves for GF Capital Purposes</b>		<b>1,758</b>
<b>Use of Earmarked Reserves for HRA Capital Purposes</b>		<b>13,659</b>
<b>Other Income and Expenditure (EFA, column 1)</b>		<b>7,275</b>

## Capital Programme

The Council has undertaken capital investment across its General Fund and Housing Revenue Account services. This includes:

- £19.9m on housing development
- £4.8m on parking facilities
- £4.7m to support the development of affordable housing in the borough outside the Council's own new build programme
- £1.2m on leisure facilities.

Key new housing investment in the borough includes:

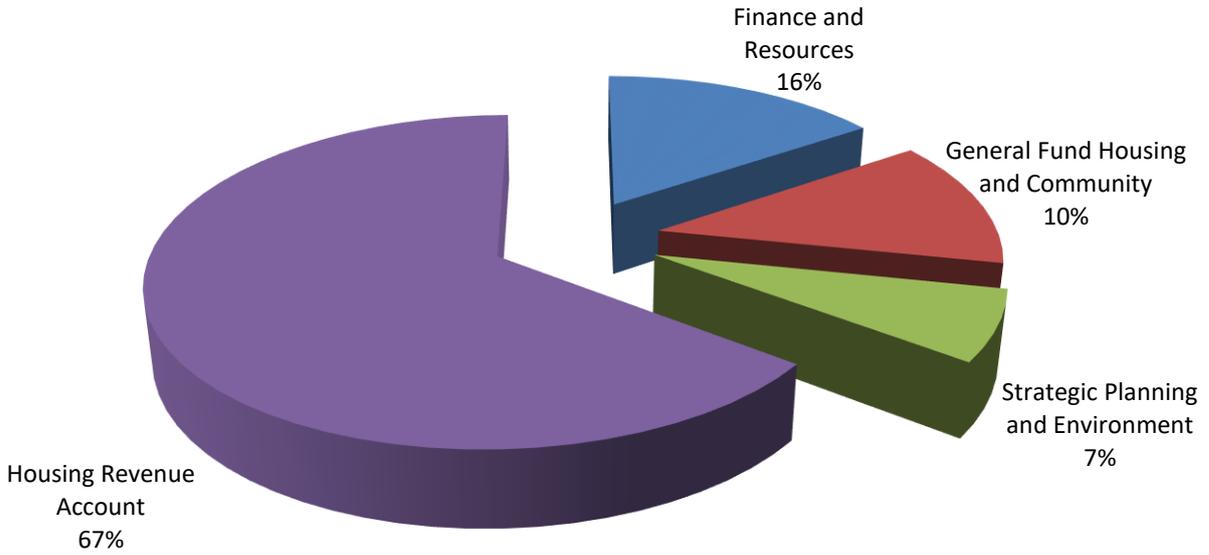
- Martindale Fields in Hemel Hempstead
- Corn Mill Court in Berkhamsted
- Magenta Court in Apsley
- The acquisition of land at Paradise Fields.

Other projects include:

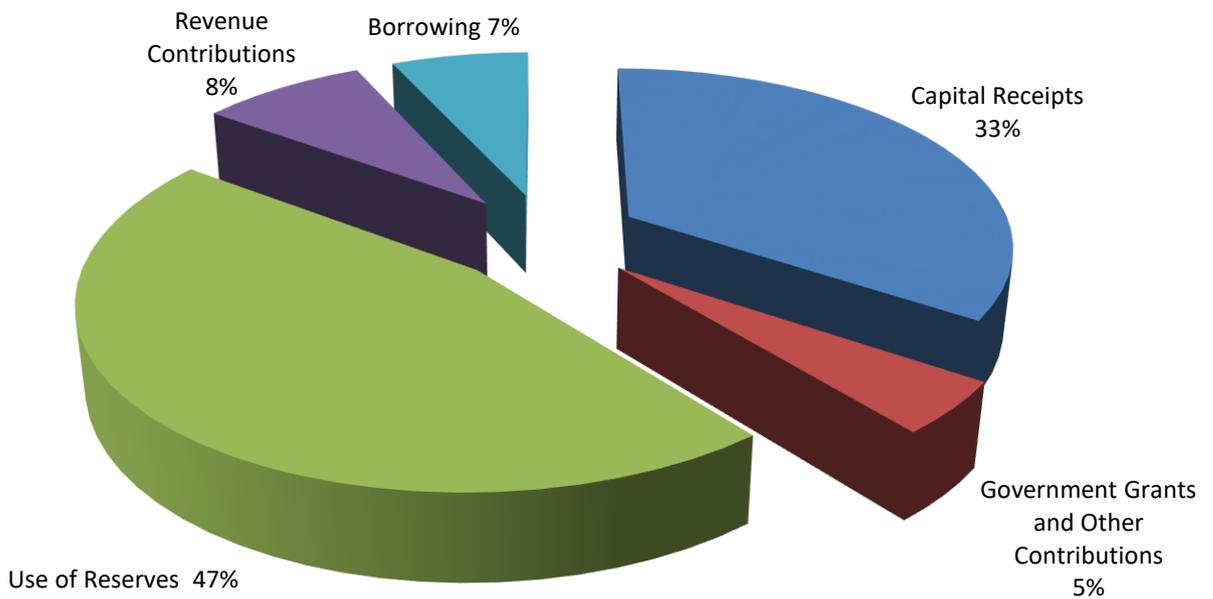
- Berkhamsted Multi- Storey car park
- The development of a new cemetery at Bunkers Farm
- Development of the Northend and Westerdale garage sites for the provision of temporary accommodation
- Fleet vehicle replacement programme.

The split of capital expenditure and financing sources are shown in the charts below:

Areas of capital investment 2019/20



Sources of capital financing 19/20



### The Council's Financial Outlook

The Council's budget for 2020/21 and Medium Term Financial Forecast were approved by Full Council in February 2020. The Covid 19 pandemic, which emerged after the approval of this budget, will present significant financial challenges for the Council. A material loss of income is forecast for the authority in 2020/21, and the pace of economic recovery across the borough will determine the extent to which these pressures continue to affect the Council's funding into the medium-term. Business Rates growth, investment returns and income from the Council's historic commercial property portfolio are all areas at risk from the economic consequences of the pandemic. Additional expenditure will also be incurred over current budget targets as the Council responds to local demands to deliver local recovery measures.

The Government has made several funding streams available to the Council early in 2020/21 as part of their response to the Covid 19 pandemic. The majority of this funding has been passed on directly to local businesses and residents in the form of grants and business rates relief.

The Council is closely monitoring its budget position in 2020/21 and the expected impact on its finances. This is both as part of our own internal reporting requirements and the new external requirements placed on us by the Government. This position continues to evolve as the pandemic evolves and will be reported on to officers and members of the Council.

Cashflow is always carefully managed, and is now under additional scrutiny to ensure the availability of funds and forecast expected year end cash balances. Business rates, council tax and rental income (housing and commercial) are key sources of cash for the authority, all of which are expected to reduce from target levels as a consequence of the anticipated recession.

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. Delivery of the capital programme may be impacted by the Covid 19 pandemic, as may levels of capital receipts from the sale of Council assets during the year. This will be monitored and reported on to officers and members.

The Council's Medium Term Financial Strategy will be updated during 2020/21. Within this update we will look at the resources available to us including: retained business rates, council tax income, grant funding and funding from fees, charges and rent. We will compare this to forecast expected levels of expenditure and identify any resulting savings that need to be delivered.

### Structure of the Statement of Accounts

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

Dacorum Borough Council's Statement of Accounts (the Accounts) has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (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.

### Statements

The Accounts report the financial activity of the Council over financial year 2019/20, and the financial position of the Council as at 31 March 2020. In order to present this information clearly, the Accounts encompasses the following elements:

The Main Financial Statements are:

#### **Comprehensive Income and Expenditure Statement**

This statement shows the income and expenditure for the authority in accordance with International Financial Reporting Standards. This will differ from the cash position for the authority.

#### **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 'total unusable reserves'.

#### **Balance Sheet**

The Balance Sheet shows the value as at 31 March 2020 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.

#### **Cash Flow Statement**

This statement takes the surplus or deficit from the income and expenditure statement and reconciles it to the actual cash movement shown on the balance sheet.

Other notes and additional Statements providing further additional information are:

#### **Accounting policies**

These are the main accounting policies under which the financial statements have been prepared.

#### **Annual Governance Statement**

This describes the Council's approach to the effective exercise of its functions, including the management of risk.

#### **Expenditure and Funding Analysis**

This shows funding available to the Council has been used in providing services compared with those resources used by local authorities in with the income and expenditure in accordance with generally accepted accounting practices.

#### **Housing Revenue Account and Notes**

The Housing Revenue Account (HRA) reflects the Councils statutory duty to maintain a separate account to measure the resources generated and consumed in the provision of council housing during 2019/20, 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.

# Statement of Responsibilities for the Annual Statement of Accounts

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## 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 November 2020. 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 (Coronavirus) (Amendment) Regulations 2020, I confirm that the Statement of Accounts for the year ended 31 March 2020 was approved by resolution of the Audit committee of Dacorum Borough Council on 17<sup>th</sup> September 2020.

**Councillor Herbert Chapman**  
**Audit Committee Chairman**

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## 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 2020, and its income and expenditure for the year ending 31 March 2020.

**James Deane**  
**Corporate Director (Finance and Operations)**

## Introduction

Dacorum Borough Council is committed to ensuring good governance principles and management practices. This Annual Governance Statement has been produced in accordance with the CIPFA/SOLACE<sup>2</sup> framework *Delivering Good Governance in Local Government (2016)* and Regulation 6 of the Accounts and Audit Regulations 2015.

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 to address areas of concern. It is inevitable during a rigorous review of the Council's operations, issues will be identified and a key element of good governance is ensuring there is a clear action plan for addressing these.

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 other published performance information are accurate and reliable;
- manages human, financial, environmental and other resources efficiently and effectively.

The self-assessment in this statement takes account of assurance statements provided by managers from across the organisation, internal audit reports and regular reviews of risk management. Account has been taken of the statutory codes and ethical governance tool-kit produced by the IDeA<sup>3</sup> and CIPFA.

## 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' (defined in its corporate plan) as well as underpinning that vision with mechanisms for control and management of risk. Whatever our successes in the past, we 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.

## Scope of responsibility

Dacorum Borough Council is responsible for ensuring its business is conducted in accordance with the law and proper standards, and public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Council, under the Local Government Act 1999, has a duty to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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<sup>2</sup> SOLACE – Society of Local Authority Chief Executives and Senior Managers

<sup>3</sup> IDeA - Improvement and Development Agency

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs including management of risk. Cabinet and senior management are responsible for delivering the Council's services and activities within these arrangements. Audit Committee is responsible for reviewing the effectiveness on behalf of the Council and making any recommendation necessary as a result of its review or of any issue it identifies from external bodies' reports such as internal or external audit or the Local Government Ombudsman.

### **Purpose of the Governance Framework**

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

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

The governance framework has been in place throughout the 2019/20 financial year 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 quality of services for users, ensuring 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 processes and controls to manage risks
- Undertaking the core functions of an Audit Committee
- Ensuring laws, regulations and internal policies and procedures are complied with and expenditure is lawful
- Whistle-blowing and investigating complaints from the public
- Identifying Members and Senior Officers' development needs and providing appropriate training
- Establishing clear channels of communication with all sections of the community and stakeholders and encouraging open consultation
- Incorporating good governance arrangements in respect of Partnerships

### **The Governance Framework**

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

During 2019/20 the Council reviewed its overall vision and priorities. This was captured in its Corporate Plan 2020-2025 that was adopted by the Council in January 2020. The 5 priorities are:

- A clean, safe and enjoyable environment
- Building strong and vibrant communities
- Ensuring economic growth and prosperity
- Providing good quality affordable homes, in particular for those most in need
- Ensuring efficient, effective and modern service delivery

To help engage communities in setting and achieving this vision and priorities, Dacorum Borough Council is committed to reviewing and improving services to ensure 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 to understand our residents' opinions and 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 tried to improve communications with service users through its website (improved 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 during 2019/20 and as part of the budget preparation for 2020/21. With regard to the Capital Programme, this included aligning resources to priorities through the appraisal of new schemes based on the Council's key priorities. Our 2020/21 budget consultation included a residents' deliberative forum.

The organisation has a robust framework for project management. 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. A specialist project management resource is employed to promote high standards.

### **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 covers a five year period and is reviewed annually to ensure it remains relevant.

Cabinet, Scrutiny committees and the Corporate Management Team (CMT) 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.

The Corporate Improvement and Innovation Team lead and advise on standards in relation to performance and project management and initiatives to ensure progress in this area include performance clinics and reviewing operational performance management.

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

- Corporate Growth and Infrastructure;
- New Normal (Organisational Transformation);
- Community and Wellbeing;
- Sustainable Environment;
- 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 in Service Plans. In preparing their service plans, managers are required to consider measuring their services' value for money and to set out measures for improving it. The Council has rolled out a programme to promote evidence based decision making which supports teams to make better use of data and ensure actions are closely linked to outcomes and impacts. Satisfaction surveys are undertaken by key services following the provision of services.

External Audit's Audit Findings report for 2018/19, the most recent undertaken, concluded the Council had made appropriate arrangements to secure economy, efficiency and effectiveness of its resources.

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

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

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

The Council appoints Committees to discharge the Council's regulatory and scrutiny responsibilities. These and the delegated responsibilities of officers, are set out in Part 3 of the Council's Constitution (Responsibility for Functions). All Committees and internal corporate officer groups supporting the Council's governance framework have defined terms of reference. Audit Committee provides assurance to the Council on the effectiveness of the governance arrangements and internal control environment.

The Council's Chief Executive, as the Council's Head of Paid Service, has overall corporate policy management and operational responsibility and chairs the Corporate Management Team. Cross-organisational management groups are in place for cross-directorate operational issues.

All staff have clear conditions of employment and job descriptions setting 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, keeping proper financial records and accounts and 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 Audit Committee and has appointed the Assistant Director (Finance & Resources) as the Deputy Section 151 Officer in his absence.

During 2019/20, the Assistant Director, Corporate and Contracted Services, as the Council's Monitoring Officer, had overall responsibility for legal compliance and appointed a new post of Group Manager, as the Deputy Monitoring Officer. All Legal Services staff work closely with departments to advice on legal requirements. The Assistant Director, Corporate and Contracted Services was the lead officer on Member and employee conduct and supported 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 adopted in July 2012 a 'local' Code of Conduct for Members in accordance with the Localism Act 2011. The Code includes the mandatory provisions relating to the registration and declaration of Disclosable Pecuniary Interests. All elected and co-opted Members are aware of the Code and enter their interests in the Register of Members' Interests. This is published on the Council's website as required by the Localism Act.

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

Part 5 of the Constitution contains the Code of Conduct for Members. It sets out 7 general principles: Selflessness, Honesty, Integrity, Objectivity, Accountability, Openness and Leadership. The Code requires Members to show respect for others and uphold the law. Part 5 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 and governance issues was provided during the year. The Employees' Code of Conduct is included within induction Training for all new employees.

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

The Council's Constitution sets out how the Council operates and the processes for policy and decision making. Various amendments were made to the Constitution and approved by Council during 2019/20

so the Constitution remains fit for purpose. It was not necessary to make more substantial changes to the Constitution during 2019/20.

Updates to the Financial Regulations were reviewed by Cabinet in December 2019. The Commissioning & Procurement Strategy and Commissioning and Procurement Standing Orders were updated and approved by Council in November 2019. Thresholds were reviewed and based on value there is clear process for authorisation.

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 with 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 makes recommendations to Council for approval on financial and policy framework matters. Authority to make day-to-day operational decisions is detailed in Part 3 of the Council's Constitution 'Responsibility for Functions'.

The decision-making process is reviewed by a scrutiny function which has power to call in decisions made. It undertakes some pre-decision scrutiny and some policy development work. The Finance & Resources Overview and Scrutiny Committee oversees effectiveness of risk management.

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 check compliance as part of the Annual Audit Plan. In addition, key corporate strategies provide the framework for key decisions: including the Corporate Plan, Medium Term Financial Strategy, and Asset Management Plan.

The Corporate Business Continuity Plan was updated during 2019/20. Service-specific business continuity plans are reviewed on a regular basis.

### **Amendments to Governance Arrangements arising from Covid 19**

Following the outbreak of the Covid-19 pandemic, the Council reviewed its constitutional arrangements to take account of the introduction of the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 ("The Regulations") on the 4th April, and agreed new procedures to facilitate the holding of virtual meetings. This also included extending officer delegations for a temporary period in respect of planning decisions until virtual meetings had been properly tested.

Council also agreed that Annual Council would be suspended and all Council appointments continued until Annual Council in May 2021, including the role of the Mayor. The Chief Executive's emergency decision making powers were also reviewed and extended to ensure that they could include the ability to provide support funding to external organisations in need of support.

The Council added the Covid-19 pandemic to its Strategic Risk Register, reported to Cabinet and Audit Committee in June 2020. In line with the Council's Business Continuity plan, meetings of the Council's Incident Management Team commenced in March as a means of managing the risks to the organisation of the Covid-19 pandemic.

### **Undertaking the core functions of an Audit Committee**

The Audit Committee's terms of reference have been prepared to ensure full compliance with CIPFA guidance. Key areas covered are Audit Activity, Regulatory Framework, Accounts and Ombudsman.

### **Ensuring laws, regulations, internal policies and procedures are complied with and 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. 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. Any legal or financial issues discussed with the author and resolved prior to being published.

The Report Template requires the 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 part II a reason has to be provided);
- Purpose of the report;
- Recommendations;
- Link to Corporate Objectives;
- Risk, Equalities, Health and Safety, Financial and Value for Money Implications;
- Monitoring Officer and S151 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 and complied with in their service. Assurance statements have to be submitted annually to the Monitoring Officer.

### **Compliance with the Regulation of Investigatory Powers Act (RIPA)**

The Council is required to monitor its use of covert surveillance under RIPA. The Monitoring Officer submits an annual return to the Office of the Surveillance Commissioner on usage of covert surveillance.

In compliance with the revised Home Office Codes of Practice, the Monitoring Officer was designated as the Council's Senior Responsible Officer with overall responsibility for ensuring the Council complies with RIPA and its own policy and procedures on the use of covert surveillance. During 2019/20 3 applications were made for an authorisation under RIPA to carry out covert surveillance. The Council therefore remains a sparing user of directed surveillance.

All local authorities are subject to a three- year cycle of inspections carried out on behalf of the Chief Surveillance Commissioner. The July 2018 inspection audit reported the Council's RIPA structure remains in good working order, with a sound Policy and good record keeping. 2 relatively minor recommendations are being implemented and a report is going to Audit Committee in September 2020 to approve all changes required and update members on use of RIPA.

### **Compliance with the Data Protection Act (DPA)**

Under the DPA 2018 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 Assistant Director, Corporate and Contracted Services is the Council's designated Senior Information Risk Officer (SIRO). The SIRO is responsible for managing information risk on behalf of the Chief Executive and Corporate Management Team and has adopted the ICO's reporting template for potential breaches.

Data Protection Act and Information Security training is mandatory and provided quarterly to current and new staff. Training focuses on breach types, offences, breach reporting and location of policies and procedures. All Data Protection and Information Security Policies are linked to the Council's conduct procedures.

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

### Whistle-blowing and investigating complaints from the public.

The Council takes fraud, corruption and maladministration very seriously and has the following policies aiming 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 Members and employees have the skills, knowledge and capacity needed 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.

The Council is committed to developing and supporting elected members. This is particularly important given the ever changing skills and competencies essential to fulfil the requirements of being a councillor. After the borough elections of 2019, mandatory training was introduced for members. Non-attendance is reported to Group Leaders and continuous non-attendance can be reported to the Standards committee. Details of member training is below:

Course	Date	Attendance
Budget Setting Process	August 2019	35
Chairing Skills (Mandatory for Chairs/Vice Chairs)	June 2019	14
Community Leadership	November 2019 & January 2020	14
Development Management Committee Training	May 2019	13
Emergency Planning Awareness	July 2019	16
GDPR/FOI	May, June & August 2019	48
Licensing	November 2019	6
Licensing Committee Training	May 2019	11
Overview and Scrutiny	July 2019	24
Planning	October 2019	33
Safe, Confident and Effective Use of Social Media	September & October 2019	42
Strategy, Improvement & Engagement Briefing	February 2020	10

Staff Performance Appraisals are carried out to identify competencies and training needs and sets standards of behaviour and performance for all staff. Competencies reflect skills and abilities needed to deliver services throughout the organisation. All Council employees have individual training records detailing courses attended. Performance reviews are undertaken midway and at the end of the year.

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

## Annual Governance Statement 2019/20

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. Consultation and gauging local views includes Town and Parish consultation, the Tenant and Leaseholder Committee, Citizens Panel and resident associations.

The Council's Local Petition Scheme helps neighbourhood action groups set the agenda for future improvements to local areas. Our magazine Dacorum Digest and the Council's website are the main methods for communicating with residents. We have close relationships with local broadcast and newspaper journalists. We have social media accounts on Facebook, Twitter and YouTube and run campaigns on specific issues using community noticeboards and campaign materials in our three Civic reception areas, as well as occasional radio and newspaper advertising.

### **Incorporating good governance arrangements in respect of Partnerships**

The Council participates in partnerships aimed at improving services to the community including 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 clear protocols are established early 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 system of internal control. The review 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 recommendations and comments made by the External Auditors and other review agencies and inspectorates.

In 2019/20, Mazars Public Sector Internal Audit Limited provided the Council's Internal Audit service and gave an independent opinion on the adequacy and effectiveness of the Council's system of internal control. The opinion used internal audit methodology that complies with international auditing standards.

Priority 1 recommendations made by the Council's internal auditors relate to issues deemed to be fundamental to the systems concerned and upon which immediate action is taken. In the 2018/19 Statement of Accounts, in response to a priority 1 recommendation, the Council committed to ensuring that its new planning case management system (Uniform) would include restrictions upon user permissions, once the system was implemented. This was delivered during 2019/20.

### **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:

<b>Key element</b>	<b>Role and Activity during the year</b>
Council	<ul style="list-style-type: none"><li>○ Approve Constitution including: Financial Regulations; Codes of Conduct; Commissioning &amp; Procurement Standing Orders; Scheme of Delegation</li><li>○ Set budget and policy framework</li></ul>
Cabinet	<ul style="list-style-type: none"><li>○ Financial, performance and risk management of service delivery within the Budget and Policy Framework set by Council – quarterly reports</li><li>○ Responsibility for key decisions and initiating corrective action in relation to risk and internal control issues</li><li>○ Monthly public meetings (excluding any summer recess)</li><li>○ Regular briefings with Chief Officers</li></ul>
Audit Committee	<ul style="list-style-type: none"><li>○ Four scheduled meetings per annum</li><li>○ Review and scrutinise the outcome of Internal and External audit reports and other external agencies such as the Ombudsman</li><li>○ Monitor the Governance arrangements within the Council</li><li>○ Delegated responsibility to scrutinise and approve the Financial Statements on behalf of the Council</li></ul>

## Annual Governance Statement 2019/20

	<ul style="list-style-type: none"> <li>○ To consider the External Auditor's report to those charged with Governance on issues arising from the audit of the accounts</li> </ul>
<p>Overview &amp; Scrutiny Committees:</p> <ul style="list-style-type: none"> <li>○ Housing &amp; Community</li> <li>○ Strategic Planning &amp; Environment</li> <li>○ Finance &amp; Resources</li> </ul>	<ul style="list-style-type: none"> <li>○ To provide overview and scrutiny and policy development role in relation to business associated with the Cabinet Portfolios</li> <li>○ To monitor the performance of relevant Council services, including services which are provided under contract or agreement by external organisations or private sector companies</li> </ul>
Standards Committee	<ul style="list-style-type: none"> <li>○ Consider allegations of breaches of the Code of Conduct</li> <li>○ Promote and maintain high standards of conduct by the members of the Council</li> </ul>
Internal Audit – (outsourced service provided by Mazars)	<ul style="list-style-type: none"> <li>○ Set overall internal audit strategy to meet the Council's overall direction</li> <li>○ Undertake an annual programme of audits</li> <li>○ Present audit reports to Management and Audit Committee</li> <li>○ Present progress reports to Audit Committee measuring performance against the Audit Plan</li> </ul>
Chief Executive (Head of Paid Service)	<ul style="list-style-type: none"> <li>○ Overall corporate policy management and operational responsibility</li> <li>○ Chairman of Corporate Management Team</li> </ul>
Monitoring Officer (Assistant Director, Corporate and Contracted Services)	<ul style="list-style-type: none"> <li>○ Maintain the Constitution</li> <li>○ Ensure lawfulness and fairness of decision making</li> <li>○ Supporting the Standards Committee</li> <li>○ 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 correct procedural steps are followed and appropriate assistance is given to the Committee throughout the process</li> <li>○ Act as the Senior Information Risk Officer &amp; Senior Responsible Officer (RIPA)</li> <li>○ Proper officer for access to information</li> <li>○ Advise whether Cabinet and Portfolio Holder decisions are within the Council's budget and policy framework</li> <li>○ Provide advice and contribute to corporate management as a member of Corporate Management Team</li> </ul>
Section 151 Officer (Corporate Director (Finance & Operations))	<ul style="list-style-type: none"> <li>○ Ensure lawfulness and financial prudence of decision making</li> <li>○ 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</li> <li>○ Contribute to corporate management as a member of Corporate Management Team</li> <li>○ 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</li> <li>○ Provide financial information to the media, members of the public and community</li> </ul>
Statutory Officers Comments – Monitoring Officer & Section 151 Officer	<ul style="list-style-type: none"> <li>○ Statutory officers review all Cabinet, Portfolio Holder and Officer Decision reports to consider and comment within the report on legal and financial implications arising out of the report</li> <li>○ Review of governance issues arising out of day to day working practices</li> <li>○ Consider issues arising out of the annual assurance statements</li> </ul>
Corporate Directors	<ul style="list-style-type: none"> <li>○ Overall strategic and operational management of those services falling within each individual directorate</li> <li>○ Contribute to corporate management as members of Corporate Management Team</li> </ul>
Corporate Management Team	<ul style="list-style-type: none"> <li>○ Financial/Budgetary monitoring, Performance monitoring and monitoring of the corporate officer working groups.</li> <li>○ Quarterly review of strategic risk management,</li> <li>○ Monitoring of the Internal Audit Programme.</li> </ul>
Performance Board	<ul style="list-style-type: none"> <li>○ Review performance against Council Vision and Priorities</li> <li>○ Review Dacorum improvement programme projects</li> </ul>
Corporate Working Groups	<ul style="list-style-type: none"> <li>○ Officer/Member groups drawn from service directorates and including relevant Portfolio Holders as appropriate</li> <li>○ Oversee and review delivery of all relevant operational matters and establish and receive reports from sub-groups as necessary</li> <li>○ Consider options appraisals and make recommendations for CMT and Cabinet consideration</li> </ul>
Assistant Directors and Group Managers	<ul style="list-style-type: none"> <li>○ Operational management for the services falling within each individual service area</li> <li>○ Assurance Statements covering all of the Council's key internal controls, including: Financial Regulations; Commissioning &amp; Procurement Standing Orders; Employees Code of Conduct; Corporate Policies; and risk management.</li> </ul>

## Annual Governance Statement 2019/20

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

The Audit Committee has advised us of the result of the review of the effectiveness of the governance framework and a plan to address the weaknesses and ensure continuous improvement of the system are in place.

The Council's Internal Audit service, is delivered by Mazars Public Sector Internal Audit Limited and the programme of works outlined for 2019/20 included 17 internal audits to be undertaken. All 17 Internal audits have been finalised and all recommendations collated. The internal audit reports provide an assurance rating for a service and make recommendations for improvements.

In 2019/20 the internal audit reports resulted in 11 good assurances (the best available rating) and 6 substantial assurances.

Internal audit reports provide recommendations for improvements. In total 15 recommendations were suggested and none of these recommendations were priority 1 recommendations. Priority 1 recommendations relate to issues deemed fundamental to the systems concerned and upon which immediate action will be required.

Published internal audit reports are available at [www.dacorum.gov.uk](http://www.dacorum.gov.uk). Further details are available upon request. The Internal Auditor's Annual Report for 2019/20 was published and presented to the Audit Committee in June 2020.

Where this Governance Statement has identified improvement areas, we propose steps to enhance our governance arrangements further. We are satisfied these steps will address the improvements required and will monitor their implementation and operation as part of our next annual review.

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

We give our further assurance 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* (2016).

Signed .....  
(Councillor Andrew Williams – Leader of the Council)

Signed .....  
(Sally Marshall – Chief Executive)

## Comprehensive Income and Expenditure Statement

	Note	2019/20			2018/19		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£'000	£'000	£'000	£'000	£'000	£'000
Finance and Resources (GRF)		61,347	(45,916)	15,431	71,420	(51,759)	19,661
Housing and Community (GRF)		13,454	(5,242)	8,213	12,137	(5,050)	7,087
Strategic Planning and Environment (GRF)		20,433	(6,459)	13,973	18,803	(7,315)	11,488
Housing and Community (HRA)		55,258	(55,698)	(439)	57,929	(56,009)	1,920
<b>Total Cost of Services</b>		<b>150,492</b>	<b>(113,315)</b>	<b>37,178</b>	<b>160,289</b>	<b>(120,133)</b>	<b>40,156</b>
Other Operating Expenditure	9			(2,408)			(4,999)
Financing and Investment Income and Expenditure	10			5,163			4,422
Taxation and Non Specific Grant Income	11			(29,162)			(24,773)
<b>(Surplus)/Deficit on Provision of Services</b>				<b>10,771</b>			<b>14,805</b>
(Surplus)/ Deficit on Revaluation of Property Plant, Equipment	32			(108,005)			(161,114)
Actuarial (Gains)/Losses on Pension Asset / Liabilities	38			(30,529)			6,847
<b>Other Comprehensive Income and Expenditure</b>				<b>(138,534)</b>			<b>(154,267)</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>(127,763)</b>			<b>(139,462)</b>

## 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
<b>Balance at 31 March 2018</b>		2,502	9,650	2,892	18,100	2,153	2,084	30,256	67,637	701,404	769,041
Movement in Reserves During 2018/19:											
Surplus or (Deficit) on Provision of Services		(2,402)		(12,403)	0	0	0	0	(14,805)	0	(14,805)
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0	0	154,267	154,267
<b>Total Comprehensive Income and Expenditure</b>		<b>(2,402)</b>	<b>0</b>	<b>(12,403)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(14,805)</b>	<b>154,267</b>	<b>139,462</b>
Adjustments Between Accounting Basis and Funding Basis Under Regulations:	12	6,205	0	12,450	0	(1,526)	3,586	(4,922)	15,792	(15,792)	(0)
<b>Net Increase/(Decrease) Before Transfers to Earmarked Reserves</b>		<b>3,803</b>	<b>0</b>	<b>46</b>	<b>0</b>	<b>(1,526)</b>	<b>3,586</b>	<b>(4,922)</b>	<b>987</b>	<b>138,475</b>	<b>139,462</b>
Transfer (to)/from Earmarked Reserves	13	(3,803)	3,803	(46)	46	0	0	0	0	0	0
<b>Balance at 31 March 2019</b>		<b>2,501</b>	<b>13,453</b>	<b>2,892</b>	<b>18,146</b>	<b>627</b>	<b>5,670</b>	<b>25,334</b>	<b>68,624</b>	<b>839,879</b>	<b>908,503</b>
Movement in Reserves During 2019/20:											
Surplus or (Deficit) on Provision of Services		(132)		(10,639)	0	0	0	0	(10,771)	0	(10,771)
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0	0	138,534	138,534
<b>Total Comprehensive Income and Expenditure</b>		<b>(132)</b>	<b>0</b>	<b>(10,639)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(10,771)</b>	<b>138,534</b>	<b>127,763</b>
Adjustments Between Accounting Basis and Funding Basis Under Regulations:	12	2,873	0	(1,769)	0	(615)	6,769	(9,924)	(2,665)	2,665	0
<b>Net Increase/(Decrease) Before Transfers to Earmarked Reserves</b>		<b>2,742</b>	<b>0</b>	<b>(12,408)</b>	<b>0</b>	<b>(615)</b>	<b>6,769</b>	<b>(9,924)</b>	<b>(13,437)</b>	<b>141,199</b>	<b>127,763</b>
Transfer (to)/from Earmarked Reserves	13	(2,741)	2,741	12,407	(12,407)	0	0	0	0	0	0
<b>Balance at 31 March 2020</b>		<b>2,502</b>	<b>16,194</b>	<b>2,892</b>	<b>5,739</b>	<b>12</b>	<b>12,439</b>	<b>15,410</b>	<b>55,189</b>	<b>981,077</b>	<b>1,036,265</b>

\*opening balance has been restated

## Balance Sheet

	Note	1 April 2018 £'000	31 March 2019 £'000	31 March 2020 £'000
<b>Long-term Assets</b>				
Property, Plant & Equipment*	27	1,037,588	1,183,999	1,299,852
Investment Property	29	75,782	80,575	82,361
Heritage Assets	35	9,103	9,104	9,130
Intangible Assets	30	558	309	251
Long-term Debtors	22	2,183	160	2,537
<b>Total Long Term Assets</b>		<b>1,125,214</b>	<b>1,274,147</b>	<b>1,394,131</b>
<b>Current Assets</b>				
Short-term Investments	36	70,097	79,680	51,688
Assets Held for Sale	31	2,853	372	0
Inventories		207	234	109
Short-term Debtors	23	14,567	16,187	19,712
Cash and Cash Equivalents	36	23,720	13,622	18,494
<b>Total Current Assets</b>		<b>111,444</b>	<b>110,095</b>	<b>90,002</b>
<b>Current Liabilities</b>				
Short-term Creditors	21	(24,986)	(25,540)	(26,939)
Short-term Borrowing	36	(3,220)	(4,719)	(5,065)
Revenue Grants and Contributions	19	(444)	(788)	(1,571)
Capital Grants and Contributions	19	(368)	(503)	0
Short-term Provisions	25	(4,777)	(5,231)	(5,806)
<b>Total Current Liabilities</b>		<b>(33,795)</b>	<b>(36,781)</b>	<b>(39,381)</b>
<b>Long-term Liabilities</b>				
Long-term Creditors*	20	(2,380)	(259)	(259)
Long-term Borrowing	36	(362,383)	(358,441)	(353,502)
Net Pension Liability	38	(69,059)	(80,258)	(54,726)
<b>Total Long-term Liabilities</b>		<b>(433,822)</b>	<b>(438,958)</b>	<b>(408,487)</b>
<b>Net Assets (Assets Less Liabilities)</b>		<b>769,041</b>	<b>908,503</b>	<b>1,036,265</b>
<b>Usable Reserves</b>				
General Fund	12	2,502	2,502	2,502
Earmarked Reserves – General Fund	13	9,650	13,453	16,194
Housing Revenue Account (HRA)	12	2,892	2,892	2,892
Earmarked Reserves – HRA	13	18,100	18,146	5,739
Major Repairs Reserve	12	2,153	627	12
Capital Grants Unapplied Account	12	2,084	5,670	12,440
Capital Receipts Reserve*	12	30,256	25,334	15,410
<b>Total Usable Reserves</b>		<b>67,637</b>	<b>68,624</b>	<b>55,188</b>
<b>Unusable Reserves</b>				
Revaluation Reserve*	32	313,819	468,076	567,919
Capital Adjustment Account*	33	456,524	453,614	470,064
Deferred Capital Receipts		0	0	0
Collection Fund Adjustment Account		259	(1,427)	(1,994)
Pension Reserve	38	(69,059)	(80,258)	(54,726)
Accumulated Absences Account		(139)	(126)	(186)
<b>Total Unusable Reserves</b>		<b>701,404</b>	<b>839,879</b>	<b>981,077</b>
<b>Total Reserves</b>		<b>769,041</b>	<b>908,503</b>	<b>1,036,265</b>

\*restated from 1st April 2018

## Cashflow Statement

	2019/20	2018/19
	£'000	£'000
<b>Net Surplus/(Deficit) on Provision of Services</b>	<b>(10,771)</b>	<b>(14,805)</b>
<b>Operating Activities</b>		
<b>Adjustments to surplus/deficit for non cash movements</b>		
Depreciation & Impairment & Valuations to the CIES for Property	39,375	43,280
Amortisation of Intangible Assets	122	125
Disposal of Assets	5,078	5,742
Changes in Inventory	125	(27)
Changes in Debtors	(6,891)	(41)
Changes in Creditors	(1,617)	2,242
Changes in Net Pension Liability	4,997	4,351
Other non-cash Movements	(3,057)	(4,389)
	38,132	51,284
<b>Adjustment for items included in the net surplus or deficit on the provision of services that are investing &amp; financing activities</b>		
Proceeds from short-term investments	0	(550)
Proceeds from the sale of non-current assets	(10,124)	(13,014)
Any other items for which the cash effects are investing or financing cash flows	(9,480)	(6,377)
	(19,604)	(19,941)
<b>Net Cash Flows from Operating Activities</b>	<b>7,757</b>	<b>16,537</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of Property, Plant & Equipment, Investment Property and Intangibles	(49,408)	(31,050)
Net Changes in Short-term and Long-term Investments	28,000	(8,950)
Other payments for investing activities	(108)	(100)
Proceeds from the Disposal of Property, Plant and Equipment	10,197	12,860
Other receipts from investing activities	8,977	4,568
<b>Net Cash Flows from Investing Activities</b>	<b>(2,342)</b>	<b>(22,673)</b>
<b>Cash Flows from Financing Activities</b>		
Repayments of borrowing	(4,306)	(2,440)
Other payments for financing activities	3,763	(1,523)
<b>Net Cash Flows from Financing Activities</b>	<b>(542)</b>	<b>(3,963)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>4,872</b>	<b>(10,098)</b>
<b>Cash and Cash Equivalents at the Beginning of the Period</b>	<b>13,622</b>	<b>23,720</b>
<b>Cash and Cash Equivalents at the End of the Period</b>	<b>18,494</b>	<b>13,622</b>
The cash flows for operating activities include the following items:		
Interest Receivable and Similar Income	836	685
Interest Payable and Other Similar Charges	(12,434)	(12,192)

## 1. Accounting Policies

### Summary of Significant Accounting Policies

Principal accounting policies applied in preparing the Statement of Accounts (the Accounts) are below.

#### Basis of Preparation

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting 2019/20 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). In preparing the Accounts, conforming to the Code requires the use of certain critical accounting estimates and management to exercise judgement in applying the accounting policies.

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

#### Going Concern

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

#### Accruals of Income and Expenditure

Activity is accounted for in the year it takes place, not 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 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 economic benefits or service potential associated with the transaction will flow to the Council.
- Expenses in relation to services received (including those provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and consumed, they are carried as inventories on the Balance Sheet.
- Long-term contracts are accounted for by charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

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

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.

### **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. Changes are applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

### **Council Tax and Non-Domestic Rates (NDR)**

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

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of year-end balances in respect of council tax and NDR for arrears, impairment allowances for doubtful debts, overpayments, prepayments and appeals.

### **Community Infrastructure Levy (CIL)**

The Council has elected to charge and collect the planning charge CIL. The levy is charged on new builds (chargeable developments for the authority) with appropriate planning consent and used to fund capital infrastructure projects that support the development of the area. A small proportion of CIL charges may be used to fund revenue expenditure.

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

### **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 grant or contribution 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 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-ring fenced 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 Account. Once they have been applied to fund capital expenditure amounts in the Capital Grants Unapplied are transferred to the Capital Adjustment Account.

### **Overheads and Support Services**

Overheads and support services are charged to the Housing Revenue Account in proportion to benefits/services received. The Comprehensive Income and Expenditure is shown before recharges.

### **Charges to Revenue for Non-Current Assets**

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

- depreciation and amortisation 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;

### **Fair Value**

The Council values some of its non-financial assets such as surplus assets and investment properties at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When applying the definition of fair value, non-financial assets shall be measured at highest and best use.

The Council uses valuation techniques appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities measured or disclosed at fair value are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities the Council can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.

### **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 expected to be used for more than one financial year are classified as Property, Plant and Equipment.

Initial and Subsequent expenditure on Property, Plant and Equipment is capitalised on at cost on an accruals basis when it will bring future economic benefits or service potential to the Council for more than one reporting period and the costs can be reliably measured, subject to a de-minimis capitalisation threshold of £10,000 per scheme. Items below this limit are charged to revenue. The Council does not capitalise borrowing costs incurred whilst assets are under construction. The carrying amount of any replaced part is derecognised. All other repairs and maintenance are charged to the Comprehensive Income and Expenditure Statement during the financial period they are incurred.

Land and buildings are subsequently measured at current value. Current value is determined as the amount that would be paid for the asset in its existing use. Where an asset is specialised and/or rarely sold current value is estimated using a depreciated replacement cost.

Council dwellings are subsequently measured at current value, determined using the Existing Use Value for Social Housing (EUV-SH).

For surplus assets, the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.

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 current value as the assets have short useful lives and/or low values.

Assets included in the Balance Sheet at fair value are revalued with sufficient regularity to ensure their carrying amount is not materially different from their current 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 it reverses a revaluation decrease of the same asset previously charged to the service. Any remaining increase is credited directly to the 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 to the Revaluation Reserve to the extent of any credit balance existing for that asset. Any remaining decrease is recognised in the relevant service lines in the Comprehensive Income and Expenditure Statement.

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

### Impairment

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

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

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

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

### Depreciation

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

Buildings/Council Dwellings	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
Vehicles, Plant and Equipment	Remaining lease period, or remaining life 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 and depreciated over its individual useful life.

No depreciation is charged on land or assets under construction.

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

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 Reserve 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. Where valuations are undertaken, they are reviewed sufficiently regularly to ensure their carrying amount is not materially different from their valuation at the year-end, but as a minimum every five years.

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.

The groups of Heritage Assets along with the measurement basis are:

Land

The Council holds three areas of land forming part of the Borough's history. Within this land various sculptures and 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.

Civic Regalia/Treasuries

The Council holds various items of Regalia and Treasuries; many are on display at The Forum, Hemel Hempstead. These include the Mayoral Chain, Badges, Silver Mace and the Charters. These items are reported in the Balance Sheet at insurance valuation, which is based on market values.

Sculptures/Statues/Artwork

The Council holds numerous sculptures and pieces of artwork throughout the Borough. Those 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

The majority of other Heritage Assets are held and managed by the Dacorum Heritage Trust (DHT), and are available for public viewing on request. These assets are held on the Balance Sheet at insurance valuation. The 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.

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

### **Revenue Expenditure Funded From Capital Under Statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provisions but 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 there is no impact on Council Tax.

### **Lease Classification**

Leases are classified as either finance leases or operating leases based on the substance of the arrangement.

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 it arises.

#### Finance Leases (Council as Lessee)

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

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 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 a non-current asset, the leased asset remains 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 the Investment Properties line in the Comprehensive Income and Expenditure Statement. Contingent rent is recognised in the period it arises.

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

### Finance Leases (Council as Lessor)

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

Lease rentals receivable are apportioned between:

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

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

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

### **Investment Property**

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

Investment Property is measured initially at cost and subsequently at fair value (highest and best use).

Gains and losses on revaluations and disposals and rental income are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Investment Properties are not depreciated but 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.

### **Non-current Assets Held for Sale**

Assets are reclassified as Asset Held for Sale if its carrying amounting will be recovered principally through a sale transaction rather than continued use and 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 at a price reasonable to its current fair value.
- 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. Any subsequent decrease (loss) in fair value less costs to sell, 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.

### **Disposals**

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of housing disposals receipts may be payable to Government. The balance of receipts is credited to the Capital Receipts Reserve, and can 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. Intangible assets are held at amortised historical cost.

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.

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.

### **Minimum Revenue Provision**

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

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

### **Inventory**

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

### **Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments maturing in no more than three months or less from acquisition date and 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.

### **Leave Accrual**

The accrual represents leave earned at year end that can be utilised in the next financial year. The leave accrual is measured as the amount of the benefit earned by Council employees. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement to the Accumulated Absences Account so leave benefits are charged in the financial year the leave absence occurs.

### **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 pension enhancements, 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 amounts payable but unpaid at 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), 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 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 Finance and Resources line in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement
    - 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) arising 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 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 benefits are earned by employees.

The Council 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 charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year 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.

### **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 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.

### **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 into the General Fund or Housing Revenue Account Balance in the Movement in Reserves Statement so there is no net charge against council tax or housing rent for the expenditure.

Certain reserves are kept to manage 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.

### **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, 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.

#### Financial Assets measured at amortised cost

The Council's business model is to hold investments to collect contractual cash flows. The Council's financial assets are therefore classified as amortised cost.

Financial Assets measured at amortised cost (including loans and receivables) are initially measured at fair value and then subsequently at amortised cost using the effective interest rate method. Interest receivable is calculated by multiplying the carrying amount of the asset by the effective rate of interest for the financial asset and this is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. For most financial assets held by the council, the amount included in the balance sheet is the outstanding principal receivable plus accrued interest.

## Expected Credit Loss Model

The council recognises expected credit losses on all its financial assets held at amortised cost on either a 12 month or lifetime basis.

Impairment losses are calculated to reflect the expectation that future cash flows might not take place because the borrower could default on their obligations. Credit risk is crucial in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on 12-month expected losses basis.

## 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. Outstanding principal repayable (plus accrued interest) is included in Short-term Liabilities in the Balance Sheet except for the amounts payable more than twelve months after the end of the reporting period, which are classified as Long-term Liabilities.

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

## **Value Added Tax (VAT)**

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

## **Events after the Balance Sheet Date**

Events after the Balance Sheet date are events, both favourable and unfavourable, that occur between the end of the reporting period and the date the Accounts are authorised for issue. There are two types:

- those providing evidence of conditions that existed at the end of the reporting period – the Accounts are adjusted to reflect such events; and
- those indicative of conditions that arose after the reporting period – the Accounts are not adjusted to reflect such events, but where this 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 Accounts.

## **2. Prior Period Adjustment**

The Council discovered a technical issue with the financial treatment of Leases in 2010/11. This meant the Capital Adjustment Account was understated by £3.554m and Long Term creditors overstated by £3.554m.

The Council is required to adjust for the accounting treatment of a capital loan repayment in 2017/18. This understated Usable Capital Receipts by £1m and overstated the Capital Adjustment Account by £1m.

During 2019/20, an overstatement on a piece of land was recognised and required revaluation in the accounts. This overstated Property, Plant and Equipment by £1.930m and corresponding corrections were required to the Revaluation Reserve (£0.476m) and Capital Adjustment Account (£1.454m).

An asset should have been revalued following significant capital expenditure in 2017/18. A downwards adjustment is required to Property, Plant and Equipment of £1.702m and a corresponding entry to the

## Notes to the Accounts

Capital Adjustment Account of £1.702m. Corrections were also required to the classification of this asset within Property, Plant and Equipment. See note 27.

Effect on the Balance Sheet

	Originally Stated 1st April 2018 £'000	Restated 1st April 2018 £'000	Amount of Restatement £'000
Property, Plant and Equipment	1,041,220	1,037,588	(3,632)
Long Term Creditor	(5,934)	(2,380)	3,554
Capital Receipts Reserve	(29,256)	(30,256)	(1,000)
Revaluation Reserve	(314,295)	(313,819)	476
Capital Adjustment Account	(457,126)	(456,524)	602
	<b>234,609</b>	<b>234,609</b>	<b>(0)</b>

### 3. Accounting standards issued but not yet adopted

The Code requires the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code to be disclosed. The following have been issued but not yet to be adopted by the Code, and therefore the Council, at the Balance Sheet date:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associate and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.
- Implementation of IFRS 16: Leases- effective date of 1 April 2021. This removes the distinction between finance and operating lease for the lessee and the lessee recognises right of use assets and lease liabilities on their balance sheet.

These changes are not expected to have a material effect on the Council's 2020/21 accounts.

### 4. Critical judgements in applying Accounting Policies

In applying the accounting policies in Note 1, the Council has made certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made are:

#### Frequency of asset Valuations

The Council has made a judgement that revaluation of its balance sheet assets every 5 years is sufficiently regular. High value PPE assets are valued yearly and Council Dwellings are also valued at least once a year. The remaining assets not being valued yearly are not material.

#### Capital de Minimis Levels

The Council has made a judgement regarding materiality in setting a capital de Minimis of £10k.

### 5. 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 at the Balance Sheet date and the amounts reported for revenues and expenses during the year. The nature of estimation means 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 are:

### Valuation of Property, Plant and Equipment

Council dwellings and Other Land and Buildings are disclosed at current value, based on professional valuations carried out in accordance with the Royal Institution of Chartered Surveyors Red Book. Investment Properties are valued at fair value.

The value of Council dwellings fluctuates with changes in the current market value of residential properties. A 5% change in property prices would affect the carrying value of the council dwellings by £55.1m in the Balance Sheet and change the annual depreciation charge by £0.92m in the Comprehensive Income and Expenditure Statement.

A 5% change in value of Council assets categorised as Other Land and Buildings would affect the carrying value of these assets by £6.9m. A 5% change in value of Council assets categorised as Investment properties would affect the carrying value of these assets by £4.1m.

### 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. 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 those that may be speculative claims. The carrying amount of the Provision is £14.38m, of which the Councils share is £5.03m. An increase in the success rate by 5% would change the required provision by £0.72m, affecting the surplus/deficit on the Collection Fund distributed to the preceptors and Central Government.

### Measurement of Pension Liability

The present value of the pension liability depends on a number of factors determined on an actuarial basis and the value of the underlying assets. The estimated effects of changes in key individual assumptions would increase the Council's pension liability at 31 March 2020 as follows:

	<b>£m</b>
0.5% decrease in the real discount rate	24.2
0.5% increase in salary increase rate	2.0
0.5% increase in the pension increase rate	22.0
	<b>48.2</b>

The table presents the changes in isolation; however the assumptions interact in complex ways. See note 38 for information on the pension liability.

### COVID-19

The full impact of COVID-19 is currently unknown. Valuations of Property and Pensions may be affected by COVID-19, see sensitive analysis above. Property Valuations are therefore subject to a material valuation uncertainty clause. COVID-19 may also lead to additional bad debt write-offs and this was considered in calculating the bad debt provision, however the full impact is currently difficult to predict.

## **6. Events After the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Corporate Director (Finance and Operations) on xxxx. Events taking place after this date are not reflected in the financial statements or notes. No events have taken place, which provided information about conditions existing at 31 March 2020.

## 7. Expenditure and Funding Analysis and note to the Expenditure and Funding Analysis- adjustments between funding and accounting basis

## Expenditure and Funding Analysis

	2019/20			2018/19		
	Net Expenditure Chargeable to the General Fund & HRA Balances	Adjustments Between the Funding & Accounting Basis (Note 7)	Net Expenditure in the Comprehensive Income & Expenditure Statement	Net Expenditure Chargeable to the General Fund & HRA Balances	Adjustments Between the Funding & Accounting Basis (Note 7)	Net Expenditure in the Comprehensive Income & Expenditure Statement
	£'000	£'000	£'000	£'000	£'000	£'000
Finance and Resources (GRF)	11,847	3,583	15,431	12,095	7,566	19,661
Housing and Community (GRF)	912	7,301	8,213	716	6,371	7,087
Strategic Planning & Environment (GRF)	10,231	3,742	13,973	8,353	3,134	11,488
Housing and Community (HRA)	(20,598)	20,158	(439)	(22,093)	24,013	1,920
<b>Net Cost of Services</b>	<b>2,393</b>	<b>34,785</b>	<b>37,178</b>	<b>(930)</b>	<b>41,085</b>	<b>40,156</b>
Other Income and Expenditure	7,275	(33,682)	(26,407)	(2,918)	(22,432)	(25,350)
<b>(Surplus)/Deficit on Provision of Services</b>	<b>9,668</b>	<b>1,103</b>	<b>10,771</b>	<b>(3,848)</b>	<b>18,653</b>	<b>14,805</b>

	2019/20	2018/19
<b>Opening Balance on General Fund, Earmarked Reserves and HRA Balance</b>	<b>(36,992)</b>	<b>(33,144)</b>
Less Surplus/Deficit on Provision of Services on Provision of Services	9,668	(3,848)
<b>Closing Balance on General Fund, Earmarked Reserves and HRA Balance</b>	<b>(27,324)</b>	<b>(36,992)</b>

### Note to the Expenditure and Funding Analysis- adjustments between funding and accounting basis

This note reconciles the main adjustments to Net Expenditure Chargeable to the General Fund and HRA Balances shown in the Expenditure and Funding Analysis, to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The Movement in Reserves Statement explains the relevant transfers between reserves.

**Adjustments for Capital Purposes** – this column adds in depreciation, impairment and revaluation gains and losses in the services line and disposals, capital grants, revenue contributions and minimum revenue provision to the other income and expenditure line.

**Net Change for Pensions Adjustments-** For services this represents the removal of the employer pension contributions as allowed by statute and the replacement with current service costs and past service costs. For other income and expenditure, this adjusts for the net interest.

**Other Adjustments-** includes accumulated absence and the difference between what is income recognised under statute for council tax and NNDR and the income recognised under generally accepted accounting practices.

	Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Adjustments	Total Adjustments Between Funding & Accounting Basis
<b>2019/20</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Finance and Resources (GRF)	3,617	(52)	19	3,583
Housing and Community (GRF)	6,640	656	5	7,301
Strategic Planning & Environment (GRF)	1,939	1,789	14	3,742
Housing and Community (HRA)	19,499	638	21	20,158
<b>Net Cost of Services</b>	<b>31,694</b>	<b>3,031</b>	<b>60</b>	<b>34,785</b>
Other Income and Expenditure	(37,774)	1,966	2,126	(33,682)
<b>(Surplus)/Deficit on Provision of Services</b>	<b>(6,080)</b>	<b>4,997</b>	<b>2,186</b>	<b>1,103</b>

	Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Adjustments	Total Adjustments Between Funding & Accounting Basis
<b>2018/19</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Finance and Resources (GRF)	7,391	186	(11)	7,566
Housing and Community (GRF)	5,847	524	(0)	6,371
Strategic Planning & Environment (GRF)	1,810	1,325	(0)	3,134
Housing and Community (HRA)	23,530	489	(6)	24,013
<b>Net Cost of Services</b>	<b>38,578</b>	<b>2,524</b>	<b>(17)</b>	<b>41,085</b>
Other Income and Expenditure	(25,944)	1,827	1,685	(22,432)
<b>(Surplus)/Deficit on Provision of Services</b>	<b>12,635</b>	<b>4,351</b>	<b>1,668</b>	<b>18,653</b>

## 8. Expenditure and Income Analysed by Nature

The authority's expenditure and income is analysed as follows:

	2019/20 £'000	2018/19 £'000
<b>Expenditure</b>		
Employees (including pension adjustments)	36,900	34,548
Premises	14,724	14,294
Transport	1,660	1,705
Supplies & Services	13,300	12,923
Third Party & Transfer Payments	41,659	47,727
Capital Charges/Revaluations	42,368	46,874
Parish Precepts	816	778
Interest Payments	12,145	12,188
Non Current assets written off as part of disposal gain	5,078	5,742
Payments to the Housing Receipts Pool	1,559	1,559
<b>Total Expenditure</b>	<b>170,209</b>	<b>178,339</b>
<b>Income</b>		
Fees, Charges and Other Service Income	(77,652)	(76,851)
Interest & Investment Income	(839)	(768)
Income from Council Tax	(12,476)	(11,937)
Income from Business Rates	(3,802)	(2,448)
Government Grants & Other Contributions	(54,545)	(58,515)
Sale proceeds on asset disposal and lease amortisation	(10,124)	(13,014)
<b>Total Income</b>	<b>(159,438)</b>	<b>(163,534)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>10,771</b>	<b>14,805</b>

## 9. Other Operating Expenditure

	2019/20 £'000	2018/19 £'000
Parish Council Precepts	816	778
Payments to the Government Housing Capital Receipts Pool	1,559	1,559
(Gains)/Losses on the Disposal of Non Current Assets	(4,783)	(7,336)
<b>Total</b>	<b>(2,408)</b>	<b>(4,999)</b>

10. Financing and Investment Income & Expenditure

	2019/20	2018/19
	£'000	£'000
Interest Payable and Other Similar Charges	12,145	12,188
Interest Receivable and Similar Income	(839)	(768)
Net Interest on the Net Defined Benefit Liability/Asset	1,966	1,829
Rental Income from Investment Property	(5,049)	(4,843)
Direct Operating Expenses Arising from Investment Property	836	794
Investment Property Disposals	(263)	64
Changes In Fair Value of Investment Property	(3,634)	(4,842)
<b>Total</b>	<b>5,163</b>	<b>4,422</b>

11. Taxation and Non-Specific Grant Income

	2019/20	2018/19
	£'000	£'000
Council Tax Income	(12,466)	(11,937)
Non Domestic Rates Income & Expenditure	(2,863)	(2,448)
Non-ring-fenced Government Grants	(4,353)	(4,010)
Capital Grants and Contributions	(9,480)	(6,378)
<b>Total</b>	<b>(29,162)</b>	<b>(24,773)</b>

12. Usable Reserves

This note details adjustments made to the Comprehensive Income and Expenditure in accordance with proper accounting practice.

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

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.

The **Major Repairs Reserve** is limited to being used on capital expenditure on HRA assets or the financing of historical HRA capital expenditure. The balance is capital resources yet to be applied.

The **Useable Capital Receipts Reserve** holds the proceeds from land or building disposals 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 shows the resources yet to be applied.

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 current balance relates to unspent Community Infrastructure Levy.

## Notes to the Accounts

2019/20	General Fund Balance	Major Repairs Reserve	Housing Revenue Account	Capital Grants Unapplied	Capital Receipts Reserve	Movement in usable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments involving the Capital Adjustment Account</b>						
<u>Reversal of Items debited or credited to the Comprehensive Income &amp; Expenditure Statement (CIES):</u>						
Capital grants and contributions	(2,671)	0	(4)	0	0	(2,675)
Amortisation of Intangible Assets	121	0	0	0	0	121
Non Current Asset Depreciation & revaluation	5,573	0	1,657	0	0	7,230
HRA impairment reversal	0	0	17,841	0	0	17,841
Movements Investment Property fair value	(3,633)	0	0	0	0	(3,633)
Non-current assets written off as part of disposal gain	781	0	4,297	0	0	5,078
<u>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement (CIES):</u>						
Minimum Revenue Provision/HRA debt repayment	(237)	0	(3,586)	0	0	(3,822)
Revenue Expenditure Funded From Capital Under Statute	6,506	0	0	0	0	6,506
Capital expenditure charged to General Fund or HRA	(150)	0	(3,814)	0	0	(3,964)
Capital expenditure funded by Reserves	(1,758)	0	(13,660)	0	0	(15,418)
<b>Adjustments involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited to CIES as part of the gain/loss on disposal	(963)	0	(9,161)	0	10,124	0
Repayment of Capital Loans					10	10
Use of Capital Receipts to finance capital expenditure	0	0	0	0	(18,499)	(18,499)
Housing Capital Receipts Pooling Payment	1,559	0	0	0	(1,559)	0
<b>Adjustments involving the Major Repairs Reserve:</b>						
HRA Depreciation	0	14,303	0	0	0	14,303
Loan Repayment Funded by the MRR	0	(3,586)	3,586	0	0	0
Use of MRR to Finance Capital Expenditure	0	(11,332)	0	0	0	(11,332)
<b>Adjustments involving the Capital Grant Unapplied Account</b>						
Capital Grants and Contributions unapplied credited to the CIES	(6,805)	0	0	6,805	0	0
Capital Grants applied	0	0	0	(36)	0	(36)
<b>Adjustments involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the CIES	8,409	0	2,244	0	0	10,653
Employer's pension contributions to pension fund payable in the year	(4,465)	0	(1,191)	0	0	(5,656)
<b>Adjustments involving the Collection Fund Adjustment Account:</b>						
Amount council tax & business rates credited to the CIES differs from that calculated under statutory requirements	567	0	0	0	0	567
<b>Adjustments involving the Accumulated Absences Reserve:</b>						
Absences Accrual transferred to the Accumulated Absences Account	38	0	21	0	0	60
<b>Adjustments Between Accounting Basis &amp; Funding Basis Under Regulations</b>	<b>2,873</b>	<b>(615)</b>	<b>(1,769)</b>	<b>6,769</b>	<b>(9,924)</b>	<b>(2,665)</b>

## Notes to the Accounts

2018/19	General Fund Balance	Major Repairs Reserve	Housing Revenue Account	Capital Grants Unapplied	Capital Receipts Reserve	Movement in usable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments involving the Capital Adjustment Account</b>						
<u>Reversal of Items debited or credited to the Comprehensive Income &amp; Expenditure Statement (CIES):</u>						
Capital grants and contributions	(1,258)	0	(1,534)	0	0	(2,792)
Amortisation of Intangible Assets	125	0		0	0	125
Non Current Asset Depreciation & revaluation	6,692	0	8,312	0	0	15,004
HRA impairment reversal		0	15,215	0	0	15,215
Movements Investment Property fair value	(4,842)	0		0	0	(4,842)
Non-current assets written off as part of disposal gain	2,967	0	2,775	0	0	5,742
<u>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement (CIES):</u>						
Minimum Revenue Provision/HRA debt repayment	(237)	0	(2,636)	0	0	(2,872)
Revenue Expenditure Funded From Capital Under Statute	8,231	0	0	0	0	8,231
Capital expenditure charged to General Fund or HRA	(2,110)	0	(6,663)	0	0	(8,774)
<b>Adjustments involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited to CIES as part of the gain/loss on disposal	(6,522)	0	(6,492)	0	13,014	(0)
Use of Capital Receipts to finance capital expenditure	0	0	0	0	(16,377)	(16,377)
Payments to Government Capital Receipts Pool	1,559	0	0	0	(1,559)	0
<b>Adjustments involving the Major Repairs Reserve:</b>						
HRA Depreciation	0	13,140	0	0	0	13,140
Loan Repayment Funded by the MRR	0	(2,636)	2,636	0	0	0
Use of the MRR to Finance Capital Expenditure	0	(12,030)	0	0	0	(12,030)
<b>Adjustments involving the Capital Grant Unapplied Account</b>						
Capital Grants and Contributions unapplied credited to the CIES	(3,586)	0	0	3,586	0	0
<b>Adjustments involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the CIES	7,868	0	1,889	0	0	9,757
Employer's pension contributions to pension fund payable in the year	(4,359)	0	(1,047)	0	0	(5,406)
<b>Adjustments involving the Collection Fund Adjustment Account:</b>						
Amount council tax & business rates credited to the CIES differs from that calculated under statutory requirements	1,687	0	0	0	0	1,687
<b>Adjustments involving the Accumulated Absences Reserve:</b>						
Absences Accrual transferred to the Accumulated Absences Account	(11)	0	(6)	0	0	(17)
<b>Adjustments Between Accounting Basis &amp; Funding Basis Under Regulations</b>	<b>6,205</b>	<b>(1,526)</b>	<b>12,450</b>	<b>3,586</b>	<b>(4,922)</b>	<b>15,792</b>

### 13. Earmarked Reserves

These are the resources the Council voluntarily earmarks for future spending plans.

	Balance 31/03/18	Transfers Out 2018/19	Transfers in 2018/19	Balance 31/03/19	Transfers Out 2019/20	Transfers in 2019/20	Balance 31/03/20
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>General Fund Reserves:</b>							
Management of Change	1,426	(1,154)	842	1,114	(341)	350	1,123
Local Development Framework	66	(22)	375	419	(203)	400	616
Vehicle Replacement	1,050	0	350	1,400	(1,750)	350	0
Funding Equalisation	2,480	0	2,817	5,297	0	1,000	6,296
Capital Development	465	(165)	0	300	0	0	300
Uninsured Loss	586	0	86	672	(252)	0	420
Litigation Reserve	201	(86)	0	115	(170)	372	317
Pensions Reserve	1,773	0	200	1,973	0	200	2,173
Dacorum Development	164	(128)	0	36	(72)	3,235	3,199
Savings Efficiency	0	0	604	604	(60)	377	921
Technology Reserve	56	0	200	256	0	0	256
Other Under £250k	1,383	(198)	83	1,268	(935)	240	574
<b>Total General Fund Reserves</b>	<b>9,650</b>	<b>(1,753)</b>	<b>5,556</b>	<b>13,453</b>	<b>(3,783)</b>	<b>6,524</b>	<b>16,194</b>
<b>Housing Revenue Account Reserves:</b>							
Strategic Acquisition	17,701	0	0	17,701	(13,660)	0	4,041
Revenue Commitments	0	0	0	0	0	1,225	1,225
Other HRA (Under £300k)	399	0	46	445	0	28	473
<b>Total HRA Reserves</b>	<b>18,100</b>	<b>0</b>	<b>46</b>	<b>18,146</b>	<b>(13,660)</b>	<b>1,252</b>	<b>5,739</b>
<b>Total Earmarked Reserves</b>	<b>27,750</b>	<b>(1,753)</b>	<b>5,602</b>	<b>31,599</b>	<b>(17,443)</b>	<b>7,776</b>	<b>21,933</b>

### 14. Members' Allowances

The following amounts were due to Members:

	2019/20 £'000	2018/19 £'000
<b>Salaries</b> (Basic & Special allowances)	416	402
<b>Allowances</b> (Broadband)	2	2
<b>Expenses</b> (Travel & Subsistence)	2	1
<b>Total</b>	<b>420</b>	<b>405</b>

15. Remuneration of Employees

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

Total Remuneration	2019/20	2018/19
£50,000 - £54,999	12	9
£55,000 - £59,999	2	3
£60,000 - £64,999	4	4
£65,000 - £69,999	9	6
£70,000 - £74,999	4	1
£75,000 - £79,999	1	0
<b>Total</b>	<b>32</b>	<b>23</b>

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

	Salary (Including Fees & Allowances)	Benefits in Kind (e.g. Lease Car)	Total Remuneration Excluding Pension Contributions	Pension Contributions	Total
2019/20	£	£	£	£	£
Chief Executive	142,723	0	<b>142,723</b>	25,516	<b>168,239</b>
Corporate Director (Finance & Operations)	108,897	0	<b>108,897</b>	19,297	<b>128,194</b>
Corporate Director (Housing & Regeneration)	108,897	0	<b>108,897</b>	19,295	<b>128,192</b>
Assistant Director (Planning, Development & Regeneration)	80,273	6,173	<b>86,446</b>	14,850	<b>101,296</b>
Assistant Director (Performance & People & Innovation)	84,023	0	<b>84,023</b>	14,864	<b>98,887</b>
Assistant Director (Finance & Resources)	84,023	0	<b>84,023</b>	14,850	<b>98,874</b>
Assistant Director (Neighbourhood Delivery)	81,574	0	<b>81,574</b>	15,236	<b>96,809</b>
Assistant Director (Housing)	79,442	0	<b>79,442</b>	14,016	<b>93,458</b>
Assistant Director (Corporate & Contracted Services)	76,536	0	<b>76,536</b>	13,465	<b>90,002</b>

## Notes to the Accounts

<b>2018/19</b>	<b>Salary including Fees &amp; Allowances</b>	<b>Benefits in Kind (Lease Car)</b>	<b>Total Excluding Pension Contribution</b>	<b>Pension Contribution</b>	<b>Total</b>
	£	£	£	£	£
Chief Executive	141,320	0	<b>141,320</b>	25,016	<b>166,336</b>
Corporate Director (Finance & Operations)	106,852	0	<b>106,852</b>	18,919	<b>125,771</b>
Corporate Director (Housing & Regeneration)	106,065	0	<b>106,065</b>	18,919	<b>124,984</b>
Assistant Director (Planning, Development & Regeneration)	78,699	5,484	<b>84,183</b>	14,562	<b>98,745</b>
Assistant Director (Neighbourhood Delivery)	82,449	0	<b>82,449</b>	14,561	<b>97,010</b>
Assistant Director (Finance & Resources)	82,449	0	<b>82,449</b>	14,560	<b>97,010</b>
Assistant Director (Corporate & Contracted Services)/ Solicitor to the Council (1)	73,280	0	<b>73,280</b>	12,863	<b>86,143</b>
Assistant Director (Housing) from 23rd April 18	70,386	0	<b>70,386</b>	12,370	<b>82,756</b>
Assistant Director (Performance & People & Innovation) from 2nd July 18	61,615	0	<b>61,615</b>	10,884	<b>72,499</b>
Assistant Director (Performance & Projects) until 25th May 2018	11,736	0	<b>11,736</b>	2,256	<b>13,992</b>
Assistant Director (Housing Landlord) until 22nd April 2018	8,016	0	<b>8,016</b>	872	<b>8,889</b>

1) The Assistant Director (Corporate and Contracted Services) was a new post from the 1st September 2018. The Officer was previously the Solicitor to the Council (Monitoring Officer).

The number of exit packages are in the table below.

<b>Exit Package Cost Band (including special payments)</b>	<b>Number of Redundancies</b>		<b>Number of Other Departures Agreed</b>		<b>Total number of Exit Packages by Cost Band</b>		<b>Total Cost of Exit Packages in Each Band £'000</b>	
	19/20	18/19	19/20	18/19	19/20	18/19	19/20	18/19
£0 - £20,000	1	4	0	1	1	5	2	20
£20,001 - £40,000	1	2	0	0	1	2	39	50
£40,001 - £60,000	0	1	0	0	0	1	0	47
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	1	0	0	0	1	0	82
<b>Total</b>	<b>2</b>	<b>8</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>9</b>	<b>42</b>	<b>199</b>

## 16. 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 the Council might have been constrained in its ability to operate independently or limit another party's ability to bargain freely with the Council.

### 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. The total Member allowances paid in 2019/20 is shown in note 14. Disclosures of interest have been made in respect of the following organisations to which payments were made or from which payments were received (excluding major and local precepting authorities). Where grants were given, they were made with proper consideration of the declaration of interests and the relevant Members did not take part in any discussion or decision relating to the grants. The Register of Members' Interests shows both potential financial and other interests, including involvement with voluntary organisations, public authorities and various other bodies. It is available on the Council's website.

Transactions in 2019/20 are disclosed below. There were no balances over £1k owed to the Council on invoices past their due date at the 31<sup>st</sup> March 2020. Transactions with community and voluntary groups of less than £3k have been excluded. Further details of these transactions can be provided on request.

Organisation	Name	Expenditure 2019/20	Income 2019/20	Amount owed by the Council 31/03/2020	Nature of Transaction
		£'000	£'000	£'000	
Jarvis Group Ltd	Fiona Jump (Group Manager Financial Services)	4,653	(0.1)	712	Construction
Community Action Dacorum	Cllr John Birnie	148	(0.1)	6	Grants
Dacorum Heritage Trust	Cllr Suqlain Mahmood	61	0	0	Grants
West Herts Crematorium	Cllr Terry Douris	0	(50)	0	Contribution
DP Taylor	Chris Taylor (Group Manager Strategic Planning & Regeneration)	14	0	0	Maintenance
The Chilterns Conservation Board	Cllr Phil McDowell	8	0	0	Grants
Chaulden Neighbourhood Association	Cllr Fiona Guest & Cllr Terry Douris	7	(0.1)	0	Grants & Hall Hire
Stage Two Ltd	Cllr Terry Douris	0.7	(1)	0	Equipment Hire and Garage Rent
Sutton Envelopes	Cllr Rosie Sutton & Cllr Graham Sutton	0	(9)	0	Rent

In addition, Cllr Graeme Elliot and his wife and Cllr Sammy Barry own leasehold properties, which incur service charge, maintenance and ground rent expenditure with the Council. Cllr Graham Sutton and Cllr Gbola Adeleke rent a garage from the Council. Cllr Rob Beauchamp rents a Caravan pitch at Woodwells.

### Herts Building Control

In December 2019, the Council joined Herts Building Control. Herts Building Control is a fully integrated building control service owned by 8 local authorities, each owning a 12.5% share of the business and having representation on the board. The Corporate Director of Housing and Regeneration acts as a Director of Herts Building Control on behalf of the Council. During 19/20, there was expenditure of £155k and a loan was provided of £107k, which is included within long term debtors. At the 31<sup>st</sup> March 2020 the Council owed Herts Building Control £67k.

### 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 18 and 19.

### 17. External Audit Costs

The Council has incurred the following costs for the audit of the Statement of Accounts and certification of grant claims by the external auditors Grant Thornton.

	2019/20 £'000	2018/19 £'000
External audit services carried out by the appointed auditor for the year	56	56
Certification of grant claims and returns for previous years	7	5
Certification of grant claims and returns for the year	11	11
<b>Total</b>	<b>74</b>	<b>72</b>

In addition in 2019/20, the Council received £5.7k rebate from the Public Sector Audit Appointments Ltd relating to the 2018/19 surplus arising from audit fees under transitional arrangements.

### 18. Revenue Grant Income

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

<b>Non Specific Grant Income</b>	2019/20 £'000	2018/19 £'000
New Homes Bonus and Other	(2,179)	(2,110)
Business Rates Relief	(1,861)	(1,588)
Other	(313)	(312)
<b>Total</b>	<b>(4,353)</b>	<b>(4,010)</b>
<b>Grants Credited to Services</b>	2019/20 £'000	2018/19 £'000
Benefits Subsidy and Administration (included in Finance & Resources)	(39,859)	(46,594)
Other	(853)	(1,473)
<b>Total</b>	<b>(40,712)</b>	<b>(48,067)</b>

**19. Grants and Other Contributions in the Balance Sheet**

The Council has received grants and contributions that are yet to be recognised as income as conditions attached to them have not been satisfied at the Balance Sheet date. In year movements are:

	2019/20	2018/19
	£'000	£'000
<b>Revenue Grants and Other Contributions</b>		
As of the Beginning of the Period	(788)	(444)
Receipts	(1,635)	(1,817)
Conditions Satisfied	853	1,473
<b>Closing Balance</b>	<b>(1,570)</b>	<b>(788)</b>

The balances of the revenue grants are as follows:

	2019/20	2018/19
	£'000	£'000
<b>Revenue Grants Yet to be Recognised as Income</b>		
Homelessness Support Grant	(362)	(378)
Planning Delivery Grant	(713)	(250)
Public Health	(58)	(24)
Refugee Grant	(316)	(113)
Rough Sleeping Initiative	(90)	0
Other	(31)	(23)
<b>Total</b>	<b>(1,570)</b>	<b>(788)</b>

	2019/20	2018/19
	£'000	£'000
<b>Capital grants &amp; Contributions yet to be recognised as income</b>		
As of the Beginning of the Period	503	368
Receipts	939	981
Conditions Satisfied	(1,442)	(847)
<b>Closing Balance</b>	<b>0</b>	<b>503</b>

	2019/20	2018/19
	£'000	£'000
<b>Breakdown of Capital grants &amp; Contributions yet to be recognised as income</b>		
Growth Area Fund	0	250
Disabled Facilities Grant	0	253
<b>Total</b>	<b>0</b>	<b>503</b>

**20. Long-term Creditors**

The long-term creditors relate to 2 leases.

	2019/20	2018/19*
	£'000	£'000
Other Entities and Individuals	259	259
<b>Total Long-term Creditors</b>	<b>259</b>	<b>259</b>

\*restated

**21. Short Term Creditors**

	2019/20	2018/19
	£'000	£'000
Central Government Bodies	5,415	5,762
Other Local Authorities	4,297	1,229
NHS Bodies	96	157
Other Entities and Individuals	17,130	18,392
<b>Total Short-term Creditors</b>	<b>26,939</b>	<b>25,540</b>

**22. Long-term Debtors**

The Council makes loans and payment plans to a number of organisations. This is analysed below:

	2019/20	2018/19
	£'000	£'000
Other Entities and Individuals	2,537	160
<b>Total Long-term Debtors</b>	<b>2,537</b>	<b>160</b>

This includes a bad debt provision of £767k for Community Infrastructure Levy payment plan debtors.

**23. Short-term Debtors**

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

	2019/20	2018/19
	£'000	£'000
Central Government Bodies	2,977	2,831
Other Local Authorities	2,837	2,410
NHS Bodies	0	7
Other Entities and Individuals	13,898	10,939
<b>Total Short-term Debtors</b>	<b>19,712</b>	<b>16,187</b>

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

	2019/20	2018/19
	£'000	£'000
<b>Bad Debt Impairment Allowances</b>		
Sundry Debtors	1,812	320
Housing Rents and Garages	1,851	1,983
Council Tax/Summons Fees	233	235
Business Rates/Summons Fees	659	708
Benefits Overpayments	1,927	2,038
<b>Total Bad Debt Provisions</b>	<b>6,483</b>	<b>5,284</b>

Within the £659k of Business rates/summons fees bad debt impairment allowance, £453k relates to specific companies which are known to be insolvent or where recovery of debt is assessed as unlikely.

**24. Contingent Liabilities**

The Council is part of a collective of local authorities appealing a court decision in respect of water charges made by another local authority to its housing tenants. The value of any possible obligation is uncertain at present.

## 25. Provisions

The Council maintains the following provisions:

	Balance as at 31 March 2019 £'000	Contribution to Provision £'000	Use of Provision £'000	Amounts Reversed Unused £'000	Balance as at 31 March 2020 £'000
<b>General Fund Provisions</b>					
Insurance- General Fund	404	214	(60)	(92)	465
Business Rates Appeals	4,537	892	(207)	(190)	5,032
<b>Total General Fund</b>	<b>4,941</b>	<b>1,106</b>	<b>(267)</b>	<b>(282)</b>	<b>5,497</b>
<b>Insurance-HRA</b>	<b>290</b>	<b>449</b>	<b>(349)</b>	<b>(80)</b>	<b>310</b>
<b>Total Short-term Provisions</b>	<b>5,231</b>	<b>1,554</b>	<b>(616)</b>	<b>(362)</b>	<b>5,807</b>

	Balance as at 31 March 2018 £'000	Contribution to Provision £'000	Use of Provision £'000	Amounts Reversed Unused £'000	Balance as at 31 March 2019 £'000
<b>General Fund Provisions</b>					
Insurance- General Fund	362	275	(73)	(161)	404
Pension Strain	7	0	(7)	0	0
Business Rates Appeals	4,182	1,123	(349)	(419)	4,537
<b>Total General Fund</b>	<b>4,551</b>	<b>1,398</b>	<b>(429)</b>	<b>(580)</b>	<b>4,941</b>
<b>Insurance-HRA</b>	<b>226</b>	<b>443</b>	<b>(182)</b>	<b>(197)</b>	<b>290</b>
<b>Total Short-term Provisions</b>	<b>4,777</b>	<b>1,841</b>	<b>(610)</b>	<b>(777)</b>	<b>5,231</b>

The Insurance Provision represents the Council's view of the liabilities incurred, but not settled, for insurance excess payments relating to claims made against the Council.

The Business Rates provision represents the Council's share of the estimated liability for refunding ratepayers who successfully appeal against the Business Rates rateable value of their properties.

## 26. Building Control

Trading operations for building control are included in the Comprehensive Income and Expenditure Statement within the Strategic Planning and Environment heading. On the 16<sup>th</sup> December 2019, Building Control transferred from a trading operation within the Council to a separate company, Herts Building Control. 2019/20 shows transactions prior to the transfer.

	2019/20 Chargeable £'000	2018/19 Chargeable £'000
<b>Building Control</b>		
Employees	282	507
Non Employee Costs	229	164
<b>Total Expenditure</b>	<b>511</b>	<b>672</b>
<b>Total Income</b>	<b>(310)</b>	<b>(541)</b>
<b>Building Control (Surplus)/Deficit</b>	<b>200</b>	<b>131</b>

## 27. Property, Plant &amp; Equipment

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>2019/20</b>							
<b>Cost / Valuation at the beginning of the period</b>	<b>1,011,307</b>	<b>137,029</b>	<b>19,650</b>	<b>3,068</b>	<b>8,029</b>	<b>17,022</b>	<b>1,196,105</b>
Depreciation written out to Gross Carrying Amount on Revaluation	(14,293)	(1,847)					(16,140)
Revaluation increases recognised in the Revaluation Reserve	127,057	6,415	0				133,472
Revaluation decreases recognised in the Revaluation Reserve	(19,077)	(4,859)	0		(1,557)		(25,493)
Revaluation increases/(decreases) recognised in the(Surplus)/Deficit on Provision of Services	(1,710)	(1,550)	0				(3,260)
Additions	18,586	1,519	3,433	196		26,280	50,014
Impairment recognised in the(Surplus)/Deficit on Provision of Services	(17,841)	0	0				(17,841)
Reclassifications	2,976	1,927	11	1		(3,207)	1,708
Assets reclassified (to)/from Assets Held for Sale	0	372	0				372
Disposals	(4,329)	(399)	(1,790)				(6,518)
<b>Cost / Valuation at the end of the period</b>	<b>1,102,676</b>	<b>138,607</b>	<b>21,304</b>	<b>3,265</b>	<b>6,472</b>	<b>40,095</b>	<b>1,312,419</b>
<b>Accumulated Depreciation at the beginning of the period</b>	<b>(0)</b>	<b>(1,146)</b>	<b>(10,817)</b>	<b>(143)</b>	<b>0</b>	<b>0</b>	<b>(12,106)</b>
Depreciation Charge	(14,324)	(1,700)	(2,199)	(49)			(18,272)
Reclassifications							0
Depreciation written out to Gross Carrying Amount on Revaluation	14,293	1,847					16,140
Assets reclassified to Assets Held for Sale							0
Disposals	31	0	1,639				1,670
<b>Accumulated Depreciation at the end of the period</b>	<b>(0)</b>	<b>(999)</b>	<b>(11,377)</b>	<b>(192)</b>	<b>0</b>	<b>0</b>	<b>(12,568)</b>
<b>Net Book Value At 31 March 2020 (all owned, no finance leases)</b>	<b>1,102,675</b>	<b>137,608</b>	<b>9,927</b>	<b>3,073</b>	<b>6,472</b>	<b>40,095</b>	<b>1,299,852</b>

## Notes to the Accounts

2018/19	Council Dwellings	Other Land & Buildings *restated	Vehicles, Plant & Equipment *restated	Infrastructure Assets *restated	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost / Valuation at the beginning of the period</b>	<b>891,950</b>	<b>116,877</b>	<b>18,539</b>	<b>2,792</b>	<b>4,921</b>	<b>19,620</b>	<b>1,054,699</b>
Depreciation written out to Gross Carrying Amount on Revaluation	(15,464)	(5,019)	0	0	0	0	<b>(20,482)</b>
Revaluation increases recognised in the Revaluation Reserve	153,845	33,169	0	0	2,658	0	<b>189,672</b>
Revaluation decreases recognised in the Revaluation Reserve	(21,582)	(6,908)	0	0	(64)	0	<b>(28,553)</b>
Revaluation increases/(decreases) recognised in the(Surplus)/Deficit on Provision of Services	(8,312)	(2,395)	0	0	0	0	<b>(10,707)</b>
Additions	20,057	1,812	2,176	277	0	7,204	<b>31,526</b>
Impairment recognised in the(Surplus)/Deficit on Provision of Services	(15,215)	0	0	0	0	0	<b>(15,215)</b>
Reclassifications	8,818	(376)	950	(1)	514	(9,802)	<b>102</b>
Assets reclassified (to)/from Assets Held for Sale	0	566	0	0	0	0	<b>566</b>
Disposals	(2,790)	(697)	(2,015)	0	0	0	<b>(5,501)</b>
<b>Cost / Valuation at the end of the period</b>	<b>1,011,307</b>	<b>137,029</b>	<b>19,650</b>	<b>3,068</b>	<b>8,029</b>	<b>17,022</b>	<b>1,196,105</b>
<b>Accumulated Depreciation at the beginning of the period</b>	<b>(2,376)</b>	<b>(3,870)</b>	<b>(10,772)</b>	<b>(93)</b>	<b>0</b>	<b>0</b>	<b>(17,110)</b>
Depreciation Charge	(13,103)	(2,352)	(1,932)	(49)	0	0	<b>(17,436)</b>
Reclassifications	0	0	0	0	0	0	<b>0</b>
Depreciation written out to Gross Carrying Amount on Revaluation	15,464	5,019	0	0	0	0	<b>20,482</b>
Assets reclassified to Assets Held for Sale	0	0	0	0	0	0	<b>0</b>
Disposals	15	58	1,886	0	0	0	<b>1,958</b>
<b>Accumulated Depreciation at the end of the period</b>	<b>(0)</b>	<b>(1,146)</b>	<b>(10,817)</b>	<b>(143)</b>	<b>0</b>	<b>0</b>	<b>(12,106)</b>
<b>Net Book Value At 31 March 2019 (all owned, no finance leases)</b>	<b>1,011,307</b>	<b>135,883</b>	<b>8,833</b>	<b>2,925</b>	<b>8,029</b>	<b>17,022</b>	<b>1,183,999</b>

## Notes to the Accounts

Rental income from Council Dwellings owned by the Housing Revenue Account is recognised in the Housing and Community (HRA) line of the CIES on an accruals basis.

Capital expenditure which is not completed at year end is treated as an Asset under construction. When the scheme is complete the costs are then transferred from assets under construction to the relevant PPE or investment property category

### Property Valuations of Council Dwellings, Other Land and Buildings and Surplus Assets.

Council Dwellings and high value assets are valued annually. The valuation date is 31<sup>st</sup> January 2020, with the exception of dwellings which are the 31<sup>st</sup> March 2020. The remaining assets are valued on a five year cycle. Within other Land and Buildings the Council revalued £80.963m in year. The valuations 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. Surplus assets are valued using level 2 observable inputs and in estimating the fair value of the council's surplus assets the highest and best use has been applied. In determining the highest and best use valuation, the valuer has considered the current use (rental value) compared with the potential redevelopment of the land value for the site. Further details on highest and best fair value valuations can be found in note 29.

### 28. Capital Commitments

The contractual commitments for capital expenditure for schemes over £500k that had started, or where legal contracts entered into at the 31 March 2020 are:

Contract	Contractor	Estimated Value £'000
Total Asset Management	Osborne Property Services Ltd	12,025
Replacement, repair and maintenance services of boilers	Sun Realm Ltd	9,000
Construction of social housing at Martindale	Bugler Developments Ltd	2,119
Construction of social housing at Stationers Place, Hemel Hempstead	Jarvis Group Ltd	821
Verge Hardening	Ringway Infrastructure Services Limited	809

The capital commitment at the 31 March 2019 was £58,971k.

### 29. Investment Property

Investment Properties as per Balance Sheet	2019/20 £'000	2018/19 £'000
<b>As at the beginning of the period</b>	<b>80,575</b>	<b>75,782</b>
Additions ( Purchases/construction)	109	118
Reclassifications	(1,725)	(103)
Disposals	(231)	(64)
Net gains/(losses ) from fair value movements	3,633	4,842
<b>As at the end of the period</b>	<b>82,361</b>	<b>80,575</b>

The investment properties were valued at the 31<sup>st</sup> January 2020 by an independent external valuer using level 2 observable inputs to estimate their fair value. In determining the highest and best use valuation, the valuer has considered the current use (rental value) compared with the potential redevelopment of the land value for the site. Significant observable level 2 inputs were recent sales prices, market rental, size, location, current market conditions and other relevant information for similar assets in the locality. See note 10 for transactions relating to Investment Properties in the Comprehensive Income and Expenditure Statement.

### 30. Intangible Assets

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

	2019/20	2018/19
	£'000	£'000
<b>Intangible Assets</b>		
<b>As of the beginning of the Period</b>		
Gross Carrying Amounts	1,982	2,686
Accumulated Amortisation	(1,673)	(2,128)
<b>Net Carrying Amount as of the Beginning of the Period</b>	<b>309</b>	<b>558</b>
Reclassifications	16	0
Purchases	47	68
Disposals (net book value)	0	(192)
Amortisation for the Period	(122)	(126)
<b>Net Carrying Amount as of the End of the Period</b>	<b>251</b>	<b>309</b>
<b>Comprising:</b>		
Gross Carry Amounts	1,867	1,982
Accumulated Amortisation	(1,616)	(1,673)
<b>Net Carrying Amount as of the End of the Period</b>	<b>251</b>	<b>309</b>

### 31. Assets Held For Sale

	2019/20	2018/19
	£'000	£'000
<b>Opening Balance</b>	<b>372</b>	<b>2,853</b>
Additions	0	29
Reclassification	(372)	(565)
Revaluation decreases in Surplus/Deficit	0	0
Sold to other entities and individuals	0	(1,945)
<b>Closing Balance</b>	<b>0</b>	<b>372</b>

### 32. Revaluation Reserve

The Revaluation Reserve contains the gains made arising from increases in the value of Property, Plant and Equipment. The Reserve contains only revaluation gains accumulated since 1 April 2007. Accumulated gains arising before then are in the Capital Adjustment Account.

	2019/20	2018/19*
	£'000	£'000
<b>Opening Balance</b>	<b>468,076</b>	<b>313,819</b>
Upward revaluation of assets	133,498	189,672
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(25,493)	(28,553)
Difference between fair value depreciation and historical cost depreciation	(6,365)	(5,395)
Amount written off to the Comprehensive Income and Expenditure Statement	(1,796)	(1,467)
<b>Closing Balance</b>	<b>567,919</b>	<b>468,076</b>

\*restated

### 33. Capital Adjustment Account

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

	2019/20	2018/19*
	£'000	£'000
<b>Balance as of beginning of the period</b>	<b>453,614</b>	<b>456,524</b>
Capital grants and contributions applied	2,711	2,792
Amortisation of intangible assets	(122)	(125)
Charges for depreciation and Revaluation losses on property, plant and equipment	(7,231)	(15,004)
Repayment of Loans for Capital	(10)	0
HRA impairment reversal	(17,841)	(15,215)
Difference between fair value depreciation and historical cost depreciation	6,365	5,395
HRA depreciation	(14,303)	(13,140)
Non-current assets written off to CIES on sale as part of the gain on disposal	(5,078)	(5,742)
Transfer from the Revaluation Reserve on disposal of assets	1,796	1,467
Revenue expenditure funded from capital under statute	(6,506)	(8,231)
Movements in market value of Investment Properties	3,633	4,842
Capital receipts applied to capital expenditure	18,499	16,377
Revenue contribution to capital	3,964	8,774
Use of reserves to finance capital expenditure	15,418	0
Use of Major Repairs Reserve to finance capital expenditure	11,332	12,030
Minimum Revenue Provision (MRP)	237	237
HRA Debt Repayment	3,586	2,636
<b>Closing Balance</b>	<b>470,064</b>	<b>453,614</b>

\*restated

## Notes to the Accounts

### 34. Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown below together with the resources used to finance it. Where capital expenditure is 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 capital expenditure incurred historically by the Council that is yet to be financed.

	2019/20	2018/19
	£'000	£'000
<b>Capital Financing Requirement</b>		
Opening Capital Financing Requirement	352,769	355,541
<b>Capital Investment:</b>		
Property, Plant and Equipment	50,014	31,526
Assets held for Sale	0	30
Loans treated as capital expenditure	0	100
Investment Property	109	118
Intangible Assets	47	68
Revenue Expenditure Funded from Capital under Statute	6,506	8,231
<b>Total Expenditure</b>	<b>56,676</b>	<b>40,073</b>
<b>Sources of Finance:</b>		
Capital Receipts	(18,499)	(16,377)
Government Grants and Other Contributions	(2,711)	(2,792)
Use of Reserves (including Major Repairs Reserve)	(26,750)	(12,030)
Revenue Contributions (including statutory provision for repayment of debt)	(7,786)	(11,646)
<b>Total Financing</b>	<b>(55,746)</b>	<b>(42,845)</b>
<b>Closing Capital Financing Requirement</b>	<b>353,699</b>	<b>352,769</b>
	2019/20	2018/19
	£'000	£'000
<b>Capital Financing Requirement</b>		
Increase/(Decrease) in underlying need to borrow (unsupported by government financial assistance).	931	(2,772)
Assets Acquired Under Finance Lease	0	0
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>931</b>	<b>(2,772)</b>

### 35. Heritage Assets

This table provides details of the carrying value of the different groups of heritage assets:

	2019/20	2018/19
	£'000	£'000
Land	7,095	7,069
Sculptures/Artwork	1,820	1,820
Assets managed by Dacorum Heritage Trust	3	3
Civic Regalia and Treasuries	212	212
<b>Total</b>	<b>9,130</b>	<b>9,104</b>

### Land Heritage Assets

The Council holds three areas of land (Gadebridge Park, Tring Park and The Water Gardens) which form part of the Borough's history. These sites include various sculptures and other cultural and historical assets and are constantly accessible to the public. A qualified external valuer using the Existing Use Valuation method values the sites. Gadebridge Park and the Water Gardens are managed and preserved by the Council.

Tring Park is managed by the Woodland Trust and believed to date back to 1066. The Rothschild's opened a zoological museum on the site and were responsible for introducing numerous exotic animals to the park. The park was revalued on 31<sup>st</sup> March 2017.

Gadebridge Park is sited on the northern edges of Hemel Hempstead and forms a green wedge of urban countryside running into the heart of the town. The area dates back to the late Iron Age. Excavations 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 park was revalued on 31<sup>st</sup> March 2017.

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 Water Gardens were revalued during 2019/20.

### Sculptures and Artwork Held at Cost

The Borough has various sculptures and pieces of artwork holding historical and cultural value. There are 5 where historical cost is available and these assets are held on the Balance Sheet at cost. They are preserved and managed by the Council, and constantly accessible to the public.

	Location	
<b>The Residents' Rainbow</b> by Colin Lambert	Royal British Legion's Memorial Garden, Hemel Hempstead Town Centre	Symbolises the optimism and aspirations of the first people to settle in the New Town after the Second World War
<b>The Water Feature</b> by Michael Rizzello OBE.	Junction of Marlowes and Bank Court, Hemel Hempstead	Celebrates youth and sport with a bronze sculpture of three children playing in the water.
<b>The Steel Tree</b> designed by Peter Parkinson and created by Richard Quinnell OBE.	Near the Roundhouse in Hemel Hempstead Town Centre	Each panel of the tree represents a different aspect of Hemel Hempstead's past and present.
<b>The bronze relief map</b> designed by Graham Thompson and sculpted by John Ravera.	Hemel Hempstead Town Centre	Depicts Hemel Hempstead as it was in 1947.
<b>The Phoenix Sculpture</b> , designed by Jose Zavala.	Roundabout near junction 8 of the M1, Hemel Hempstead	Reflects the recovery of Hemel Hempstead and in particular Maylands Business Park from the 2005 Buncefield oil depot explosion.

### Assets managed by The Dacorum Heritage Trust

The Dacorum Heritage Trust is the accredited museum organisation for the borough, based at the Museum Store in Clarence Road, Berkhamsted. Of the 100,000 objects at Museum Store around 2,900 belong to the Council and were valued using insured value in March 2012. Items are accessible by appointment.

### Civic Regalia and Treasuries

The Council holds, manages and preserves various items of Civic Regalia with historical relevance to Dacorum. Most are displayed outside the Council Chamber at the Forum, Hemel Hempstead and include a silver mace, silver cups, the Mayors Badges' and Chains. These were valued in May 2016 by External Valuers specialising in antiques and fine arts.

### Heritage Assets not Held on Balance Sheet

The Council manages and preserves the following Heritage Assets where no historic cost information is available and cannot be valued as at a cost commensurate to users of the accounts so are not included on the Balance Sheet:

- 17 sculptures and artwork in Highfield, Adeyfield and the Town Centre,
- 7 posters depicting types of music hall acts at the Old Town Hall, Hemel Hempstead.
- 29 war memorials
- 2 stone carved memorials in Little Gaddesden
- 7 miscellaneous assets including Cranstone's Water Fountain (Boxmoor), Cranstone's Pump in the High Street and a Milestone in Little Gaddesden

## 36. Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet.

<b>Financial Assets – All carried at Amortised Cost</b>	<b>2019/20</b>	<b>2018/19</b>
	<b>£'000</b>	<b>£'000</b>
Cash Equivalents: Investments with Original Maturities of 3 Months or Less	17,620	12,608
Cash held by the Council	1	1
Cash: Bank Account Balance/(Overdraft)	873	1,013
Short-term Debtors	14,495	10,787
Long-term Debtors	2,537	160
Short-term Investments	51,688	79,680
Long-term Investments	0	0
<b>Total</b>	<b>87,214</b>	<b>104,250</b>

For short term financial assets, the carrying amount is assumed to approximate fair value. Short-term debtors are reviewed for impairment and presented in the balance sheet net of impairments.

<b>Financial Liabilities – Amortised Cost</b>	<b>2019/20</b>	<b>2018/19</b>
	<b>£'000</b>	<b>£'000</b>
Short-term Creditors	15,686	17,300
Long-term Creditors	188	188
Short-term Borrowings	5,065	4,719
Long-term Borrowings	353,502	358,441
<b>Total</b>	<b>374,441</b>	<b>380,649</b>

### Fair Value

The valuation basis adopted for calculating the fair value of the council's financial instruments is level 2 inputs- i.e. inputs other than quoted prices that are observable for this financial liability and assets. The

## Notes to the Accounts

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

- For Public Works Loan Board (PWLB) loans, the redemption and new borrowing (certainty rate) discount rates.
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate fair value.

The Code does not require fair value disclosures for short-term trade payables or receivables since the carrying amount is a reasonable approximation of fair value.

The fair values are as follows:

<b>Financial Liabilities – Fair Value</b>	<b>2019/20</b>	<b>2018/19</b>
	<b>£'000</b>	<b>£'000</b>
Short-term Creditors	15,686	17,300
Long-term Creditors	188	188
Short-term Borrowings	5,080	4,738
Long-term Borrowings	396,310	416,640
<b>Total</b>	<b>417,264</b>	<b>438,867</b>

The exit price fair value of £417.264m has been calculated using redemption and new loan borrowing discount rates. The Authority has no contractual obligation to pay these penalty costs and does not incur any additional cost if the loans run to their planned maturity date.

### 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 the Council would be unable to raise finance to meet its commitments under financial instruments.

### 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. Most of the Council's current borrowing 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 so there is minimal risk the Council will need to refinance these loans at a time of unfavourable interest rates. £17.9m of the borrowing relates to financing of the General Fund Capital Programme, with repayments and interest costs factored into the Councils Medium Term Financial Strategy. The following table sets out the maturity analysis of financial liabilities held by the Council:

	<b>2019/20</b>	<b>2018/19</b>
	<b>£'000</b>	<b>£'000</b>
Less than 1 Year	5,065	4,719
Between 1 and 2 Years	3,822	4,939
Between 2 and 5 Years	8,004	8,166
Between 5 and 10 years	30,965	26,586
More than 10 Years	310,710	318,750
<b>Total</b>	<b>358,567</b>	<b>363,161</b>

**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 for its short investments has been assessed using the lowest credit rating for each investment from Fitch, Moody's and Standard & Poor's Historic Default Rates. Given the expected credit loss is not material and the Council has not recently experienced a default, no impairment allowance has been made. The maximum Credit Risk exposure at the 31<sup>st</sup> March 2020 is:

Credit Risk Rating	Gross carrying amount 2019/20 £'000	Default Rate	12 month expected credit loss £'000
A+	10,069	between 0.017% and 0.035%	1.9
A	22,590	between 0.004% and 0.026%	2.3
A-	7,016	between 0.006% and 0.02% statutory provisions prevent	0.3
Other Local Authorities	12,012	default	0.0
<b>Total</b>	<b>51,688</b>		<b>4.6</b>

For Short-term debtors, the bad debt impairment allowance is shown in note 23. Sundry debtors and Housing Rents are financial assets. The bad debt provision is calculated based on aged of debt and/or value, with a higher impairment allowance for older and higher value debts as based on experience these are less likely to be recovered. The long-term debtors comprise of amounts owed by parish councils, the loan to Herts Building Control and Community Infrastructure debtors on payment plans due after the 31<sup>st</sup> March 2021. See note 22 for the impairment allowance. Parish Councils are considered low risk as traditionally they have low risk of default on payments so not impaired.

**Income, Expense, Gains and Losses to the Surplus or deficit on the provision of services**

See note 10 for the interest revenue gains and losses on financial assets measured at amortised cost.

**37. Leases**

**Operating Leases - Council as Lessee**

The Council leases various land and/or buildings under non-cancellable operating lease agreements. 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 2019/20 or 2018/19.

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

	2019/20 £'000	2018/19 £'000
<b>Operating Lease Commitments (DBC as Lessee)</b>		
Not later than one year	52	50
Later than one year but not later than five years	204	201
Later than five years	28	77
<b>Total Commitments under Operating Leases</b>	<b>284</b>	<b>329</b>

**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:

	2019/20	2018/19
	£'000	£'000
<b>Operating Lease Income (DBC as Lessor)</b>		
Not later than one year	4,225	3,941
Later than one year but not later than five years	13,782	13,209
Later than five years	58,312	51,472
<b>Total Minimum Lease Income under Operating Leases</b>	<b>76,319</b>	<b>68,622</b>

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 future rent reviews. In 2019/20 contingent rents of £1.5m were receivable by the Council (£1.1m in 2018/19).

**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 amounts:

	2019/20	2018/19
	£'000	£'000
<b>Finance Lease Assets (Council as Lessee)</b>	<b>623</b>	<b>579</b>

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

	2019/20	2018/19
	£'000	£'000
<b>Finance Lease Minimum Payments</b>		
Current	0	0
Non-current	188	188
Finance Costs Payable in Future Years	1,592	1,612
<b>Minimum Lease Payments</b>	<b>1,780</b>	<b>1,800</b>

The total future minimum lease payments to be paid under non-cancellable finance leases are:

	2019/20	2018/19
	£'000	£'000
<b>Commitments Under Finance Leases</b>		
Not later than one year	20	20
Later than one year but not later than five years	80	80
Later than five years	1,680	1,720
<b>Total Commitments Under Finance Leases</b>	<b>1,780</b>	<b>1,820</b>

The minimum lease payments do not include rents contingent on events taking place after the lease was entered into. The Council paid contingent rent during the year of £26k (2018/19 £20k). The Council has sub-let these properties. At 31 March 2020 the minimum payments expected to be received under non-cancellable agreements was £300k (£208k at 31 March 2019).

## 38. 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). The scheme is a funded benefit career average salary, meaning the Council and its employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets. The scheme operates under the regulatory framework for the Local Government Pension Scheme. Governance is the responsibility of the Pensions Committee of HCC. Policy is determined in accordance with the Local Government Pension Scheme Regulations. The Investment sub-committee appoints the 15 Investment Fund Managers.

Principal risks of the scheme for the Council are longevity assumptions, statutory and structural scheme changes, changes to inflation, bond yields and performance of the scheme's equity investments. The Council has taken into account the impact of the McCloud Judgement and the Guaranteed Minimum Pensions equalisation on future liabilities arising from the defined benefit pension scheme.

**Transactions Relating to Post-employment Benefits**

These transactions were made in the Comprehensive Income and Expenditure Statement, General Fund Balance and Housing Revenue Account via the Movement in Reserves Statement during the year:

	2019/20	2018/19
	£'000	£'000
<b>Comprehensive Income &amp; Expenditure Statement</b>		
<b>Cost of Services:</b>		
Current Service Cost	8,687	7,267
Past Service Cost/(Gain) – Including Curtailments	0	663
<b>Financing and Investment Income and Expenditure:</b>		
Net Interest Expense	1,966	1,827
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>10,653</b>	<b>9,757</b>
<b>Other Comprehensive Income &amp; Expenditure:</b>		
Return on Plan Assets (excluding amounts included in net interest expense)	(12,225)	(7,518)
Actuarial (Gains) & Losses Arising on Changes in Demographic Assumptions	(6,521)	0
Actuarial Gains & Losses Arising on Changes in Financial Assumptions	(22,956)	14,366
Other	11,173	0
<b>Total Post Employment Benefit Charged to Other Comprehensive Income and Expenditure</b>	<b>(30,529)</b>	<b>6,848</b>
	<b>2019/20</b>	<b>2018/19</b>
	<b>£'000</b>	<b>£'000</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for Post Employment Benefits in accordance with the Code	(10,653)	(9,757)
Employer's Contributions Payable to the Pension Scheme	5,656	5,406
<b>Total</b>	<b>(4,997)</b>	<b>(4,351)</b>

## Notes to the Accounts

<b>Pension Assets &amp; Liabilities Recognised in the Balance Sheet</b>	<b>2019/20</b> <b>£'000</b>	<b>2018/19</b> <b>£'000</b>
Present value of the defined benefit obligation	(251,399)	(261,524)
Fair value of plan assets	196,673	181,266
<b>Sub-total</b>	<b>(54,726)</b>	<b>(80,258)</b>
Other movements in the liability	0	0
<b>Net liability arising from defined benefit obligation</b>	<b>(54,726)</b>	<b>(80,258)</b>
<b>Reconciliation of Present Value of Scheme Liabilities</b>	<b>2019/20</b> <b>£'000</b>	<b>2018/19</b> <b>£'000</b>
Liabilities as of the Beginning of the Period	(261,524)	(238,594)
Current Service Cost	(8,687)	(7,267)
Interest Cost	(6,312)	(6,229)
Contributions by Scheme Participants	(1,319)	(1,235)
Actuarial (Losses)/Gains	18,304	(14,366)
Losses on Curtailments		
Benefits Paid	8,139	6,830
Past Service Costs	0	(663)
<b>Liabilities as at 31 March</b>	<b>(251,399)</b>	<b>(261,524)</b>
<b>Reconciliation of Fair Value of Scheme Assets</b>	<b>2019/20</b> <b>£'000</b>	<b>2018/19</b> <b>£'000</b>
Assets as of the Beginning of the Period	181,266	169,535
Expected Rate of Return	4,346	4,402
Actuarial Gains/(Losses)	12,225	7,518
Employer Contributions	5,656	5,406
Contributions by Scheme Participants	1,319	1,235
Benefits Paid	(8,139)	(6,830)
<b>Closing Fair Value of Scheme Assets</b>	<b>196,673</b>	<b>181,266</b>

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.

<b>Fair Value of Employer's Assets</b>	<b>2019/20</b> <b>£'000</b>	<b>2018/19</b> <b>£'000</b>
<b>Quoted Prices in Active Markets</b>		
<u>Equity Securities</u>		
Consumer	3,755	8,063
Manufacturing	2,998	7,029
Energy and Utilities	0	1,871
Financial Institutions	2,882	7,474
Health and Care	1,770	1,474
Information Technology	6,738	5,671
Other	322	484
<u>Investment Funds and Unit Trusts</u>		
Equities	61,183	45,738
Bonds	64,480	63,064
Other	1,659	1,532
<u>Cash and Cash Equivalents</u>		
All	4,248	5,866
<b>Total of Assets with Prices Quoted in Active Markets</b>	<b>150,032</b>	<b>148,266</b>

### Quoted Prices not in Active Markets

<u>Debt Securities</u>		
Other	5,097	83
<u>Private Equity</u>		
All	10,522	8,499
<u>Real Estate</u>		
UK Property	5,947	6,422
Overseas Property	11,737	6,875
<u>Investment Funds and Unit Trusts</u>		
Infrastructure	181	1,757
Other	13,366	9,580
<u>Derivatives</u>		
Foreign Exchange	(208)	(216)
<b>Total of Assets with Prices Quoted not in Active Markets</b>	<b>46,641</b>	<b>33,000</b>
<b>Total Fair Value of Employers Assets</b>	<b>196,673</b>	<b>181,266</b>

### Basis for Estimating Asset and Liabilities

Liabilities have been assessed on an actuarial basis by Hymans Robertson LLP using the Projected Unit Credit Method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Estimates for the fund were based on the latest full revaluation of the scheme as at 31 March 2019. The principal assumptions used are:

<b>Principal Assumptions</b>	<b>2019/20</b>	<b>2018/19</b>
	%	%
Rate of inflation	1.9	3.5
Rate of increase in salaries	2.3	2.6
Rate of increase In pensions	2.0	2.5
Rate of discounting scheme liabilities	2.3	2.4
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

<b>Mortality Assumptions</b>	<b>2019/20</b>	<b>2018/19</b>
	Age	Age
Longevity at 65 for current pensioners		
Men	21.9	22.5
Women	24.1	24.9
Longevity at 65 for future pensioners		
Men	22.8	24.1
Women	25.5	26.7

### Impact on the Council's Cash Flow

The liabilities show the underlying commitments the Council has to pay retirement benefits. The total liability of £54.726m has an impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean 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 annually, and the next triennial review is due to be based on 31 March 2020 data. Based on this review, the fund liability may go up or down. Sensitivity analysis is shown in note 5. The total value of contributions expected to by the Council in 2020/21 is £9.644m.

The weighted duration for all members is 16.8 years. The weighted average duration split of the defined benefit obligation for scheme members as at 31 March 2020 is:

	<b>Weighted Average Duration</b>
Active Members	22.9
Deferred Members	22.2
Pensioner Members	11.0
<b>Total</b>	<b>16.8</b>

### Pensions Reserve

The Pensions Reserve absorbs timing differences arising from the difference in accounting for and for funding benefits in accordance with statutory provisions. Post-employment benefits are accounted for 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. Statutory arrangements require benefits earned, to be financed as the Council makes employer's contributions to pension funds, or eventually pays any pensions it is directly responsible for. The balance on the Pensions Reserve shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. Statutory arrangements ensure funding will have been set aside by the time the benefits come to be paid. The movements in the Pensions Reserve are:

	<b>2019/20 £'000</b>	<b>2018/19 £'000</b>
Surplus /(Deficit) as of Beginning of the Period	(80,258)	(69,059)
Actuarial Gains/(Losses) on Pension Assets and Liabilities	30,529	(6,848)
Reversal of Items Relating to Retirement Benefits Debited/Credited to the Surplus or Deficit on the Provision of Services in the CIES	(10,653)	(9,757)
Employer's Pension Contributions	5,656	5,406
<b>Surplus/(Deficit) as of End of the Period</b>	<b>(54,726)</b>	<b>(80,258)</b>

### 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 appropriate for the Fund's liabilities. Key steps are:

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 has now moved to a lower risk strategy that comprises 65% in “growth” assets and 35% in “defensive” assets. The composition of the “defensive” assets will change over the coming year as the chosen closed ended funds drawdown capital. The allocation between growth and defensive assets as at the accounting year end date was approximately 66% growth / 34% defensive.
3. Defensive asset portfolio – the Fund has appointed a number of specialist mandates to manage the defensive assets (UK corporate bonds, Index Linked Gilts, Infrastructure Debt, PRS Property and HLV Property). The Index Linked Gilt mandate will seek to offer some protection from changes in inflation and interest rates.
4. Monitoring – the Fund's investment arrangements are regularly monitored. The Council receives independent reporting from the custodian and the Fund's investment Consultant and the Pensions Committee meets the investment managers on an ongoing basis.

## Housing Revenue Account

### Housing Revenue Account – Income & Expenditure Account

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than amount funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with legislation; this may differ from accounting cost. The increase or decrease in the year, on the basis upon which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

	2019/20	2018/19
	£'000	£'000
<b>Income</b>		
Dwelling Rents (Gross)	(53,080)	(53,213)
Non Dwelling Rents (Gross)	(101)	(148)
Charges for Services & Facilities	(1,844)	(1,660)
Contributions towards Expenditure	(672)	(987)
<b>Total Income</b>	<b>(55,697)</b>	<b>(56,009)</b>
<b>Expenditure</b>		
Repairs and Maintenance	11,549	12,184
Supervision and Management	9,171	8,646
Rents, Rates, Taxes and Other Charges	103	60
Increase in Allowance for Bad and Doubtful Debts	634	375
Depreciation and Impairment of Non Current Assets	33,802	36,664
<b>Total Expenditure</b>	<b>55,258</b>	<b>57,929</b>
<b>Net Expenditure/(Income) of HRA Services as Included in the Comprehensive Income &amp; Expenditure Statement (CIES)</b>	<b>(439)</b>	<b>1,920</b>
HRA Share of Corporate and Democratic Core	326	244
Other recharges to the HRA	4,020	3,870
<b>Total recharge to HRA</b>	<b>4,346</b>	<b>4,114</b>
<b>HRA Share of Operating Income &amp; Expenditure Included in the Comprehensive Income &amp; Expenditure Account</b>		
(Gain)/Loss on Disposal of Non-Current Assets	(4,863)	(3,717)
Interest and Investment Income	(372)	(328)
Interest Payments	11,558	11,594
Net Interest on the Net Defined Benefit Liability	414	352
Capital Grants and Contributions Received	(4)	(1,534)
<b>(Surplus)/Deficit for the Year on HRA Services</b>	<b>10,639</b>	<b>12,403</b>

## Housing Revenue Account

### Statement of Movement on the Housing Revenue Account

	2019/20 £'000	2018/19 £'000
<b>Balance as at 1 April</b>	<b>2,892</b>	<b>2,892</b>
Movement in Reserves:		
<b>Surplus/(Deficit) on Provision of Services</b>	<b>(10,639)</b>	<b>(12,403)</b>
<b>Adjustments Between Accounting Basis &amp; Funding Basis Under Regulations:</b>		
Capital Grants and Contributions Applied	(4)	(1,534)
Reversal of Employee Leave Accrual	21	(6)
Reversal Revaluation & Impairment (Gains)/Losses on Property	19,498	23,527
Amounts of non-current assets written off on sale as part of the gain on disposal to the CIES	4,297	2,775
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	(9,161)	(6,492)
Revenue Contribution to Capital	(3,814)	(6,663)
Reserve Contributions to Capital	(13,660)	0
Debt Repayment Provision	(3,586)	(2,636)
Loan Repayment from Major Repairs Reserve	3,586	2,636
Reversal of retirement benefits items debited or credited to the CIES	(1,191)	(1,047)
Employer's Pension Contributions to Pension Fund Payable in the year	2,244	1,889
<b>Total Adjustments Between Accounting Basis and Funding Basis Under Regulations</b>	<b>(1,769)</b>	<b>12,450</b>
<b>Net Increase/(Decrease) Before Transfers to Earmarked Reserves</b>	<b>(12,408)</b>	<b>46</b>
Transfer (to)/from Earmarked Reserves	12,408	(46)
<b>Balance as at 31 March</b>	<b>2,892</b>	<b>2,892</b>

### Notes to the Housing Revenue Account

#### 1. Value of HRA Property, Plant and Equipment

	2019/20 £'000	2018/19 £'000
Council Dwellings	1,098,449	1,011,438
Other Land & Building	1,350	1,141
Vehicles, Plant, Furniture and Equipment and intangibles	96	32
Assets Under Construction	27,653	13,046
<b>Net Book Value as at 31 March</b>	<b>1,127,548</b>	<b>1,025,657</b>

Council dwellings had an existing use assuming vacant possession valuation of £2,891 million as at 31<sup>st</sup> March 2020. To comply with regulations, a regional adjustment factor of 38% was applied to the Council Dwelling valuation to reflect that housing is let at sub-market rents.

## Housing Revenue Account

### 2. Number and type of dwellings

	31/03/2020	31/03/2019
Flats	3,771	3,773
Houses	6,310	6,337
Chiltern Hostel- equivalent	18	18
<b>Total Dwellings</b>	<b>10,099</b>	<b>10,128</b>

### 3. Rent Arrears

	2019/20	2018/19
	£'000	£'000
Rent - Current Arrears	1,979	1,701
Rent - Former Arrears	615	885
Supporting People and Other	262	255
<b>Total Arrears:</b>	<b>2,855</b>	<b>2,841</b>
Provision for Bad and doubtful Debts	(1,821)	(1,931)
<b>Total Rent Arrears:</b>	<b>1,034</b>	<b>910</b>

### 4. Capital Financing

	2019/20	2018/19
	£'000	£'000
<b>Total Capital Expenditure</b>	<b>37,722</b>	<b>24,725</b>
Financed by:		
Capital Receipts	(8,912)	(4,498)
Major Repairs Reserve	(11,332)	(12,030)
Contributions from Reserves	(13,660)	0
Capital Grants & Contributions	(4)	(1,534)
Revenue Contributions	(3,814)	(6,663)
<b>Total Financing</b>	<b>(37,722)</b>	<b>(24,725)</b>

### 5. Capital Receipts from the sale of HRA assets:

	2019/20	2018/19
	£'000	£'000
Sale of Land And Freehold	0	23
Easement Granted- Deed of Release, Variation, Covenants	202	77
Sale of HRA Dwellings	8,922	6,225
Discount Repaid	38	167
<b>Total Capital receipts</b>	<b>9,162</b>	<b>6,492</b>

### 6. Depreciation and Impairment

Depreciation on council dwellings was charged on a straight-line basis over the life of the dwellings, which is estimated by the valuer to be 60 years.

	2019/20 £'000	2018/19 £'000
Depreciation on Council Dwellings	14,264	13,102
Revaluation on Council Dwellings	1,657	8,312
Impairment	17,841	15,215
Depreciation on Vehicle, Plant and Equipment	21	17
Amortisation of Intangible Assets	1	1
Depreciation on Other Land and Building	18	17
<b>Total Depreciation and Impairment</b>	<b>33,802</b>	<b>36,664</b>

## Collection Fund Income and Expenditure Account 2019/20

	Council Tax £'000	Business Rates £'000	Total £'000
<b>Income:</b>			
Council Tax Receivable	102,397	0	102,397
Business Rates Receivable	0	66,272	66,272
<b>Total Income</b>	<b>102,397</b>	<b>66,272</b>	<b>168,670</b>
<b>Expenditure</b>			
<u>Precepts, Demands and Shares</u>			
Hertfordshire County Council	77,884	25,837	103,721
Hertfordshire Police & Crime Commissioner	10,767	0	10,767
Dacorum Borough Council	12,348	22,608	34,956
Central Government (Business Rates Only)	0	16,148	16,148
<u>Charges to Collection Fund</u>			
Transitional Payment Protection	0	81	81
Costs of collection	0	205	205
Increase/(decrease) allowances for impairment	349	392	741
Increase/(decrease) provision for appeals	0	3,034	3,034
Enterprise Zone & Renewable Energy Growth	0	1,067	1,067
<u>Contribution towards previous year surplus/deficit</u>			
Hertfordshire County Council	501	(169)	333
Hertfordshire Police & Crime Commissioner	62	0	62
Dacorum Borough Council	79	(675)	(595)
Central Government (Business Rates Only)	0	(843)	(843)
<b>Total Expenditure</b>	<b>101,991</b>	<b>67,686</b>	<b>169,677</b>
Movement on fund balance	(406)	1,413	1,007
Balance at beginning of year	(901)	4,374	3,473
<b>Balance at end of year</b>	<b>(1,307)</b>	<b>5,787</b>	<b>4,480</b>
<b>Shares of balance</b>			
Hertfordshire County Council	(1,008)	1,508	500
Hertfordshire Police & Crime Commissioner	(139)	0	(139)
Dacorum Borough Council	(160)	2,160	2,000
Central Government (Business Rates Only)	0	2,119	2,119
	<b>(1,307)</b>	<b>5,787</b>	<b>4,480</b>

In addition, the Council has £6k in the Collection Fund Adjustment Account on the Balance Sheet relating to designated area growth and renewable energy.

### Collection Fund Income and Expenditure Account 2018/19

	Council Tax £'000	Business Rates £'000	Total £'000
<b>Income:</b>			
Council Tax Receivable	96,934	0	96,934
Business Rates Receivable	0	65,838	65,838
<b>Total Income</b>	<b>96,934</b>	<b>65,838</b>	<b>162,772</b>
<b>Expenditure</b>			
<u>Precepts, Demands and Shares</u>			
Hertfordshire County Council	74,928	6,371	81,299
Hertfordshire Police & Crime Commissioner	9,306	0	9,306
Dacorum Borough Council	11,872	25,483	37,356
Central Government (Business Rates Only)	0	31,855	31,855
<u>Charges to Collection Fund</u>			
Transitional Payment Protection	0	(40)	(40)
Costs of collection	0	208	208
Write offs of uncollectable amounts	0	0	0
Increase/(decrease) allowances for impairment	301	1,243	1,544
Increase/(decrease) provision for appeals	0	888	888
Enterprise Zone & Renewable Energy Growth	0	257	257
<u>Contribution towards previous year surplus/deficit</u>			
Hertfordshire County Council	(118)	453	335
Hertfordshire Police & Crime Commissioner	(14)	0	(14)
Dacorum Borough Council	(19)	1,811	1,792
Central Government (Business Rates Only)	0	2,264	2,264
<b>Total Expenditure</b>	<b>96,256</b>	<b>70,791</b>	<b>167,048</b>
Movement on fund balance	(678)	4,954	4,276
Balance at beginning of year	(223)	(580)	(803)
<b>Balance at end of year</b>	<b>(901)</b>	<b>4,374</b>	<b>3,473</b>
<b>Shares of balance</b>			
Hertfordshire County Council	(700)	438	(262)
Hertfordshire Police & Crime Commissioner	(90)	0	(90)
Dacorum Borough Council	(111)	1,749	1,638
Central Government (Business Rates Only)	0	2,187	2,187
	<b>(901)</b>	<b>4,374</b>	<b>3,473</b>

In addition, the Council has £211k in the Collection Fund Adjustment Account on the Balance Sheet relating to designated area growth and renewable energy.

## 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.

## 2. Business Rates

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

The Council collects and calculates Business rates. The Government specifies an amount (2019/20: 49.1 for small businesses; 50.4p for other rateable businesses) and, subject to the effects of transitional arrangements, local businesses pay NNDR calculated by multiplying their rateable value by that amount. NNDR income was £66.27m in 2019/20 (£65.8m in 2018/19). The rateable value for the Council's area was £162.25m at 31 March 2020 (2018/19: £162.8m).

## 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 2019/20 was calculated as 57,270.20 dwellings as follows:

Band	Estimated equivalent no. of taxable properties after effect of discounts	Ratio to Band D	Band D Equivalent Dwellings
A*	1	5/9	0.6
A	1,002.75	6/9	668.5
B	6,610.50	7/9	5,141.5
C	17,583.50	8/9	15,629.8
D	14,135.25	9/9	14,135.3
E	8,338.75	11/9	10,191.8
F	5,277.50	13/9	7,623.1
G	4,694.00	15/9	7,823.3
H	721.75	18/9	1,443.5
<b>Totals</b>	<b>58,365.00</b>		<b>62,657.40</b>
Council Tax Support			(5,042)
Adjustment for collection rate and contributions in lieu (0.6%)			(346)
<b>Council Tax Base 2019/20</b>			<b>57,270.20</b>
<b>Council Tax Base 2018/19</b>			<b>56,743.60</b>

A\* = Disabled Band A

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

**Asset:** An item having value measurable in monetary terms. A non-current asset has use and value for more than 1 year. Current assets (e.g. inventory or short-term debtors) are readily convertible into cash.

**Budget:** financial statement of an organisation's service delivery and capital programme plans.

**Capital Programme:** the capital schemes the Council intends to carry out over a specified time period.

**Capital Receipt:** proceeds from land/assets disposals, as long as £10,000 or more. Government rules set out what capital receipts can be used for-usually capital expenditure and specific revenue purposes.

**Creditor:** Amounts owed by the Council for works done, goods or services received before the end of the financial year but for which payments have not been made by the end of that financial year.

**Debtor:** Amounts due to the Council for works done, goods received or services rendered before the end of the financial year but for which payments have not been received by the end of that financial year.

**Depreciation:** the measure of the cost of the benefit of a non-current asset consumed during the period.

**Financial Year:** For Local Authorities this is the 1 April to 31 March.

**Government Grants:** Grants from central government to help with the cost of providing services and capital projects. Some have restrictions on how they may be used whilst others are general purpose.

**Gross Expenditure:** The total cost of Council's services before taking into account income from fees and charges and government grants.

**Infrastructure Assets:** Non-current assets with no prospect of sale or alternative use, e.g. footpaths, bridges and drainages systems.

**Intangible Assets:** Non-current assets without physical substance but identifiable and controlled by the authority though custom legal rights e.g. computer software.

**Inventory:** includes goods or other assets for resale and consumable stores.

**Liability:** arises when the Council owes money to others.

**Materiality:** one of the main accounting concepts. It ensures the statement of accounts includes all the transactions that, if omitted, would lead to a significant distortion of the financial position.

**Precept:** levy made by precepting authorities on billing authorities, e.g. Dacorum. Our precepting authorities are Hertfordshire County Council, Hertfordshire Police & Crime Commissioner and Parishes.

**Rateable Value:** The annual assumed rental value of a property used for business purposes.

**Related Party:** Two or more parties are related parties when at any time during the financial period:

- 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:** transfer of assets, liabilities or services between the Council and its related parties.

**Residual Value:** the net realisable value of an asset at the end of its useful life.

**Useful Life:** The period over which an organisation will derive benefits from using an asset.

Date 17 September 2020  
Your Ref Letter of Representation  
Our Ref DBC 201920  
Contact James Deane  
Email james.deane@dacorum.gov.uk  
Direct Line 01442 228278



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Grant Thornton UK LLP  
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Dear Sirs

**Dacorum Borough Council**  
**Financial Statements for the year ended 31 March 2020**

This representation letter is provided in connection with the audit of the financial statements of Dacorum Borough Council for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**Financial Statements**

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.



- iii. 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. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements.
- vi. The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, has impacted global financial markets and travel restrictions have been implemented by many countries. As a consequence economic activity is being impacted in many sectors. As at the valuation date, our independent valuers have stated that they consider that they can attach less weight to previous market evidence and published build cost information for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that they are faced with an unprecedented set of circumstances on which to base a judgement.

The Council's valuation is therefore reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the valuation of the Council's land and buildings than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, the valuers recommend that the Council keeps the valuation of its properties under frequent review.

For the avoidance of doubt, the inclusion of the ‘material valuation uncertainty’ declaration above does not mean that the valuation cannot be relied upon. It is included in order to be clear and transparent, that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case. However the valuer has continued to exercise professional judgement and this remain the best information available to the Council.

- vii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- viii. Except as disclosed in the financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the Council has been assigned, pledged or mortgaged
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- ix. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

- x. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- xi. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. The prior period adjustments disclosed in Note 2 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.
- xv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

#### **Information Provided**

- xvi. We have provided you with:
  - a. 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;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic from whom you determined it necessary to obtain audit evidence.
- xvii. We have communicated to you all deficiencies in internal control of which management is aware.
- xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xix. 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.
- xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council, and involves:
  - a. management;
  - b. employees who have significant roles in internal control; or

- c. others where the fraud could have a material effect on the financial statements.
- xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

#### **Annual Governance Statement**

- xxv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

#### **Narrative Report**

- xxvi. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.

#### **Approval**

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 17 September 2020.

Yours faithfully

**James Deane**  
**Corporate Director Finance and Operations**  
**Date: 17/09/2020**

**Councillor Herbert Chapman**  
**Chairman of Audit Committee**  
**Date: 17/09/2020**

**Signed on behalf of the Council**



# The Audit Findings for Dacorum Borough Council

Year ended 31 March 2020

17 September 2020

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Agenda Item 8



# Contents



## Your key Grant Thornton team members are:

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Headlines

This table summarises the key findings and other matters arising from the statutory audit of Dacorum Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2020 for those charged with governance.

<p><b>Covid-19</b></p>	<p>The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council. Front-line challenges have included administration of grants to businesses, closure of car parks and reopening services under new government guidelines.</p> <p>Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020.</p>	<p>We updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an audit plan addendum on 18 May 2020 which was subsequently presented at Audit Committee 24 June 2020. In that addendum we reported an additional financial statement risk in respect of Covid -19 and highlighted the impact on our VfM approach. Further detail is set out on page 6.</p> <p>Restrictions for non-essential travel has meant both Council and audit staff have had to adapt to new working arrangements which has involved remote accessing financial systems, video calling, alternative approaches to physical verification of assets and verifying completeness and accuracy of information produced by the entity remotely.</p>
<p><b>Financial Statements</b></p>	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements:</p> <ul style="list-style-type: none"> <li>• give a true and fair view of the financial position of the Council and its income and expenditure for the year; and</li> <li>• have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.</li> </ul> <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed remotely during July-September . Our findings are summarised on pages 23 to 28. We have identified one adjustment to the financial statements that have resulted in an amendment to the Council's Comprehensive Income and Expenditure Statement, however this has a net nil effect on the deficit of provision of services. Audit adjustments are detailed in Appendix B. We have also raised recommendations for management as a result of our audit work in Appendix A.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following areas where work is still ongoing:</p> <ul style="list-style-type: none"> <li>• Auditing the net pension liability;</li> <li>• Auditing the Prior Period Adjustments per Note 2;</li> <li>• Receipt of management representation letter; and</li> <li>• Review of the final set of financial statements.</li> </ul> <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation. The financial statements we have audited is up until 31 March 2020 which was prior to the outbreak of the Covid-19 coronavirus pandemic.</p> <p>Our anticipated audit report opinion will be unqualified including an Emphasis of Matter paragraph, highlighting PPE valuation material uncertainties.</p>

# Headlines

## Value for Money arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VfM) conclusion').

We have completed our risk based review of your value for money arrangements. We have concluded that Dacorum Borough Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19 as the financial impact of the pandemic is covered by our work on the previously identified risk in relation to financial sustainability.

We therefore anticipate issuing an value for money conclusion. Our findings are summarised on pages 18 to 20.

## Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- To certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

## Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

# Audit approach

## Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management prior to the Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

## Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- evaluation of your internal controls environment, including its IT systems and controls; and
- Substantive testing of significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have had to alter our audit plan, as communicated to you on 24 June 2020, to reflect our response to the Covid-19 pandemic. This included adding the pandemic to our audit approach as a significant risk at the financial level due to its potential impact across the accounts and audit as a whole.

## Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion. These outstanding items include:

- Receipt of required assurances from the auditor of the Hertfordshire County Council Pension Fund;
- Completion of the review of the prior period adjustments;
- Receipt of management representation letter; and
- Review of the final set of financial statements.

## Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

We have revised the performance materiality to reflect the updated information available upon receipt of the draft accounts, the percentages used have remained the same to reflect that we do not believe there to be any change in the risk profile of the Council.

	Amount per Audit Plan (£)	Revised Amount (£)	Qualitative factors considered
Materiality for the financial statements	3.2 million	3.0 million	Based on 2% of your gross expenditure for the year
Performance materiality	2.4 million	2.25 million	Using 75% of materiality to reflect our assessment of risk
Trivial matters	0.2 million	0.15 million	5% of materiality
Materiality for senior officer remuneration	0.1 million	0.1 million	Potential public interest in these figures.

# Significant audit risks

## Risks identified in our Audit Plan

### Covid- 19

## Auditor commentary

We:

- worked with you to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. Changes were made to materiality levels previously reported however this was due to significant change in gross expenditure between the prior year and the draft accounts rather than any additional risk as a result of the pandemic. The draft financial statements were provided on 25 June 2020;
- liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose;
- evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic;
- evaluated whether sufficient audit evidence could be obtained through remote technology;
- evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations;
- evaluated the assumptions that underpin the revised financial forecasts and the impact on your going concern assessment;
- discussed with you the implications for our audit report where we have been unable to obtain sufficient audit evidence.

Our work identified that the external valuer engaged to provide the valuation of land and buildings had disclosed within their report that a material uncertainty existed in relation the valuation as a result of the Covid-19 pandemic. This was expected as RICS issued an alert regarding this uncertainty (last updated 10 July 2020). We are satisfied that the accounts have made appropriate disclosures to highlight this material uncertainty and to bring this material matter to the attention of readers of the financial statements. Therefore we will be including emphasis of this matter in relation to the valuation of land & buildings within in our audit opinion. No further issues identified in relation to the described procedures.

### The revenue cycle includes fraudulent transactions (rebutted)

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Having considered the risk factors set out in ISA240 and the nature of your revenue streams during planning stage, we determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including Dacorum Borough Council, mean that all forms of fraud are seen as unacceptable.

There has been no changes at the Council that would cause us to revisit this risk.

# Significant audit risks

## Risks identified in our Audit Plan

### Management override of controls

## Auditor commentary

We:

- evaluated the design effectiveness of management controls over journals;
- analysed the journals listing and determine the criteria for selecting high risk unusual journals;
- tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;
- gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence;
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Our work has identified some minor disclosure changes within accounting policies to ensure that each policy covers the material transactions and balances in the accounts. These are updates to the disclosures and no issues were identified with the application of these accounting policies, see further details in Appendix B. We have also identified some disclosure improvements in relation to critical judgements and estimation uncertainty required to ensure these areas meet the presentation requirements of IAS1 and these are also detailed in Appendix B.

### Valuation of land and buildings

We:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;
- evaluated the competence, capabilities and objectivity of the valuation expert
- wrote to the valuer to confirm the basis on which the valuation was carried out;
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the valuer's report and the assumptions that underpin the valuation;
- tested revaluations made during the year to see if they had been input correctly into your asset register;
- evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied.

Apart from the material uncertainty disclosures, already highlighted within the Covid-19 risk, we have only identified one further issue in relation to the PPE valuation. During our reconciliation of the valuation report to the fixed asset register we identified one asset which did not agree. The value of the difference was £338,000. This was due to an error in the upload between the valuation report and the Asset Manager system and has been isolated to this one asset. Management agreed to amend the accounts for this error, we note that this is not an error in the valuation estimate itself. See Appendix B for further details. Our audit work has not identified any further issues in relation to valuation of land and buildings.

# Significant audit risks

## Risks identified in our Audit Plan

### Valuation of pension fund net liability

## Auditor commentary

We:

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;

Our work in this area is substantially complete however we are still to:

- Obtain assurances from the auditor of Hertfordshire County Council Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. We have liaised with the auditor who has informed us that their work will be taking place in September 2020, upon completion of this work they will be able to provide the required assurances;
- undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. This work has commenced however we are still undertaking additional required procedures to gain assurances over the reasonableness of the experience assumptions within Note 38 and the actuary report.

From the work completed to date one minor disclosure change has been identified in relation to the mortality assumptions presented in Note 38, the prior year disclosure was incorrectly included for 2019/20 in the draft accounts. This amendment has been agreed by Management and is included in Appendix B. This is a disclosure issue only and the assumptions used in the valuation by the actuary have been confirmed as appropriate subject to the resolution of the outstanding queries.

# Other audit risks

## Risks identified in our Audit Plan

### International Financial Reporting Standard (IFRS) 16 Leases – (issued but not adopted)

## Auditor commentary

In our Audit Plan dated 5 February 2020 we identified this an 'Other' risk and determined the below audit approach:

- Evaluate the processes the Council has adopted to assess the impact of IFRS16 on its 2020/21 financial statements and whether the estimated impact on assets, liabilities and reserves has been disclosed in the 2019/20 financial statements;
- Assess the completeness of the disclosures made by the Council in its 2019/20 financial statements with reference to The Code [Local Authority Leasing Briefings](#)

As a result of the Covid-19 pandemic the implementation of this standard has been deferred until 1 April 2021. Although the implementation of IFRS 16 has been delayed audited bodies still need to include disclosure in their 2019/2020 statements to comply with the requirement of IAS 8 para 31. As a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases.

We reviewed the disclosures within Note 3 and are satisfied that they meet these expectations.

# Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Audit Comments	Assessment
<b>Provisions for NNDR appeals £5.032 million</b>	You are responsible for repaying a proportion of successful rateable value appeals. Management uses the number of appeals outstanding at 31 March 2020 and the average reduction achieved from settled appeals, to calculate the level of provision required. The provision has increased by £497k from the prior year.	<p>We reviewed:</p> <ul style="list-style-type: none"> <li>• appropriateness of the underlying information used to determine the estimate;</li> <li>• impact of any changes to valuation method;</li> <li>• reasonableness of increase in estimate;</li> <li>• adequacy of disclosure of estimate in the financial statements.</li> </ul> <p>Our work has not identified any issue in the key judgements and estimates applied.</p>	 <b>Green</b>
<b>Level 1/2 financial instruments</b>	<p>You have investments held with various financial institutions and other local authorities including short fixed term deposits and money market funds. Short term investments are valued on the balance sheet as at 31 March 2020 at £51,688k cash equivalents, which includes money market funds, are held at £17,620k respectively. In order to gain assurance over existence and accuracy of these balances, we obtain direct confirmations from the institutions.</p> <p>You also have short and long term borrowing all of which relates to loans with the Public Works Loans Board (PWLB). The fair value of these is determined via inputs which are observable but not quoted in an active market. The fair value is arrived at by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the redemption and new borrowing discount rates. In order to gain assurance over existence and accuracy of these balances, we obtain confirmation of the fair value from Link Asset Services as your Treasury Advisor.</p>	<p>We have received all confirmations except for the deposits held with BlackRock, Aberdeen City Council and Coventry Building Society. We have undertaken alternative audit procedures to gain assurance over existence and accuracy of the balance.</p> <p>Our work has not identified any issue in respect of investments held.</p> <p>We have obtained the report produced by Link Asset Services as at 31 March 2020 which confirms the fair value in the accounts as being disclosed correctly. We are satisfied that the fair value estimation method is in line with our expectations and has not changed from the prior year.</p> <p>Our work has not identified any issue in respect of borrowing.</p>	 <b>Green</b>

#### Assessment

-  We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
-  We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
<b>Council Dwellings, Land and Buildings – £1.241 billion</b>	<p>Council Dwellings, Land and buildings (£1.241 billion) are not specialised in nature and are required to be valued at existing use value (EUUV) at year end. You engaged Wilks, Head &amp; Eve to complete the valuation of properties as at 31 January 2020. All Council Dwellings and high value Land &amp; Buildings are revalued annually with the remainder of Land &amp; Building revalued on a rolling basis, minimum every 5 years.</p> <p>The valuation of properties valued by the valuer has resulted in a net increase of £92 million.</p> <p>Management has considered the year end value of non-valued properties and the potential valuation change in the assets between the valuation date and year end by engaging Wilks, Head and Eve to undertake a review of these assets, applying industry average indices and rental income to determine whether there has been a material change in the total value of these properties. For Council Dwellings this assessment was considered to material by Management and so an uplift based on indices provided by the valuer was made. For the remainder of assets the movement was not considered to be material.</p> <p>The total year end impairment loss related to Council Dwelling only and was £17.841 million, a net increase of £2.626 million from 2018/19 (£15.215 million).</p>	<p>We considered and completed the following in the course of our testing:</p> <ul style="list-style-type: none"> <li>• assessment of management's expert, Wilks, Head &amp; Eve;</li> <li>• completeness and accuracy of the underlying information used to determine the estimate;</li> <li>• impact of any changes to valuation method;</li> <li>• consistency of estimate against Gerard Eve report;</li> <li>• reasonableness of increase in estimate overall;</li> <li>• adequacy of disclosure of estimate in the financial statements.</li> </ul> <p>Our work in this area is complete and we have identified no issues.</p>	<p> <b>Green</b></p>

# Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment																														
<b>Net pension liability – £54.726 million</b>	<p>The Council's net pension liability at 31 March 2020 is £54.726 million (PY £80.258 million). You use Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in March 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £30.529 million net actuarial gain/loss during 2019/20.</p>	<p>We considered and completed the following in the course of our testing:</p> <ul style="list-style-type: none"> <li>Assessment of management's expert;</li> <li>Assessment of actuary's roll forward approach taken, detail work undertaken to confirm reasonableness of approach;</li> <li>Use of PwC as auditors expert to assess actuary and assumptions made by actuary:</li> </ul>	  <b>Green</b>																														
		<table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.3%</td> <td>2.3%</td> <td style="text-align: center;"></td> </tr> <tr> <td>Pension increase rate</td> <td>1.9%</td> <td>1.8 - 2%</td> <td style="text-align: center;"></td> </tr> <tr> <td>Salary growth</td> <td>2.3%</td> <td>Between RPI and CPI</td> <td style="text-align: center;"></td> </tr> <tr> <td>Longevity at 65 for current pensioners: men</td> <td>21.9 yrs</td> <td>20.5 – 22.2 yrs</td> <td style="text-align: center;"></td> </tr> <tr> <td>Longevity at 65 for current pensioners: women</td> <td>24.1 yrs</td> <td>22.9 – 24.3 yrs</td> <td style="text-align: center;"></td> </tr> <tr> <td>Longevity at 45 for future pensioners: men</td> <td>22.8 yrs</td> <td>21.6 – 23.3 yrs</td> <td style="text-align: center;"></td> </tr> <tr> <td>Longevity at 45 for future pensioners: women</td> <td>25.5 yrs</td> <td>24.6 – 26.3 yrs</td> <td style="text-align: center;"></td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>Completeness and accuracy of the underlying information used to determine the estimate;</li> <li>Impact of any changes to valuation method;</li> <li>Assessment of the information received from pension fund auditor;</li> <li>Reasonableness of the Council's share of LPS pension assets;</li> <li>Reasonableness of increase/decrease in estimate;</li> <li>Adequacy of disclosure of estimate in the financial statements.</li> </ul> <p>The actuarial assumptions made by Hymans Robertson and accepted by you were reviewed by the audit team. Our review, to date, has concluded that the assumptions made by Hymans Robertson are reasonable.</p> <p>In respect of the assumptions, we continue to recommend that management keeps these under review for future periods in order to ensure that they remain appropriate to your circumstances.</p>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.3%	2.3%		Pension increase rate	1.9%	1.8 - 2%		Salary growth	2.3%	Between RPI and CPI		Longevity at 65 for current pensioners: men	21.9 yrs	20.5 – 22.2 yrs		Longevity at 65 for current pensioners: women	24.1 yrs	22.9 – 24.3 yrs		Longevity at 45 for future pensioners: men	22.8 yrs	21.6 – 23.3 yrs		Longevity at 45 for future pensioners: women	25.5 yrs	24.6 – 26.3 yrs
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# Significant findings – going concern

## Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management’s use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity’s ability to continue as a going concern” (ISA (UK) 570).

### Going concern commentary

### Auditor commentary

#### Management’s assessment process

In arriving at the conclusion that the use of the going concern is appropriate management has:

- Considered the prescriptions of the Code and CIPFA LAAP Bulletin (dated 5 April 2020) in this area;
- Produced a cashflow forecast in line with internal reporting requirements to 31 March 21 and extended this to 1 October 21 for audit purposes;
- Produced a Covid-19 impact assessment on expenditure and loss of income and incorporated the assumptions within your cashflow forecasts.

- You have confirmed that there are no current statutory prescriptions in place which would dissolve the Council and its operations as such you are appropriately complying with paragraph 3.4.2.23 of the Code by preparing your accounts on a going concern basis.
- You have a reasonable expectation that the Council has adequate resources to continue in operational existence for the foreseeable future. For this reason, you believe that it is appropriate to continue to adopt the going concern basis in preparing the accounts.
- Management’s process for assessing going concern is a continuous process throughout the year to ensure continued adequacy of the assumption, this has been updated for the potential effects of Covid-19. Your assessment is multi faceted, focussing beyond cashflow and also incorporating liquidity, savings efficiencies and income projections. For these reasons we deem your processes in relation to going concern to be adequate.
- Your cashflow forecast is produced on internally in line with the financial year covers to 31 March 2021 however this has been extended to 1 October 2021 for the purposes of our audit which must determine that you can remain a going concern for 12 months following the expected date of our audit report. Your cashflow forecast was produced prior to the pandemic but is currently being updated monthly in order to incorporate the emerging impact of the Covid-19 pandemic. Our work below has confirmed that the Council has an sufficient level of cash resources to support it until 12 months following the intended audit report date.

#### Work performed

We assessed a variety of factors which could impact your ability to continue as a going concern to determine whether managements assessment was appropriate.

These factors included the adequacy of the cash held, your ability to meet your liabilities as they fall due, adequacy of reserves held and your ability to predict and maintain cashflow over the next 12 months with realistic assumptions.

- We are satisfied that you have strong quick ratio providing assurance that you can meet your debts as they fall due. You have £1 billion more assets than liabilities which is deemed to be significant and an increase on the prior year by £128 million and you have the ability to cover all of your current liabilities 2.3 times over with current assets as at 31 March 2020.
- We are satisfied that you have strong cash reserves with £69.1 million held at 31 March 2020 in cash, cash equivalents and short term investments which have been driven by good financial performance over several years.
- We are satisfied that you have been able to produce a cashflow forecast which demonstrates stability in these cash reserves over the next 12 months. The cashflow forecast, updated in June 2020, demonstrated that the lowest predicted cash balance was £24 million held. Our analysis identified that this was sufficient to support the Council’s net expenditure for the required timeframe in assessing going concern.
- You have predicted that the Council is likely to face a net £5 million pressure as a result of income loss and expenditure due to the Covid-19 pandemic in the 20/21 financial year. We reviewed the assumptions in relation to this pressure and determined that they were on the pessimistic side. We do note however that at this stage the Council has been unable to predict the effects on council tax and business rates income which were not included in the assumptions. The effects of this income loss would be expected in the 21/22 financial year, however and do not affect the current going concern assessment.
- You have been contributing to usable reserves as well as using them for earmarked projects over the last 5/6 years and therefore had a good level of reserves at the start of 2019/20. You have used significant reserves (£12 million) in 2019/20 to end the year with a balance of £55 million, this is still considered substantial and has offset a similar level of contribution made in 2017/18. In 2013/14 levels of reserves were £43 million, the Council is still continuing to provide services and remain viable 6 years later therefore £5 million use of reserves potentially required to meet the Covid-19 pressure would enable you to maintain an appropriate level of reserves.

#### Concluding comments

- The going concern assumption is appropriate and therefore does not impact our ability to provide an unmodified opinion.

## Other matters for communication

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Auditor commentary
<b>Matters in relation to fraud</b>	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
<b>Matters in relation to related parties</b>	We are not aware of any related parties or related party transactions which have not been disclosed.
<b>Matters in relation to laws and regulations</b>	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
<b>Written representations</b>	A letter of representation has been requested from the Council, which is included in the Audit Committee papers.
<b>Confirmation requests from third parties</b>	We obtained direct confirmations from the PWLB loans and requested from management permission to send confirmation requests to the various counterparties for bank and investment balances. This permission was granted and the requests sent. We are awaiting confirmations from BlackRock, Aberdeen City Council and Coventry Building Society. We have performed alternative audit procedures over this balance so there is no impact on the audit opinion if we do not receive the direct confirmation.
<b>Disclosures</b>	Our review found no material omissions in the financial statements, all disclosure amendments are detailed in Appendix B.
<b>Audit evidence and explanations/significant difficulties</b>	All information and explanations requested from management was provided.

# Other responsibilities under the Code

Issue	Commentary
<b>Other information</b>	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No issues were noted in relation to the Narrative Report. Minor disclosure amendments have been agreed with management to ensure that the Annual Governance Statement is compliant with CIPFA's Delivering Good Governance in Local Government Framework. These include:</p> <ul style="list-style-type: none"> <li>• adding reference to actions taken in relation to the Planning governance issue disclosed in the prior year Annual Governance Statement; and</li> <li>• Including details of the creation of the Incident Management Team in response to Covid-19 and the inclusion of the pandemic on the risk register to ensure that governance arrangements in relation to Covid-19 are disclosed in full.</li> </ul> <p>We plan to issue an unmodified opinion in this respect.</p>
<b>Matters on which we report by exception</b>	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> <li>• If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit</li> <li>• If we have applied any of our statutory powers or duties</li> </ul> <p>We have nothing to report on these matters, in addition to the above minor disclosure amendments agreed in relation to the Annual Governance Statement.</p>
<b>Specified procedures for Whole of Government Accounts</b>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Further work is not required as the Council does not exceed the threshold.</p>
<b>Certification of the closure of the audit</b>	<p>We intend to certify the closure of the 2019/20 audit of Dacorum Borough Council in our final audit report.</p>

# Value for Money

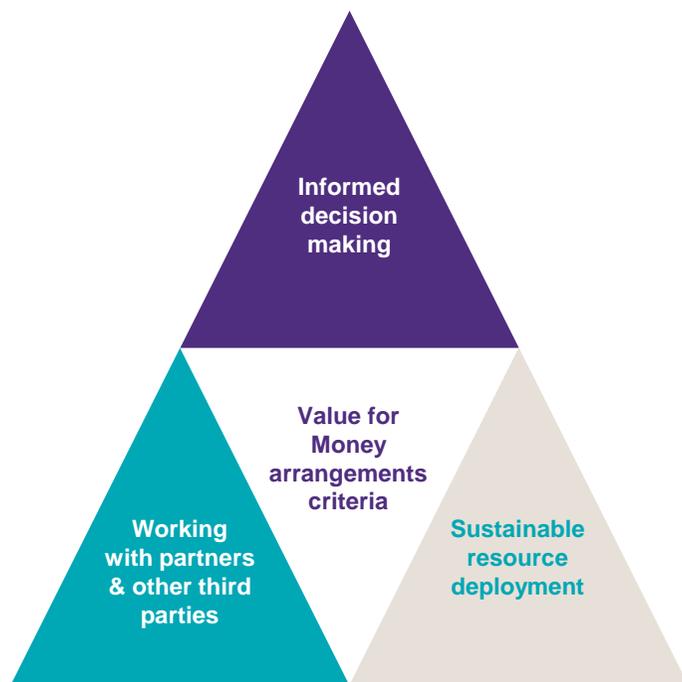
## Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 identifies one single criterion for auditors to evaluate:

*"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."*

This is supported by three sub-criteria, as set out below:



## Risk assessment

We carried out an initial risk assessment in January 2020 and identified one significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated 5 February 2020.

We have updated our VFM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VFM risks in relation to the Covid-19 pandemic.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risk we identified from our initial and ongoing risk assessment. Our consideration of the significant risk determined that arrangements were operating effectively.

# Value for Money

## Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- Evaluating your Medium Term Financial Strategy (MTFS) and its assumptions for reasonableness and relevance;
- Evaluating your 2020/21 budget setting process and determining the reasonableness of your plans to resolve budget gaps;
- Assessing the 2019/20 outturn position against the 2019/20 budget to determine the potential effect on medium term financial sustainability;
- Understanding your reserves policy and evaluating the actual use of reserves against planned usage;
- Understanding and reviewing the reasonableness of savings plans and the effect on the MTFS;
- Evaluating your assessment if the impact of the Covid-19 pandemic on future cashflow, budget and reserves and its assumptions for reasonableness;
- Reviewing the adequacy of your governance and business continuity arrangements in response to Covid-19 pandemic.

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 18 to 20.

## Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

## Recommendations for improvement

See page 20.

## Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

## Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

# Value for Money

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

### Significant risk

### Findings

#### Financial Sustainability in the Medium Term – Sustainable Resource Deployment

#### Prior to the Covid-19 pandemic:

- You have demonstrated that you have a well supported budget setting process. This process incorporates an appropriate level of challenge and scrutiny from member committees to ensure budgets are achievable operationally, input from a range of stakeholders to ensure the budget remains relevant, a good level of support from finance to ensure budgets are achievable from a resourcing perspective and that there is ongoing budget monitoring and updates for new information throughout the year to ensure budgets remain appropriate;
- You are able to successfully plan for the medium term by producing a Medium Term Financial Strategy (MTFS) for the next four years spanning 2020/21 to 2023/24. We are satisfied that your financial plans are based on realistic assumptions for future years;
- You have a robust process for identifying and monitoring savings which has resulted in you fully identifying your savings requirement of £0.643 million for 2020/21. This has since been updated (see preceding section);
- In terms of outturn position you have demonstrated control over spending in 2019/20 and recorded a surplus outturn position on both the General Fund and Housing Revenue Account (HRA) of £153k and £1.2 million respectively. This performance was ahead of the budgeted outturn position and therefore has been added to earmarked reserves at year-end. The earmarked reserve enables you to manage any additional budget pressures in subsequent years and therefore maintains sound financial sustainability. You have performed well to achieve performance ahead of budget, particularly in the current challenging financial environment with continued funding cuts from central government;
- You have maintained a strong level of reserves for 2019/20. Although usable reserves have decreased by 18% from the prior year to £55 million these have been used for specific purposes, namely to fund capital expenditure in relation to the HRA. You have been contributing to your earmarked reserves over the previous 5 years which saw an increase since 2013/14 of 56%. This demonstrates robust financial planning by contributing to reserves over this period and earmarking them for specific strategic purposes in the future to allow you to meet your strategic objectives over the medium term, as you have done in using them for this purpose in 2019/20.
- You have set yourself a minimum general fund balance of £2.5 million which you wish to hold to ensure a minimum level of funds is available for non-specific expenditure should it be required. You have demonstrated that you have maintained this minimum threshold for 2019/20 by holding a general fund reserve of £2.502 million and have plans to maintain the minimum level in the medium term, even in light of the pressures from the Covid-19 pandemic;
- You have a good liquidity position including cash, cash equivalents and short term investments of £70 million which you can draw upon in the future whilst still maintaining the minimum levels you requires to continue providing services.

# Value for Money

## Significant risk

## Findings

### Financial Sustainability in the Medium Term – Sustainable Resource Deployment

The above arrangements were made and reviewed prior to the occurrence of the Covid-19 pandemic which saw the UK enter into lockdown with restrictions of travel and social distancing measures taking effect in March 2020 prior to the year end. The pandemic has the potential to significantly affect the financial sustainability of all organisations and as such we reviewed the Council's arrangements, from a financial sustainability perspective, in response to the effects of the pandemic as well as its business as usual arrangements covered on the previous page.

#### Covid-19:

- You have identified that the Covid-19 pandemic is likely to cause a net budget pressure in 2020/21 to the Council of £5 million. This is comprised of a £5.6 million predicted loss of income, £1 million expenditure pressure and partially offset by £1.6 million of funding from central government.
- Your key income streams which are likely to be most negatively affected are investment property income, planning income, car parking income and garages income which accounts for 82% of the expected loss. Our review of the assumptions underlying the expected income loss identified that these assumptions were cautious in their predictions. However this has been deemed appropriate given the uncertainty and lack of data on which to make predictions, the Council has based its forecasts on available evidence at the time. Your strategies to respond to the pandemic demonstrate your ability to remain viable and these are based on these cautious assumptions and therefore do not suggest any significant issues with financial sustainability at this stage;
- Your income loss forecasts do not include the potential impact of losses in relation to council tax and business rates, which are two income streams on which the Council is reliant. Due to the way in which these income streams are administered income losses on council tax and business rates are likely to affect the 1021/22 financial year due and therefore this will need to be incorporated into the MTFs update and 21/22 budget. However at this stage we would not deem this to be an issues for the 2019/20 value for money conclusion given the flexibility the cautious assumptions in other key income streams provides;
- You have included £1.6 million of government funding within your impact assessment of the pandemic. Since then a third tranche of funding has been released which increases this to £1.8 million and further government announcements have been made for other forms of support. These are not incorporated into your current budgeting but have the potential to reduce the £5 million budget pressure further;
- You have advised that the use of earmarked reserves is likely to be required to meet these financial pressures within the 2020/21 financial year, however, this would be at the expense of the future projects the reserves were created to support. Officers have advised that the Council had planned a £5m contribution to reserves in 2020/21 from New Homes Bonus, negative RSG and Business Rates pooling which would support this pressure. In addition, as stated previously you have contributed significantly to reserves over the past 5 years which has prepared the Council well to respond to an unexpected event such as this. Our review of reserves strategy demonstrated that, prior to the pandemic, you were planning to contribute approximately £10 million to reserves over the next 3-5 years. In worst case scenario if no contributions could be made in 2020/21 and the £5 million pressure was funded from reserves the current balance of usable reserves would reduce to £50m which remains a sustainable level;

# Value for Money

## Significant risk

## Findings

### Financial Sustainability in the Medium Term – Sustainable Resource Deployment

- You have been able to produce a cashflow forecast which demonstrates stability in your cash reserves over the next 12 to 18 months. The cashflow forecast, updated in June 2020, demonstrated that the lowest predicted cash balance was £24 million held. Our analysis identified that this, alone, was sufficient to support the Council's net expenditure for until October 2021;
- Since the development of the MTFS you have increased your savings requirement for 2020/21 from £0.643 million in the MTFS to £1.7million per the savings tracker which is monitored each month by the Council Management Team. The increase is due to additional growth bids and reductions in the 2019/20 budget. Currently you have identified a risk of potentially not achieving £0.9 million of this target, a proportion of which is as a result of the Covid-1 pandemic. This would likely cause additional pressure on reserves however the levels of reserves held are deemed sufficient;
- You are yet to update your MTFS for 2020/21 onwards. Under your usual processes this would be updated and approved in July 2020 however Management is looking to defer this until September 2020 in order to incorporate greater certainty into your financial planning regarding council tax and business rates income levels to ensure that the MTFS is robust. A deferral allows less time to mobilise the plans within the MTFS however you have mitigated the potential risk by already identifying savings for 2020/21 which have been updated for the effects of the pandemic and producing a Covid-19 impact paper in the interim demonstrating the budget pressures potentially being faced;
- The pandemic saw you update your governance arrangements particularly in relation to decision making. We are satisfied that the newly established Incident Management Team is an appropriate response to the situation and has ensured that decisions can be made swiftly and with appropriate scrutiny as well as using technology to allow business as usual Council and Executive decision making to continue;
- We reviewed the updated business continuity arrangements and are satisfied that the Council have considered business continuity and appropriate levels of staffing across a wide range of operations. From a finance perspective there has been no issues as staff have been able to work remotely and segregation of duties has been upheld.

### **Recommendations:**

The pandemic will likely cause a significant pressure and use of reserves and although we are assured that you have sufficient reserves to fund the pressures we recommend that you now look to implement a strategy to contribute to reserves in the medium term in order steadily increase reserves to pre-Covid-19 levels so that you are able to respond to any future challenges.

### **Conclusion**

Accordingly, in our view, appropriate arrangements are in place to support your medium term financial position.

# Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C

# Independence and ethics

## Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

	Fees £	Threats identified	Safeguards
<b>Audit related</b>			
Certification of Pooling Housing Capital Receipts Return	TBC (£2,750 for 2018/19)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £2,750 in comparison to the total fee agreed to date for the audit of £56,480 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit Claim	£17,500 (incl 40+ Testing)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £17,500 in comparison to the total fee agreed to date for the audit of £56,480 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit Committee. None of the services provided are subject to contingent fees.

# Action plan

We have identified one recommendation for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendation
 (Medium)	<p>During our review of the payroll control system at planning stage of the audit it was identified that there are no in-built controls within the payroll system which require approval before an individual can be added to the payroll. The functionality of the system means that this function cannot be added.</p> <p>As a detective control to mitigate the risk of a 'ghost'; employee being added to the system an exception report is run before the monthly payroll run is approved which compares pay the month with the prior month and all variances should be confirmed to be correct by payroll.</p> <p>We are satisfied that this is an appropriate mitigating control however it was identified that there was no evidence that these exception reports had been run, exceptions had been investigated and had been confirmed to be accurate prior to the payroll being processed.</p> <p>We consider this to be a control deficiency as in the absence of secondary approval there is the opportunity for a payroll employee to add a fictitious employee to the payroll. Such changes would be identified through exception reporting but there is no documented evidence that these reports are being run and that such changes are being confirmed to source documentation.</p> <p>Investigation of this was still underway at the time of the Audit Plan being issued and has therefore been reported here in our Audit Findings Report.</p>	<p>We consider this to be a control deficiency as the mitigating control of exception reports being run, checked and approved is not clearly evidenced and therefore there is no confirmation that this control is operating effectively. We would recommend that a policy is put in place to document that these reports have been run, reviewed and any significant variances investigated.</p> <p><b>Management response:</b></p> <p>Management agreed to implement a payment controls checklist which has been in place since April 2020, to be signed by two officers to provide confirmation that checks have been carried out on the monthly exception report received from our payroll bureau.</p>

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## Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

# Audit adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2020.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
<p><b>Note 10 Financing and Investment Income &amp; Expenditure</b></p> <p>Note 10 states that change in fair value of investment property is £3,233k whereas Note 12 and Note 29 state this is £3,633. This is due to 2 properties that were reclassified from Investment Property to Other Land &amp; Buildings in year. The £400k revaluation movement has been accounted for as an Investment Property in Note 10 in error and should be in the Net Cost of Services with the Comprehensive Income and Expenditure Statement. Management have agreed an amendment of a £400k decrease in Note 10 and £400k increase in Net Cost of Services. This has also been reflected in the Expenditure and Funding Analysis and associated notes.</p>	<p>Dr Net Cost of Services £400k</p> <p>Cr Finance and Investment Income and Expenditure £400k</p>	N/A	Net nil effect in CIES
<p><b>Note 27 Property, Plant and Equipment</b></p> <p>In reconciling the Fixed Asset Register to the Valuation Report for Property, Plant and Equipment it was noted that the value of one asset (the Elms) did not reconcile between the two due to an the value incorrectly uploading from the report to Asset Manager (the fixed asset register). This is a difference of £338k and the building has a sufficient revaluation reserve to support the difference.</p>	N/A	<p>Dr Revaluation Reserve £338k</p> <p>Cr Property, Plant and Equipment £338k</p>	N/A
<p><b>Note 22 and Note 23 Debtors</b></p> <p>Our sample testing identified a misclassification between long and short term debtors in relation to a CIL debtor with an agreed payment plan. We completed further testing of this type of debtor and identified an amendment required to ensure the long term element of the associated payment plans was correctly categorised in the balance sheet and the relevant notes. The amendment also accounts for the change in the associated bad debt provision</p>	N/A	<p>Dr Long Term Debtors £2,301k</p> <p>Cr Short Term Debtors £2,301k</p>	N/A
<b>Overall impact</b>	<b>£0</b>	<b>£0k</b>	<b>£0</b>

# Audit adjustments

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Detail	Auditor recommendations	Adjusted?
<b>Note 1 Accounting Policies</b>	Para 3.3.2.9 of the Code requires that accounting policies are complete in all material respects. Reclassifications of Property, Plant and Equipment and HRA Rents were identified as a material transaction within the accounts however no accounting policy was disclosed within Note 1.	<p>We recommend that accounting policies are disclosed in relation to these material transaction types in order to ensure the accounts are compliant with the Code.</p> <p><b>Management response</b></p> <p>Management have agreed to include additional narrative within Note 27 Property, Plant and Equipment to cover these areas, which we deem to be an appropriate response.</p>	✓
<b>Note 4 Critical judgements in applying Accounting Policies</b>	In reviewing the completeness of the disclosures of critical judgements, under IAS1, we identified that the Council makes judgements in relation to the frequency of asset valuations and in the de-minimus level it sets for capitalising expenditure on fixed assets of £10,000. Both meet the definition of a critical judgement per IAS1 and have not been disclosed in Note 4.	<p>We recommended that these judgements be disclosed in Note 4 as each meets the definition due to the choice the Council is making in applying its accounting policies and the material nature of the transactions.</p> <p><b>Management response</b></p> <p>Management have agreed to include these critical judgements in Note 4</p>	✓
<b>Note 38 Pensions</b>	In agreeing the assumptions disclosed in Note 38 to the Actuarial Valuation Report from Hymans Robertson we identified that the mortality assumptions disclosed for 2019/20 in the accounts were inconsistent with the valuation report.	<p>Further investigation identified that this was a typo in the accounts and not an issue with the assumptions themselves. We recommend that the 2019/20 figures be updated in the accounts to match the Actuarial Report.</p> <p><b>Management response</b></p> <p>Management have agreed to update Note 38 to disclose the correct 2019/20 figures per the Actuarial Report.</p>	✓

# Audit adjustments

## Misclassification and disclosure changes (continued)

Disclosure omission	Detail	Auditor recommendations	Adjusted?
<b>Note 5</b> <b>Assumptions made about the future and other major sources of estimation uncertainty</b>	<p>IAS 1:125 requires that:</p> <p>An entity shall disclose information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of:</p> <p>(a) their nature, and</p> <p>(b) their carrying amount as at the end of the reporting period.</p>	<p>We identified that valuation of the Council's property, plant and equipment meets the definition of a source of estimation uncertainty but we noted that the disclosure in the draft accounts only covered Council Dwellings when Other Land &amp; Buildings and Investment Property are also subject to valuation estimation and are material. In addition the carrying value was not disclosed for Council Dwellings in the original disclosure.</p> <p><b>Management response</b></p> <p>Management have agreed to include the carrying value and description of the estimation methods used for each of Council Dwellings, Other Land &amp; Buildings and Investment Properties within Note 5, including a sensitivity analysis for each. This meets the disclosure requirements of IAS1.</p>	✓
<b>Note 36 Financial Instruments</b>	<p>Paragraph 7.1.2.24 of the Code confirms that trade receivables are financial instruments however the Code and IFRS9 confirm that only those which are of a contractual nature are considered to be financial instruments. Therefore, as clarified by the Code, receivables which are statutory in nature or are accounting concepts such as provisions and prepayments are not expected to be financial instruments since there is not contract entered into. We would define statutory payables and receivables, and therefore not financial instruments, as those relating to VAT, Housing Benefits, Council Tax and Business Rates. Upon reviewing the debtors disclosed in Note 36 we identified that bad debt provisions, except those relating to commercial properties, had been correctly excluded from Note 36.</p>	<p>We recommend that the short-term debtors in Note 36 be revised by £213k to ensure that all bad debt provisions, including those for commercial property, are correctly excluded from the disclosure.</p> <p><b>Management response</b></p> <p>Management have agreed to amend accordingly.</p>	✓

# Audit adjustments

## Misclassification and disclosure changes (continued)

Disclosure omission	Detail	Auditor recommendations	Adjusted?
<b>Expenditure and Funding Analysis (EFA)</b>	Paragraph 3.4.2.93 of the Code confirms that the EFA shall be included within the notes and given due prominence. The EFA in the draft accounts has been included as a main statement which is a departure from the Code.	<p>We recommend that the EFA be included within the notes to the financial statements as opposed to within the main statements to ensure both compliance with the Code and to ensure that our opinion covers the information included within this note.</p> <p><b>Management response</b></p> <p>Management have agreed to amend and include the EFA within Note 7, which already contains supporting information to the EFA. We are satisfied this gives the note due prominence as it is presented towards the start of the notes to the financial statements.</p>	✓
<b>Other</b>	We agreed some minor reductions to the disclosures in Note 4 (Critical Judgements) and Note 16 (Related Parties) in order to ensure these notes were compliant with the Code	<p><b>Management response</b></p> <p>Management have agreed the amendments and we are satisfied these notes are compliant with the Code requirements for each.</p>	✓

# Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

<b>Audit fees</b>	<b>Proposed fee</b>	<b>Final fee</b>
Council Audit (Scale Fee)	56,480	56,480
Council Audit (Fee Variation)	7,500	TBC
<b>Total audit fees (excluding VAT)</b>	<b>£63,980</b>	<b>TBC</b>

<b>Non-audit fees for other services</b>	<b>Proposed fee</b>	<b>Final fee</b>
Audit Related Services – Certification of the Housing Benefit Subsidy Claim	17,500	TBC
Audit Related Services – Certification of the Pooling Housing Capital Receipts Claim	TBC	TBC
<b>Total non-audit fees (excluding VAT)</b>	<b>TBC</b>	<b>TBC</b>



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MEETING DATE	DEADLINE TO MEMBER SUPPORT	STANDING ITEMS	ITEMS:	RESPONSIBLE PARTY
11/11/20	02/11/20	Apologies for absence Declarations of Interest Minutes Actions Public Participation External Audit Progress Report Internal Audit Progress Report Future Work Programme	Annual DBC Financial Regulations Review. Future IA reports will be added once the 20/21 IA programme is approved by AC.	IA - TIAA EA - GT Other reports - DBC officers
17/03/21	08/03/21			
03/02/21	25/01/21			