

Audit Agenda



Wednesday 8 September 2021 at 7.30 pm

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

Membership

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

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 4 - 8)

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. FINAL OUTTURN REPORT 2020/2021 (Pages 9 - 25)

- Final outturn report 2020/21
- Appendix A- GFR summary 2020/21
- Appendix B HRA summary 2020/21
- Appendix C Capital programme 2020/21
- Appendix D Reserves as at 31 March 2021

6. STATEMENT OF ACCOUNTS AND LETTER OF REPRESENTATION (Pages 26 - 122)

- Statement of Accounts 2020/21 covering report
- Appendix A Statement of Accounts 2020/21
- Appendix B Letter of Representation 2020/21

7. EXTERNAL AUDIT AUDIT FINDINGS REPORT (Pages 123 - 143)

- Audit Findings Report 2020/21

8. SUMMARY INTERNAL CONTROLS ASSURANCE (SICA) REPORT (Pages 144 - 200)

- SICA report
- ICT- Network Security report
- Absence Management report
- Payroll implementation report **(PART 2)**

9. STRATEGIC RISK REGISTER UPDATE QUARTER 1 2021/22 (Pages 201 - 217)

- SRR Q1 2021/22 report
- Appendix A- Strategic Risk Register Q1 2021/22
- Appendix B- scoring methodology

10. WORK PROGRAMME

Agenda Item 3

AUDIT COMMITTEE

MINUTES OF THE MEETING HELD ON: 23 June 2021

ATTENDING

Councillors:

Councillor Chapman (Chairman)

Councillor Elliot

Councillor SO.Mahmood

Councillor Symington

Councilor Townsend

Councillor Tindall

Outside Representatives:

DBC Officers:

M Sells, Member Support Officer (Minutes)

Nigel Howcutt

Sara Whelan

Grant Thornton

Paul Cuttle

TIAA

Philip Lazenby

The Meeting commenced at. 19:30

No.	AGENDA ITEM
1	<p>APOLOGIES FOR ABSENCE</p> <p>Apologies for absence were submitted on behalf of</p> <p>Amber Banister Cllr Townsend James Deane</p>
2	<p>MINUTES OF THE PREVIOUS MEETING</p> <p>The Minutes of the previous meeting held on 17 March 2021 were review and agreed</p>

3	<p>DECLARATIONS OF INTEREST</p> <p>There were no Declarations of Interest.</p>
4	<p>PUBLIC PARTICIPATION</p> <p>There was no public Participation.</p>
5	<p>EXTERNAL AUDIT</p> <p>N.Howcutt introduced Paul Cuttle who will be taking over from Amber Banister, the Committee welcomed him.</p> <p>Presented by Paul Cuttle of Grant Thornton.</p> <p>Audit Plan for 20/21 Financial Accounts – Update on progress.</p> <p>The report has been circulated to the committee.</p> <p>Paul reminded the committee of the scope of the work to be carried out by Grant Thornton. There are 2 elements:</p> <ol style="list-style-type: none"> 1: Forming and expressing an opinion on the financial statements 2: Value for money arrangements which are in place within the council. <p>In relation to the financial statements, the area which is focused on is the significant risks.</p> <p>Another area of focus is Fraudulent Expenditure recognition which is a new element to the report and management override of controls, Every audit in every sector would look at these.</p> <p>Other areas to be looked at are the valuation of the buildings, Investment properties and pension fund liability.</p> <p>Pages 12 – 14 of the report give more details about the procedures and processes undertaken.</p> <p>Accounting estimates is a new standard, these include an enhanced presentation in the financial statements.</p> <p>Regarding Materiality, the process involves identifying a bench mark that is felt most appropriate and then the procedures are designed to identify any errors above that level. Performance materiality is set at 75 percent of that figure. The Triviality level is set at 150k, any errors above this level are reported to the Audit committee.</p> <p>Cllr Birnie would like to know in relation to materiality and triviality are these looked at individually or accumulatively. P.Cuttle confirms these are looked at firstly in isolation and then accumulatively to give an accurate analysis.</p>

	<p>Cllr Birnie would like to what Pooled property funds are as mentioned on page 10. He would also like to know if the Valuer is an internal or an external post.</p> <p>N.Howcutt confirms the Valuer is an external post.</p> <p>P.Cuttle explains that Pooled property funds are where an investment is made and you are entitled to a proportion of the revenue, this makes them harder to value therefore there is more estimation around them. These are entirely related to the Pension fund and is common practice in every local authority.</p> <p>There being no further questions the Chair thanked P.Cuttle for his presentation.</p>
6	<p>INTERNAL AUDIT</p> <p>Presented by Philip Lazenby of TIAA</p> <p>Progress Report (Summery internal Controls assurance report (SICA))</p> <p>There have been 2 reports provided since the last audit committee:</p> <p>Planning – Substantial assurance with no recommendations.</p> <p>Business Grants – Reasonable assurance, 2 medium priority and 1 low priority recommendation.</p> <p>Cllr Tindall would like to know if we are on track to decommission all computers by the end of August.</p> <p>N.Howcutt confirms at this time we are still working towards this deadline.</p> <p>Cllr Symington would like some clarification around Grants, she notes that there are 2 important recommendations around the Grants, it states that the council complied with both government guidance and local authority discretionary policies when processing grant applications. She doesn't recall those being brought to Members and appreciates it may not be for the Audit committee but she would be interested to know what those were and how they were audited. She notes the supporting evidence was not retained in the system and self-certification was relied on to confirm the government and local policies, This related to 26million pounds which has been distributed by the Council. Cllr Symington feels this wasn't done to the highest standard and would like to know what the views of this committee were surrounding these grants.</p> <p>Cllr Birnie notes on page 33 of the report it states there will be a paper coming to the Audit committee addressing this exact problem. He would like to know when this report can be expected.</p> <p>N.Howcutt explains in terms of business grants, between March 20 and January 21 a total of 11 different business grants have been rolled out on behalf of the government, up to the point of this audit 22.5M of which was non-discretionary and was allocated to businesses in line with government policy and criteria, DBC were passporting those grants on behalf of the government which was mainly done through Business rates relief.</p>

There were 2 local authority discretionary grants, these have been signed off by Portfolio Holders and Leader supervision in conjunction with multiple cabinet members.

The turnaround times for these processes were incredibly tight, in terms of performance DBC has been one of the highest performing boroughs for getting grants out to business, in terms of service perspective overall this is one of the things we are most proud of over the past 12 months in terms of achievements of the council and the feedback received.

Cllr Birnie would like it noted that he firmly believes the council has acted in the best possible way in order to facilitate the distribution of these grants in the limited time available.

Cllr Elliot is very proud of the efforts of DBC, the times frames were incredibly short and the work carried out by the officers and members involved was exemplary, he has every confidence in the staff and is immensely proud of their efforts.

Cllr Tindall would like to know if the guidance provided by the government in relation to grants was in his opinion as poor as that provided for the Care homes.

P.Lazenby explains it is a totally different situation and the guidance provided for the grants has a much stronger base.

N.Howcutt has sympathy for Cllr Symington's point of view but the turnaround time were so tight and complicated, DBC have been open, honest and transparent, there is also follow up to double check those grants.

These were exceptional circumstances and it has been very difficult all around.

Cllr Symington doesn't feel her questions have been answered and although she appreciates everyone was under pressure she would like to hear the point of view of the auditor.

P.Lazenby firstly confirms that the question Cllr Symington was asking was if he as an auditor felt the grants went to places that were justified to support the provision of the grants.

Cllr Symington confirms she would like to know how were those grants audited, what information was provided. She would like further comment as to what is in the audit report.

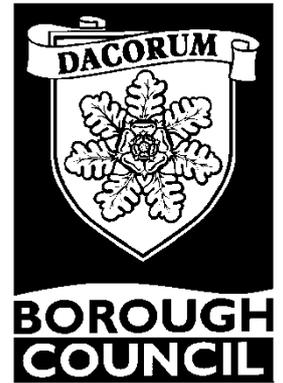
P.Lazenby responds by explaining that the focus of the audit was primarily in relation to adherence to Government and Council requirements, it wasn't necessarily to determine if there was underlying activity in place at the organisations requesting the grants.

He confirms that what was seen during the audit was in accordance with the requirements of the government. Had this been standard grants during normal times then yes there would have been far more documentation required and additional processes, but that wasn't the case, as N.Howcutt has stated the gap is going to be made up through post evaluation testing and additional documentation.

This equates to what has been seen at other organisations and it was in compliance with government guidance and he feels it was justified, appropriate and measured considering the exceptionally circumstances, he feels the people at DBC did a very good job.

	<p>The Annual Report</p> <p>This provides a summary of the work undertaken last year, number of reports issues, and breakdown of the number of recommendation and at what stage we are at which each recommendation.</p> <p>Internal Audit Charter</p> <p>This is provided on an annual basis to the Audit Committee. It sets out the roles and responsibilities for each organisation and sets out the KPIs.</p> <p>There are no objections and the Charter is approved.</p>
7	<p>STRATEGIC RISK REGISTER QTR 4 20/21</p> <p>Presented by Nigel Howcutt DBC</p> <p>There will be a review of the strategic risk register over the next few months along with a review of the corporate strategy. There are likely to be changes and Members will form part of that discussion as we go forward.</p> <p>There are no new strategic risks, comments have been updated.</p> <p>CLlr Tindall would like to know if the DBC communications strategy review has been completed and who has that has been reported to.</p> <p>N.Howcutt confirms it has been completed, the original review went to finances and resources overview and scrutiny but he would need to check the time frames.</p>
9	<p>WORK PROGRAMME</p> <p>The work programme was reviewed and agreed</p>
	<p>There being no further business the meeting ended at 21:35</p>

**AGENDA ITEM:
SUMMARY**



Report for:	AUDIT COMMITTEE
Date of meeting:	8 September 2021
PART:	I
If Part II, reason:	

Title of report:	Final Outturn 2020/21
Authors:	Fiona Jump, Group Manager (Financial Services) Nigel Howcutt, Assistant Director (Finance and Resources)
Contact:	Cllr Graeme Elliot, Portfolio Holder for Finance and Resources James Deane, Corporate Director (Finance and Operations)
Purpose of report:	The purpose of this report is to present the Council's final outturn for 2020/21.
Recommendations:	It is recommended that Members of the Audit Committee: <ul style="list-style-type: none"> a) Review the final financial outturn for 2020/21 (Appendices A and B); b) For 2020/21, approve the following reserve movements as set out at 5.4: a contribution to the Funding Equalisation Reserve of £12.436m and; a further transfer of £876k to the HRA revenue commitments reserve to support future HRA service priorities. c) Review the capital programme outturn for 2020/21 (Appendix C). d) Review the final balances on earmarked reserves as at 31 March 2021 (Appendix D)
Statutory Officer Comments:	Section 151 Officer: My comments are included within the body of this report and within the commentary and explanatory foreword to the Statement of Accounts. Monitoring Officer: No further comments to add.
Corporate objectives:	Ensuring efficient, effective and modern service delivery.
Consultees:	None

Background papers:	Provisional Outturn 2020/21 Cabinet 22 June 2020 Agenda item 11
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1. Executive summary

1.1 The provisional outturn for 2020/21 was presented to Cabinet on 22 June 2021. The reported provisional outturn position included:

- A deficit of £2.358m on the General Fund, consistent with previous in- year forecasts. It was proposed that this deficit be funded from the Economic Recovery Reserve, a reserve set up specifically for this purpose.
- A surplus of £362k against the Housing Revenue Account, including the impact of providing for £2.002m of water charge refunds.
- The General Fund capital programme reported slippage of £2.901m and an overspend variance of £62k.
- The Housing Revenue Account capital programme reported slippage of £2.681m and an underspend variance of £2.469m.

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

1.2 This final outturn report for 2020/21 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 deficit reported for the General Fund has not changed for the final outturn. Incorporating the recommended transfer from the Economic Recovery Reserve, the overall position on the General Fund is balanced. The position now includes additional reserve movements outlined at 5.4 below, relating to the Collection Fund.

1.4 The finalisation of the accounting treatment for pension costs means that the reported surplus on the Housing Revenue Account has increased from £362k at provisional outturn to £1.238m at final outturn, a movement of £876k.

1.5 The capital position for both the General Fund and the Housing Revenue Account is unchanged from the provisional outturn.

1.6 Appendices A, B and C provide more detail on the General Fund, Housing Revenue Account and Capital position for 2020/21.

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:

Table 1	Current Budget	Outturn	Variance	Variance
	£000	£000	£000	%
Finance and Resources	14,941	14,913	-28	-0.2%
Housing and Community	621	1,044	423	68.1%
Strategic Planning and Environment	9,738	11,607	1,869	19.2%
Net cost of services	25,300	27,564	2,264	8.9%
Investment Property	(4,374)	(3,543)	831	(19.0%)
Core Funding	(20,249)	(36,806)	(16,557)	81.8%
Contribution (to)/ from Earmarked reserves	(677)	12,785	13,462	(1,988.5%)
Contribution (to)/ from General Fund Working Balance	0	0	0	

2.2 Key service variances to budget within the General Fund (those over £100k) are unchanged between the provisional and final outturn. These include:

- **Leisure** – total pressure of £1.250m. A pressure of £750k relates to support payments made to the Council’s leisure provider to support their losses during the current Covid-19 pandemic. This pressure is net of £300k of government support made available to the Council to support leisure activities.

A further £500k relates to the management fee income due from the Council’s leisure provider. As part of the leisure support package, the management fee that would have been due from EA has been waived, 72% of this lost income has been reimbursed from central government, which is included under ‘Core Funding’ in the table above.

- **Car parking income-** pressure of £1.4m. This income stream has been severely affected by the Covid-19 pandemic, particularly in the lockdown period during quarter 1, where income was 85% down on budget. Around 72% of the net losses of car parking income have been reimbursed through central government’s income guarantee scheme, which is included under ‘Core Funding’ in the table above.
- **Investment property-** pressure of £831k. £160k of this figure is the reduction in rental income compared to budget. The residual £680k of the pressure relates to an increase in anticipated uncollectable debt from the Council’s commercial customers.

The service continue to work proactively with tenants to arrange payment plans to support businesses in the short term. However the level of arrears has risen year on year, and it is very likely that some of this debt will not be collected as pressure on businesses continues. The Government’s Covid Bill has restricted enforcement on outstanding rental debt until the end of 2021 which increases uncertainty on this debt. Investment Property rental income is not eligible for the Government’s income protection scheme which

limits the volatility of other, non-rental income by underwriting 72% of net losses. There are other minor pressures within the services.

- **Fleet**-pressure of £185k relates to the maintenance of ageing fleet vehicles in Waste Services. This pressure is expected to continue until the full fleet of waste vehicles is received.
- **Waste services employees**- pressure of £655k. This pressure relates to Waste Services employees' costs from additional agency requirements during the Covid-19 pandemic. This is due to a combination of staff sickness and requirements to self-isolate, as well as the requirement for clinically extremely vulnerable staff to remain at home. The service is under pressure due to increased levels of waste, access issues due to more people working from home (and the associated increase in missed bins) and the need to maintain social distancing.
- **Waste services other costs**-pressure of £385k. £150k of this pressure relates to hire of waste vehicles to support social distancing requirements, particularly for crews on rural rounds. The two rural rounds consisting of a driver and two loaders have been split, requiring the hire of two additional vehicles. £235k of the pressures has arisen from the increased cost of disposal of comingled recycling. This is as a result of 3 factors: firstly, tonnages of recyclable waste have increased by 30% as a result of households being at home during lockdown and continuing to work from home; secondly the contractor has charged additional processing fees to fund the costs of safe working conditions under Covid; and thirdly the global market for recyclables has declined leading to a reduction in income for recyclables.
- **Waste Services income**- pressure of £170k. No income has been generated this financial year against a budgeted £310k in the Alternative Financial Model (AFM) with Hertfordshire County Council (HCC). This is due to the increase in residual waste particularly during the lockdown period. An increase in residual waste pushes up the cost of disposal to HCC, which is then passed back to local authorities via a lower AFM income payment. This is partially offset by an increase of £140k in recycling credit income due to increased tonnages of recycled waste.
- **Commercial Waste Income**- pressure of £180k. This variance has arisen due to businesses being closed during the various periods of lockdown.
- **Garages** – overall pressure of £260k. £400k of the pressure relates to the Garages service income target not being achieved. Void levels have remained fairly consistent throughout the financial year at 31%. This is partly offset by an underspend of £140k on premises costs. A considerable amount of refurbishment work was undertaken in the final quarter of the financial year, once a targeted plan of work which would achieve the greatest results was established, however the full budget was not spent in year.

2.3 Variances within Core Funding areas are £16.557m in total, broken down as follows:

- £16.721m of income over budget against government grants. The Council has received multiple grant income streams relating to the Covid-19 pandemic. These include:
 - £12.957m of net grant funding relating to the Collection Fund. A significant proportion of this will be repaid to the government in 21/22 and beyond under Collection Fund accounting rules.
 - £2.050m of Covid-19 support grant has been received from MHCLG.
 - £1.340m of Income Guarantee Scheme compensation, which reimburses local authorities for 75% of lost income after the first 5% of the budgeted total.
 - £175k of New Burdens funding relating to welfare reform within the Revenues and Benefits service and. to support the Local Authority Discretionary Grants scheme.
 - £109k Homelessness Prevention funding utilised to offset service pressures.
 - £90k of other minor grant balances
- £140k pressure in General Fund investment income budgets due to the reduction in interest rates announced by the government in March 2020.
- £99k surplus on interest and MRP (Minimum Revenue Provision) charges.
- £123k under budget on the recharge to the HRA. This is due to temporary accommodation void costs being higher than expected. These are initially borne by the HRA as part of the Total Asset Management contract but allocated to the General Fund in line with the ownership of Temporary Accommodation properties.

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 is a surplus of £1.238m, an increase of £876k on the provisional outturn surplus following the finalisation of the accounting treatment of pensions costs. It is recommended that this surplus is transferred to HRA revenue reserves to support future service priorities.
- 3.2. Key variances to budget within the Housing Revenue Account (those over £100k) are detailed below.

Dwelling Rents and charges to tenants and leaseholders– pressure of £2.289m

- 3.3. £2.002m of this pressure relates to water charge refunds to tenants. The issue of these refunds was approved by Cabinet in June 2021 and have been accounted for as a reduction in income and in 2020/21, as required by accounting standards.
- 3.4. £147k of this pressure has arisen from dwelling void rates. The void rate has been slightly higher than the budgeted 0.8%, at 1.08%. This is particularly attributable to voids at sheltered schemes.

- 3.5. £161k of this variance has arisen in service charges income. Service charges are recalculated each year to ensure that the charge received by the tenant accurately reflects the service received. Where there are variations in cost to the tenant from one year to the next, the Council has committed to pass on a maximum increase of CPI +1% (which is in line with current rental policy).
- 3.6. There are other minor underspends within this income line that bring the overall pressure to £2.289m

Interest and Investment income – pressure of £115k

- 3.7. Investment income has not achieved the budgeted target due to a reduction in interest rates earlier in the financial year.

Repairs and Maintenance - £3.521m under budget

- 3.8. A underspend in Repairs and Maintenance was anticipated early in the financial year due to the restrictions imposed during the Covid-19 pandemic. It has not been possible for internal or intrusive works to take place under the prevailing circumstances. Workstreams have been re-prioritised where possible to carry out external works and to ensure that all essential, health and safety works have been undertaken as required.

Supervision and Management and Recharges- £1.228m under budget

- 3.9. £875k of the underspend relates to pension costs paid in year. The Council budgeted for an upfront payment for 3 years of pension costs in 2020/21. Only one year of these costs is reflected in 2020/21. This has given rise to an underspend. Recharges from the General Fund are also £123k under budget. The balance of £230k relates to staff vacancies and turnover during the year, as we as reduced costs associated with tenants moving, which has been much reduced this year.

Depreciation - £2.752m above budget

- 3.10. An increased depreciation charge has been seen this year to due increases in the value of the council's housing stock.

Revenue Contribution to Capital- £1.543m under budget

- 3.11. Due to underspends in the capital programme, predominantly in the budget for Planned Fixed Expenditure as a result of access issues, the capital programme has been fully financed without the need to use the full revenue contribution

Interest payable- £100k under budget

- 3.12. Interest paid in relation to the HRA loans taken on when the HRA moved to self-financing is £100k lower than budgeted.

Other Expenditure- £517k under budget

- 3.13. The budget line contains the budget for bad debt provision top- up. It had been expected that an increase in arrears of rental income would be seen this financial year, which would require a significant increase to the provision for bad debt. This situation did not arise for two main reasons: firstly the Housing

Income team have worked closely with tenants, to arrange payment terms and support with accessing benefits if appropriate. Secondly the level of bad debt provision which existed at the end of financial year 2019/20 was sufficient to ensure the council was well provided for already.

Transfer to Housing Reserves £1.671m over budget

3.14. A contribution of £433k was expected from HRA reserves to fund a one-off pension contributions in 2020/21. Due to surplus generated overall on the HRA, this was not required in 2020/21. A surplus of £1.238m was generated on the HRA overall at year end. It is recommended that this surplus is transferred to HRA revenue reserves. As this contribution is larger than expected, the result is an adverse variance to budget against this budget line, but a balanced position overall for the HRA.

4. Capital Programme

4.1. Appendix C shows the capital outturn in detail by scheme. The final capital outturn is unchanged from the provisional outturn 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 21/22 rather than 20/21. 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 revised budget	
	£000	£000	£000	£000	£000	%
Finance & Resources	4,081	(1,443)	2,638	2,669	31	0.8%
Strategic Planning & Environment	3,055	(999)	2,055	2,250	195	6.4%
Housing & Communities	5,076	(459)	4,617	4,454	(164)	(3.2%)
GF Total	12,211	(2,901)	9,310	9,373	62	0.5%
HRA Total	22,240	(2,681)	19,559	17,027	(2,532)	(11.4%)
Grand Total	34,451	(5,582)	28,869	26,400	(2,469)	(7.2%)

General Fund Major Variances

4.2. There is slippage of £2.901m into 2021/22 on the General Fund, with an overspend of £62k, unchanged from provisional outturn. The slippage to future years includes:

- Line 12: Slippage of £301k on Rossgate Shopping Centre – Structural Works. This site is a mix of residential and commercial properties, and consultation with all stakeholders has taken longer than expected. Both phases of the project, the replacement of windows at the rear of the residential block, and the replacement of the curtain wall window frame

system at the front of the precinct, will now be carried out together with a start on site expected in early summer 2021.

- Line 29: Slippage of £280k on Hemel School Astro turf renewal. The project has been unavoidably delayed due to the need for planning permission for the floodlights.
- Line 35: Slippage of £146k on Car Park Refurbishment scheme. Works at Canal Fields and Alexandra Road have been delayed due to capacity issues.
- Line 38: Slippage of £500k on the budget for Civic Zone Upgrade and other commercially sensitive ventures. This budget is to be slipped into 2021/22 and transferred to the Berkhamsted Leisure Centre Redevelopment budget to fund the design phase of this project.
- Line 52: Slippage of £276k on Affordable Housing Development Fund. This budget will be required in 2021/22 to fund grants of “1-4-1 receipts” to housing associations.
- Line 56: Slippage of £203k on Disabled Facilities Grants. The full budget has not been spent this financial year due to restrictions on internal works.
- Line 61: Slippage of £901k on fleet replacement programme. New waste vehicles have been ordered and 5 have already been delivered this financial year, but a further 9 that had been expected will now be delivered in financial year 2021/22.

The overspend of £62k includes the following items:

- Lines 2 and 38: Overspend of £122k on the budgets for Demolition of the Civic Centre and Civic Zone Regeneration Upgrade. This is due to the costs involved in the diversion and relocation of utilities from the site.
- Lines 31-33: Underspend of £211k on replacement of air handling units at the leisure centres. These were installed during the period of lockdown which resulted in a lower cost.
- Line 53: Underspend of £210k on the garage developments at Northend and Westerdale. The schemes are now complete and have been delivered slightly under the project budget.
- Line 57: Overspend of £112k on Wheeled Bins. The demand for new bins has increased due to new properties coming on line and increased volumes of domestic waste during the pandemic.

Housing Revenue Account Capital

4.3. There is slippage of £2.681m and an underspend of £2.532m on the HRA capital programme. This includes the following items:

- Line 70-75: slippage of £1.527m. The capital maintenance programme has seen a reduction in expenditure following new restrictions announced in January.

- Line 77: £2.034m under budget on Martindale. The scheme is now complete and the full contingency (c. £0.9m) has now been released as this was not required. Potential additional costs due to Covid-19 have also not been as significant as expected.
 - Line 79: underspend of £547k on Stationers Place. The project is now complete and contingency within the budget has now been released.
 - Line 82: accelerated spend of £168k on Coniston Road. The scheme is now on site and has progressed more quickly than previously anticipated.
 - Line 84: slippage of £162k on St Margaret's. The scheme is slightly delayed to due legislative changes as a result of the coronavirus pandemic.
 - Lines 88: slippage of £808k on Garage Sites. This variance relates to the timing of land appropriation from the General Fund to the HRA. This can take place once planning permission has been granted.
- 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 2021-25 capital programme.

5. Balances and Reserves

- 5.1. The General Fund Reserves Summary at Appendix D reflects the movements approved by Council in February 2021 and updated for the reserve movements as set out below.
- 5.2. In cases where reserves were to be drawn down in 2020/21 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 2021/22, the carry forward of unspent reserve budgets was recommended for Council approval by Cabinet on 22 June 2021.
- 5.3. 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 22 June 2021.
- Contribution from Management of Change reserve of £120k to fund one-off costs in the garage service
 - Contribution from Dacorum Development reserve of £81k to fund investigative work at Highbarns
 - Contribution from Earmarked Grants reserve to fund Homelessness expenditure £44k
 - Transfer of £581k to Covid-19 Hardship Reserve
 - Contribution from Economic Recovery Reserve of £2.358m which has been set up specifically to fund the deficit in the General Fund as a result of Covid-19 pressures.

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

- Funding Equalisation Reserve - £12.346m 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. In 2020/21, a significant proportion of this transfer is supported by government grants and will be used to meet the deficit on the Collection Fund. The proposed transfer to reserves follows guidance on the treatment of these grants issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). Please note a draw-down of £1m from this reserve was previously approved by Full Council as part of 2020/21 budget setting.
- HRA revenue commitments reserve-a further £876k to be transferred to this reserve to support future HRA service commitments. This is to be funded from the final HRA surplus of £1.238m and will leave a balanced position overall on the HRA. Please note Full Council previously approved a transfer of £362k to HRA reserves, as recommended in the provisional outturn report.

6. Conclusion

6.1. Members are asked to:

- note the final 2020/21 outturn position for the Council
- to recommend to Council the additional reserve transfers detailed at 5.4 to this report.



Dacorum Borough Council

Final Outturn 2020/21

	<i>Full Year</i>		
	Adjusted Budget £000	Outturn £000	Variance £000
Cost of Services			
Finance and Resources	14,941	14,913	(28)
Housing and Community	621	1,044	423
Strategic Planning and Environment	9,738	11,607	1,869
Net Cost of Services	25,300	27,564	2,264
Other Items			
Investment Property	(4,374)	(3,543)	831
Investment Income, Interest Payments and MRP	616	658	42
Parish Precept Payments	972	972	0
Government Grants	(1,979)	(20,160)	(18,181)
Revenue Contribution to Capital	350	350	0
Taxation (Council Tax and Business Rates)	(15,824)	(14,364)	1,460
Total Other Items	(20,239)	(36,087)	(15,848)
Transfers between Reserves / Funds			
Net Recharge to the HRA	(4,384)	(4,262)	122
Contribution To / (From) Earmarked Reserves	(677)	12,785	13,462
Net Movement on General Fund Working Balance	0	0	0



Housing Revenue Account Final Outturn 2020/21

	Adjusted Budget	Final Outturn	Variance	
	£000	£000	£000	%
Income:				
Dwelling Rents and charges to tenants and leaseholders	(56,540)	(54,251)	2,289	-4.0%
Non-Dwelling Rents	(102)	(102)	0	0.0%
Interest and Investment Income	(192)	(77)	115	-59.9%
Contribution towards Expenditure	(645)	(563)	82	-12.7%
Total Income	(57,479)	(54,993)	2,486	-4.3%
Expenditure:				
Repairs & Maintenance	12,030	8,509	(3,521)	-29.3%
Supervision & Management and Recharges	14,564	13,336	(1,228)	-8.4%
Depreciation	12,866	15,618	2,752	21.4%
Revenue Contribution to Capital	5,855	4,312	(1,543)	-26.4%
Interest Payable	11,586	11,486	(100)	-0.9%
Other Expenditure	1,011	494	(517)	-51.1%
Total Expenditure	57,912	53,755	(4,157)	-7.2%
HRA Deficit / (Surplus)	433	(1,238)	(1,671)	0.0%
Transfer to / (from) Housing Reserves	(433)	1,238	1,671	0.0%
Residual HRA Deficit / (Surplus)	0	0	(0)	0.0%
Housing Revenue Account Balance:				
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%
Closing Balance at 31 March 2021	(2,892)	(2,892)	(0)	0.0%

CAPITAL OUTTURN 2020/21 BY SCRUTINY COMMITTEE

Scheme	Budget Holder	Original Budget	Prior Year Slippage	Adj's, Supps, Virements	Adjustments (Slip. C/F)	In-Year Adjustments	Current Budget	YTD Spend	Provisional Outturn	Slippage	Over / (Under)	
General Fund												
Finance and Resources												
Commercial Assets and Property Development												
1	Old Town Hall - Cafe Roof and stonework renewal	Richard Rice	0	60,000	0	(50,000)	(50,000)	10,000	0	0	(10,000)	0
2	Demolition of Civic Centre	Richard Rice	0	78,208	0	0	0	78,208	341,681	341,681	0	263,473
3	Old Town Hall Seating Replacement	Richard Rice	40,000	0	0	0	0	40,000	30,858	30,858	0	(9,142)
4	Berkhamsted Civic Centre Staircase Renewal	Richard Rice	23,000	0	0	0	0	23,000	24,229	24,229	0	1,229
5	Berkhamsted Civic Centre Improvements Works - Creation of new area	Richard Rice	20,000	0	0	0	0	20,000	18,954	18,954	0	(1,046)
6	Victoria Hall Tring lighting Upgrade Works	Richard Rice	23,000	0	0	0	0	23,000	17,890	17,890	0	(5,110)
7	Berkhamsted Civic Centre Electrical Upgrade Works	Richard Rice	0	0	24,000	0	24,000	24,000	23,574	23,574	0	(426)
8	Victoria Hall Tring Electrical Upgrade Works	Richard Rice	0	0	19,000	0	19,000	19,000	18,598	18,598	0	(402)
9	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
10	Bennetts End Community Centre Stairlift Replacement	Richard Rice	18,000	0	0	0	0	18,000	0	0	0	(18,000)
11	Boiler Replacement Programme	Richard Rice	185,000	0	0	0	0	185,000	256,245	256,245	71,245	0
12	Rossgate Shopping Centre - Structural Works	Richard Rice	0	300,901	0	0	0	300,901	0	0	(300,901)	0
13	100 High St (Old Town), Hemel - Window Replacement	Richard Rice	0	14,000	0	0	0	14,000	0	0	(14,000)	0
14	Long Chaulden Roof	Richard Rice	0	55,020	0	0	0	55,020	0	0	(55,020)	0
15	Bellgate - Walkway Renovation	Richard Rice	0	43,000	0	0	0	43,000	16,000	16,000	(27,000)	0
16	Bennettsgate - Window Renewal	Richard Rice	0	85,750	0	(72,750)	(72,750)	13,000	10,970	10,970	(2,030)	0
17	Commercial Assets - Shopping Centres	Richard Rice	70,000	0	0	0	0	70,000	65,103	65,103	(4,897)	0
18	Northbridge Road Highway Improvements	Richard Rice	0	45,000	0	0	0	45,000	61,678	61,678	0	16,678
19	Queens Square Canopy Renewal	Richard Rice	0	31,436	0	0	0	31,436	10,722	10,722	0	(20,714)
20	Apsley Industrial Estate Improvement Works	Richard Rice	25,000	0	0	0	0	25,000	0	0	0	(25,000)
21	Improvement Works to Market Stores	Richard Rice	20,000	0	0	0	0	20,000	0	0	(20,000)	0
22	Stevenage Rise Road Resurface	Richard Rice	33,000	0	0	0	0	33,000	32,000	32,000	0	(1,000)
23	Bellgate Roof Renewal	Richard Rice	25,000	0	0	0	0	25,000	17,800	17,800	0	(7,200)
24	Roofing Improvements The Denes	Richard Rice	0	0	15,000	0	15,000	15,000	13,780	13,780	0	(1,220)
25	Allotment Improvement Programme	Richard Rice	40,000	0	0	0	0	40,000	30,410	30,410	(9,590)	0
26	Bunkers Farm	Richard Rice	0	0	180,000	0	180,000	180,000	212,738	212,738	0	32,738
27	Footpath Improvements Kings Langley churchyard	Richard Rice	15,000	0	0	0	0	15,000	19,500	19,500	0	4,500
			537,000	724,459	238,000	(122,750)	115,250	1,376,709	1,222,731	1,222,731	(383,337)	229,359
Procurement and Contracted Services												
28	Dacorum Athletics Track - Resurface Track	Ben Hosier	0	133,712	0	(79,129)	(79,129)	54,583	16,683	16,683	(37,900)	0
29	Hemel Hempstead Sports Centre - Astroturf renewal	Ben Hosier	0	70,000	210,000	0	210,000	280,000	0	0	(280,000)	0
30	Leisure Works - Replace Pool Cover Structure (Hemel)	Ben Hosier	0	0	0	0	0	0	803	803	0	803
31	Leisure Works - Replace Air Handling Unit in the Pool (Hemel)	Ben Hosier	0	270,000	0	0	0	270,000	347,899	347,899	0	77,899
32	Leisure Works - Replace Air Handling Unit in the Gym (Hemel)	Ben Hosier	150,000	0	0	0	0	150,000	0	0	0	(150,000)
33	Leisure Works - Replace Air Handling Unit in the Sports Hall (Hemel)	Ben Hosier	250,000	0	0	0	0	250,000	111,125	111,125	0	(138,875)
34	Berkhamsted Leisure Centre Improvements Works	Ben Hosier	0	52,000	0	0	0	52,000	100,250	100,250	0	48,250
35	Car Park Refurbishment	Ben Hosier	100,000	546,896	0	(476,896)	(476,896)	170,000	23,703	23,703	(146,297)	0
36	Multi Storey Car Park Berkhamsted	Ben Hosier	0	0	300,000	0	300,000	300,000	335,455	335,455	0	35,455
37	Town Centre Access Improvements	Ben Hosier	0	538,439	0	(400,000)	(400,000)	138,439	146,575	146,575	8,136	0
			500,000	1,611,047	510,000	(956,025)	(446,025)	1,665,022	1,082,492	1,082,492	(456,061)	(126,469)

CAPITAL OUTTURN 2020/21 BY SCRUTINY COMMITTEE

Scheme	Budget Holder	Original Budget	Prior Year Slippage	Adj's, Supps, Virements	Adjustments (Slip. C/F)	In-Year Adjustments	Current Budget	YTD Spend	Provisional Outturn	Slippage	Over / (Under)
Finance and Resources (continued)											
Finance & Operations Management											
38 Civic Zone Regeneration Upgrade (DevCo) and Other Commercial Ventures (commercially sensitive)	James Deane	500,000	253,646	0	0	0	753,646	111,858	111,858	(500,000)	(141,788)
		500,000	253,646	0	0	0	753,646	111,858	111,858	(500,000)	(141,788)
Housing & Regeneration Management											
39 The Forum (Public Service Quarter)	Mark Gaynor	0	0	0	0	0	0	58,542	58,542	0	58,542
		0	0	0	0	0	0	58,542	58,542	0	58,542
Information, Communication and Technology											
40 Rolling Programme - Hardware	Ben Trueman	75,000	0	0	0	0	75,000	75,063	75,063	(0)	63
41 Software Licences - Right of Use	Ben Trueman	50,000	0	0	0	0	50,000	20,150	20,150	(29,850)	(0)
42 Future vision of CRM	Ben Trueman	55,000	75,000	0	(50,000)	(50,000)	80,000	6,400	6,400	(73,600)	0
		180,000	75,000	0	(50,000)	(50,000)	205,000	101,613	101,613	(103,450)	63
Legal and Corporate Services											
43 Audio-visual Improvement Works at The Forum	Mark Brookes	0	0	70,000	0	70,000	70,000	66,193	66,193	0	(3,807)
		0	0	70,000	0	70,000	70,000	66,193	66,193	0	(3,807)
People											
44 EIS Replacement	Matt Rawdon	0	10,151	0	0	0	10,151	25,250	25,250	0	15,099
		0	10,151	0	0	0	10,151	25,250	25,250	0	15,099
Totals: Finance and Resources		1,717,000	2,674,303	818,000	(1,128,775)	(310,775)	4,080,528	2,668,678	2,668,678	(1,442,848)	30,998
Housing and Community											
Procurement and Contracted Services											
45 Rolling Programme - CCTV Cameras	Ben Hosier	25,000	1,745	0	0	0	26,745	25,289	25,289	(1,456)	0
46 Alarm Receiving Centre	Ben Hosier	0	33,627	0	0	0	33,627	0	0	(33,627)	0
47 CCTV Equipment Refresh	Ben Hosier	(380,000)	490,000	0	10,000	10,000	120,000	151,713	151,713	31,713	0
		(355,000)	525,372	0	10,000	10,000	180,372	177,002	177,002	(3,370)	0
Communities											
48 Verge Hardening Programme	Layna Warden	450,000	79,884	0	0	0	529,884	594,782	594,782	24,898	40,000
49 Adventure Playgrounds Improvement Programme	Layna Warden	0	0	411,812	0	411,812	411,812	421,190	421,190	(0)	9,378
50 Capital Grants - Community Groups	Layna Warden	20,000	0	0	0	0	20,000	16,500	16,500	(3,500)	0
		470,000	79,884	411,812	0	411,812	961,696	1,032,472	1,032,472	21,398	49,378
People											
51 Self Service Kiosks	Matt Rawdon	0	25,000	0	(25,000)	(25,000)	0	25,656	25,656	25,000	656
		0	25,000	0	(25,000)	(25,000)	0	25,656	25,656	25,000	656
Strategic Housing											
52 Affordable Housing Development Fund	David Barrett	2,691,000	0	0	0	0	2,691,000	2,415,386	2,415,386	(275,614)	0
53 Northend and Westerdale (Garage Development)	David Barrett	0	385,885	0	0	0	385,885	175,479	175,479	0	(210,406)
54 Temporary Accommodation - creation of new units	David Barrett	50,000	0	0	0	0	50,000	26,614	26,614	(23,386)	(0)
55 Upgrade to Civica Abrisas system (Housing Options)	David Barrett	66,000	0	0	0	0	66,000	62,800	62,800	0	(3,200)
		2,807,000	385,885	0	0	0	3,192,885	2,680,279	2,680,279	(299,000)	(213,606)
Property and Place											
56 Disabled Facilities Grants	Jason Grace	741,000	0	0	0	0	741,000	538,158	538,158	(202,842)	(0)
		741,000	0	0	0	0	741,000	538,158	538,158	(202,842)	(0)
Totals: Housing and Community		3,663,000	1,016,141	411,812	(15,000)	396,812	5,075,953	4,453,567	4,453,567	(458,813)	(163,573)

CAPITAL OUTTURN 2020/21 BY SCRUTINY COMMITTEE

Scheme	Budget Holder	Original Budget	Prior Year Slippage	Adj's, Supps, Virements	Adjustments (Slip. C/F)	In-Year Adjustments	Current Budget	YTD Spend	Provisional Outturn	Slippage	Over / (Under)	
Strategic Planning and Environment												
Environmental Services												
57	Wheeled Bins & Boxes for New Properties	Craig Thorpe	10,000	0	90,000	0	90,000	100,000	212,400	212,400	0	112,400
58	Gadebridge Park - Renovation of White Bridge	Craig Thorpe	0	370,000	0	0	0	370,000	406,664	406,664	0	36,664
59	Upgrade of Hand Arm Vibration Monitoring System	Craig Thorpe	17,000	(20,052)	0	0	0	(3,052)	0	0	0	3,052
60	Resurfacing Works and Building Improvement to Depot	Craig Thorpe	60,000	0	0	0	0	60,000	0	0	(60,000)	0
61	Fleet Replacement Programme	Craig Thorpe	2,311,130	(300,398)	477,314	0	477,314	2,488,046	1,586,701	1,586,701	(901,345)	(0)
62	Fleet Services Renew Plant & Equipment	Craig Thorpe	0	0	0	0	0	0	(0)	0	0	0
63	Fleet Service Management System Upgrade	Craig Thorpe	0	0	0	0	0	0	16,500	16,500	0	16,500
			2,398,130	49,550	567,314	0	567,314	3,014,994	2,222,265	2,222,265	(961,345)	168,616
Development Management and Planning												
64	Planning Software Replacement	Sara Whelan	0	0	0	0	0	0	26,345	26,345	0	26,345
65	3D Modelling Software for Planning	Sara Whelan	60,000	0	0	(60,000)	(60,000)	0	0	0	0	0
66	Tablets for Planning	Sara Whelan	20,000	0	0	0	0	20,000	0	0	(20,000)	0
			80,000	0	0	(60,000)	(60,000)	20,000	26,345	26,345	(20,000)	26,345
Strategic Planning and Regeneration												
67	Urban Park/Education Centre (Durrants Lakes)	Chris Taylor	0	134,015	0	(134,015)	(134,015)	0	0	0	0	0
68	Maylands Business Centre	Chris Taylor	0	0	0	0	0	0	0	0	0	0
69	The Bury - Conversion into Museum and Gallery	Chris Taylor	0	55,000	0	(35,000)	(35,000)	20,000	1,850	1,850	(18,150)	0
			0	189,015	0	(169,015)	(169,015)	20,000	1,850	1,850	(18,150)	0
Totals: Strategic Planning and Environment			2,478,130	238,565	567,314	(229,015)	338,299	3,054,994	2,250,460	2,250,460	(999,495)	194,961
Totals - Fund: General Fund			7,858,130	3,929,009	1,797,126	(1,372,790)	424,336	12,211,475	9,372,704	9,372,704	(2,901,157)	62,386

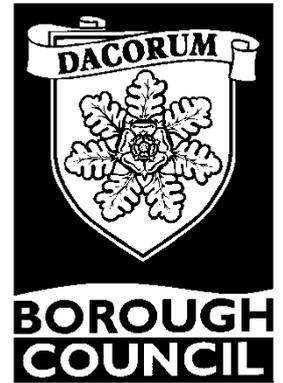
CAPITAL OUTTURN 2020/21 BY SCRUTINY COMMITTEE

Scheme	Budget Holder	Original Budget	Prior Year Slippage	Adj's, Supps, Virements	Adjustments (Slip. C/F)	In-Year Adjustments	Current Budget	YTD Spend	Provisional Outturn	Slippage	Over / (Under)	
Housing Revenue Account												
Housing and Community												
Property & Place												
70	Planned Fixed Expenditure	Jason Grace	17,057,000	0	(3,700,000)	(4,977,000)	(8,677,000)	8,380,000	6,643,285	6,643,285	4,977,000	(6,713,715)
71	Pain/Gain Share (Planned Fixed Expenditure)	Jason Grace	0	0	0	0	0	0	(575,028)	(575,028)	0	(575,028)
72	M&E Contracted Works	Jason Grace	0	0	700,000	(250,000)	450,000	450,000	407,565	407,565	250,000	(292,435)
73	Communal Gas & Heating	Jason Grace	0	0	3,000,000	(1,000,000)	2,000,000	2,000,000	1,796,787	1,796,787	1,000,000	(1,203,213)
74	DBC Commissioned Capital Works	Jason Grace	750,000	901,068	0	(62,838)	(62,838)	1,588,230	2,614,221	2,614,221	(7,757,294)	8,783,285
75	Special Projects	Jason Grace	0	909,653	0	(850,000)	(850,000)	59,653	63,611	63,611	2,853	1,105
			17,807,000	1,810,721	0	(7,139,838)	(7,139,838)	12,477,883	10,950,442	10,950,442	(1,527,441)	(0)
Strategic Housing												
76	New Build - General Expenditure	David Barrett	(318,608)	318,608	0	0	0	0	0	0	0	0
77	Martindale	David Barrett	2,035,454	2,031,700	0	0	0	4,067,154	2,032,916	2,032,916	0	(2,034,238)
78	Kylina Court (Previously known as Wood House)	David Barrett	0	0	0	0	0	0	(2,200)	(2,200)	0	(2,200)
79	Stationers Place / Apsley Paper Mill	David Barrett	0	1,450,785	0	0	0	1,450,785	903,561	903,561	0	(547,225)
80	Swing Gate Lane	David Barrett	0	0	0	0	0	0	51,960	51,960	0	51,960
81	Bulbourne	David Barrett	(689,700)	828,391	0	(72,471)	(72,471)	66,220	21,526	21,526	(44,694)	(0)
82	Coniston Road	David Barrett	1,705,800	(342,708)	0	(1,145,592)	(1,145,592)	217,500	385,005	385,005	167,505	(0)
83	Eastwick Row	David Barrett	1,084,951	(66,725)	0	(653,671)	(653,671)	364,555	304,037	304,037	(60,518)	0
84	St Margaret's Way	David Barrett	(324,148)	440,648	0	180,840	180,840	297,340	135,386	135,386	(161,954)	(0)
85	Paradise Fields	David Barrett	150,000	0	0	820,600	820,600	970,600	996,436	996,436	25,836	0
86	Gaddesden Row	David Barrett	964,679	(319,651)	0	0	0	645,028	575,546	575,546	(69,482)	(0)
87	Randalls Ride	David Barrett	80,000	112,451	0	0	0	192,451	184,432	184,432	(8,019)	0
88	Garage Sites - New Build Developments	David Barrett	525,000	490,270	0	40,096	40,096	1,055,366	247,085	247,085	(808,281)	0
89	Wilstone	David Barrett	33,438	105,013	0	(48,451)	(48,451)	90,000	63,048	63,048	(26,952)	0
90	Marchmont Fields	David Barrett	100,000	0	0	0	0	100,000	46,530	46,530	(53,470)	(0)
91	Paradise Depot	David Barrett	225,000	0	0	(70,000)	(70,000)	155,000	96,452	96,452	(58,548)	(0)
92	Cherry Bounce	David Barrett	300,000	0	0	(210,000)	(210,000)	90,000	34,810	34,810	(55,190)	0
Totals: Housing and Community			23,678,866	6,859,503	0	(8,298,487)	(8,298,487)	22,239,882	17,026,971	17,026,971	(2,681,208)	(2,531,703)
Totals - Fund: Housing Revenue Account			23,678,866	6,859,503	0	(8,298,487)	(8,298,487)	22,239,882	17,026,971	17,026,971	(2,681,208)	(2,531,703)
Totals			31,536,996	10,788,512	1,797,126	(9,671,277)	(7,874,151)	34,451,357	26,399,676	26,399,676	(5,582,364)	(2,469,317)

General Fund Reserves Summary	Balance as at 31/03/2020 £'000	Adjusted Budget 2020/21 £'000s	Net Reserve Movement 2020/21 £'000	Set up of Covid Support reserve	Covid Support Drawdown	Total Reserve Movement 2020/21 £'000	Balance as at 31/03/2021 £'000
Civic Buildings Major Repairs Reserve	200	(140)	(140)			(140)	60
Capital Development Reserve	300						300
Earmarked Grants Reserve	88		(44)			(44)	44
Management of Change Reserve	1,122	(251)	(366)			(366)	756
Technology Reserve	256	500	500			500	756
Savings Efficiencies Reserve	921	(459)	286			286	1,207
On Street Car Parking Reserve	120	(5)	15			15	135
Local Development Framework Reserve	616	(92)	(101)			(101)	515
Dacorum Development Reserve	3,199	2,164	2,149	(4,500)		(2,351)	848
Climate Change and Sustainability Reserve	0	300	266			266	266
Litigation Reserve	317						317
Vehicle Replacement Reserve	0						0
Invest to Save Reserve	0	61	82			82	82
Youth Provision Reserve	44						44
Election Reserve	0	40	40			40	40
Uninsured Loss Reserve	420	(60)	(60)			(60)	360
Training & Development Reserve	0	400	375			375	375
Housing Conditions Survey Reserve	46	15	15			15	61
Dacorum Rent Aid - Guarantee Scheme	15						15
Rent Guarantee Scheme Reserve	15						15
Funding Equalisation Reserve	6,297	(1,000)	11,345	(3,000)		8,345	14,642
Pensions Reserve	2,173	(2,173)	200			200	2,373
Maylands Plus Reserve	46	23					46
Covid 19 Hardship Fund	0		581			581	581
Economic Recovery Reserve	0			7,500	(2,358)	5,142	5,142
Total Earmarked Reserves	16,195	(677)	15,143	0	(2,358)	12,785	28,980
Working Balance	2,502						2,502
Total General Fund Reserves	18,697	(677)	15,143	0	(2,358)	12,785	31,482

Agenda Item 6

AGENDA ITEM: SUMMARY



Report for:	AUDIT COMMITTEE
Date of meeting:	8th September 2021
PART:	I
If Part II, reason:	

Title of report:	Statement of Accounts 2020/21
Author:	Fiona Jump, Group Manager (Financial Service)
Contact:	Cllr Graeme Elliot, Portfolio Holder for Finance and Resources James Deane, Corporate Director (Finance and Operations)
Purpose of report:	<p>The purpose of this report is to present the Council's Statement of Accounts for 2020/21. It covers:</p> <ul style="list-style-type: none">• Account and Audit Regulations 2015• The Account and Audit (Coronavirus) (Amendment) Regulations 2021• Section 21(2) Local Government Act 2003• Statement of Accounts• Commentary on financial statements
Recommendations:	<p>It is recommended that Members of the Audit Committee:</p> <ol style="list-style-type: none">a) review the Statement of Accounts 2020/21 (Appendix A) and raise any matters on which assurance is sought in order to approve the Statements on behalf of the Council;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;

	c) subject to a) and b) above, approve the Statement of Accounts for 2020/21
Corporate objectives:	Ensuring efficient, effective and modern service delivery.
Statutory Officer Comments:	<p>Section 151 Officer:</p> <p>My comments are included within the body of this report and within the commentary and explanatory foreword to the Statement of Accounts.</p> <p>Monitoring Officer:</p> <p>The Council has a statutory duty to approve the 2020/21 Statement of Accounts by 30 September in accordance with Account and Audit (Coronavirus) (Amendment) Regulations 2021.</p>
Consultees:	None
Background papers:	Audit Findings Report 2020/21 Audit Committee 8 th September 2021.

1. Background

- 1.1 The purpose of this report is to present the final outturn and the final Statement of Accounts for 2020/21 for Members' approval.

2. Executive summary

- 2.1 The Account and Audit (Coronavirus) (Amendment) Regulations 2021 requires local authorities to approve their financial statements for 2020/21 by 30th September 2021. 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 8th September 2021.
- 2.4 The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting 2020/21 (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 22nd July 2021

- 4.1 The Council published its draft Statement of Accounts on 22nd July 2021, in line with the statutory deadline of the 31st July 2021. Since its publication, Council officers have agreed some minor additional disclosures. There have been no amendments to the main financial statements.
- 4.2 More detail on the findings of the appointed auditor can be found in the Audit Findings Report, a separate agenda item at Audit Committee on 8th September 2021.

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 2020/21 reflects a net loss of £35.0m and consists of the following:
- Deficit on the Provision of Services of £16.2m (2019/20 deficit of £10.8m);
 - Other Comprehensive Expenditure of £18.7m (2019/20 income of £138.5m).
- 6.3 The increase in the deficit on the Provision of Services of £5.4m between years is due to:
- A increase in the Total Cost of Services of £6.9m;
 - An overall reduction in Other Operating Expenditure of £1.0m, driven by an increase in gains on the disposal of non- current assets;
 - An decrease in Financing and Investment Income and Expenditure of £3.5m;
 - A reduction in taxation and Non Specific Grant Income of £3.0m.
- 6.4 Other Comprehensive Expenditure for the year was £18.8m and consists of:
- £13.3m surplus on revaluation of property, plant and equipment;
 - £32.1m actuarial loss 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 £1.001bn as at 31 March 2021, which represents a decrease of £35.0m on the previous financial year. The change between years is made up of movements in both the deficit on the Provision of Services and Other Comprehensive.

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 £10.8m for 2020/21. This is an increase of £0.2m on the deficit reported in 2019/20, which was £10.6m.

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 2020/21. Members are asked to review the accounts and Letter of Representation presented to them today and approve these documents.



Dacorum Borough Council

**Statement of Accounts
2020/21**

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Introduction – Leader of the Council

Welcome to Dacorum Borough Council's Statement of Accounts for the financial year 2020/21.

These accounts show you how we managed our finances in 2020/21 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
- Climate and Ecological Emergency

The coronavirus pandemic has presented significant challenges for the entire community in Dacorum during 2020/21. The Council's priority during this time has been to ensure that everyone who needs help is supported, especially the most vulnerable. The Council has worked to ensure that the most vulnerable members of society are protected and that essential council services continue to be provided. The Council has supported the local business community, providing advice on government schemes and help available to them.

During 2020/21, the Council has:

- Supported 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.

During 2021/22, Dacorum Borough Council will:

- Continue to ensure that those who need help due to the impact of the coronavirus pandemic are supported.
- Help the local business community through the recovery phase of the pandemic.
- Continue to build new Council homes for local people.
- Progress key projects for the Council, including Hemel Garden Communities and the Hemel Place Strategy.

Councillor Andrew Williams

Introduction – Corporate Director

As the Council's Chief Financial Officer, I have pleasure in presenting Dacorum Borough Council's Statement of Accounts for 2020/21.

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 coronavirus pandemic has presented an operational and financial challenge for the Council and continues to do so. We will maintain our responsive and adaptive approach to support our local residents and businesses, as well as manage our finances during this continued 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 has a population of approximately 154,000. 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 borough-wide elections last held in May 2019. As at 31 March 2021, 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 an 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. During 2020/21 this service has also overseen the payment of Covid business support grants and business rates relief.

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:

- The Council had a direct role to play in managing the implications of the Covid-19 pandemic in the Dacorum area. This has involved the maintenance of essential public services such as waste management and providing support, advice and grants to the local business community and residents.
- The pandemic has had a significant impact on local businesses, with income from business rates and commercial rents lower than 2020/21 target levels.
- The pandemic has impacted on the Council's own finances due to cost increases and shortfalls against income targets. The standard financial reporting cycle has been supplemented with regular published Covid-19 updates, in order to keep elected Members and other stakeholders informed of emerging issues. Pressures on Council expenditure and income are expected to continue into 2021/22 and beyond.
- The Government issued grant funding to the Council to help mitigate the impact of the pandemic during 2020/21. This includes the grant compensation for the reduction in income received and grant funding to support additional costs incurred arising from the pandemic.
- The Council has managed its financial position by the use of grant funding and also through its existing reserves through the setting up of the Economic Recovery Reserve. The Council continues to monitor the pressures arising from the pandemic and their implications for the financial position for 2021/22 and beyond. Longer term planning to manage the financial consequences of the pandemic has been addressed as part of our medium term financial strategy.
- Brexit- the ongoing impact of the United Kingdom's exit from the European Union in January 2020. The Council is managing the impact of this as part of its regular financial monitoring and risk management arrangements. 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, at the earliest. The changes as a result of the 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 continued 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.
- Reviewing responses to the Council's updated long term Local Plan, which was published for consultation during 2020/21.

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 2020/21 against its corporate priorities. 2019/20 figures are provided in brackets, where figures have changed year on year. Please note that the Covid-19 pandemic has impacted performance in some areas, due restrictions in place on activity:

A clean, safe and enjoyable environment

- Collected 10,056 tonnes of food waste (9,650)
- Maintained parks and gardens across Dacorum including 62 play areas, 5 Green Flag parks and 2 Queen Elizabeth II Fields In Trust
- Received 853 planning applications (726)

Building strong and vibrant communities

- Continued our programme of community grants.
- Managed 25 (24) car parks, 23 (22) of which have Park Mark for safety.

Ensuring economic growth and prosperity

- Completed the new multi-storey car park in Berkhamsted.
- Paid out £39m in Covid-19 related grants to local business and other eligible organisations.

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

- Started the development of 37 (87) 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

- Saw an increase in the number of users of the Council's website to 221,413 (172,080).
- Identified £1.0m of savings as part of 2021/22 budget-setting (£0.4m)

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.

Narrative Report

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 also responsible for the Council Landlord Function (the HRA), which is identified separately throughout the accounts);
- **Finance and Resources** (includes commercial properties, 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)

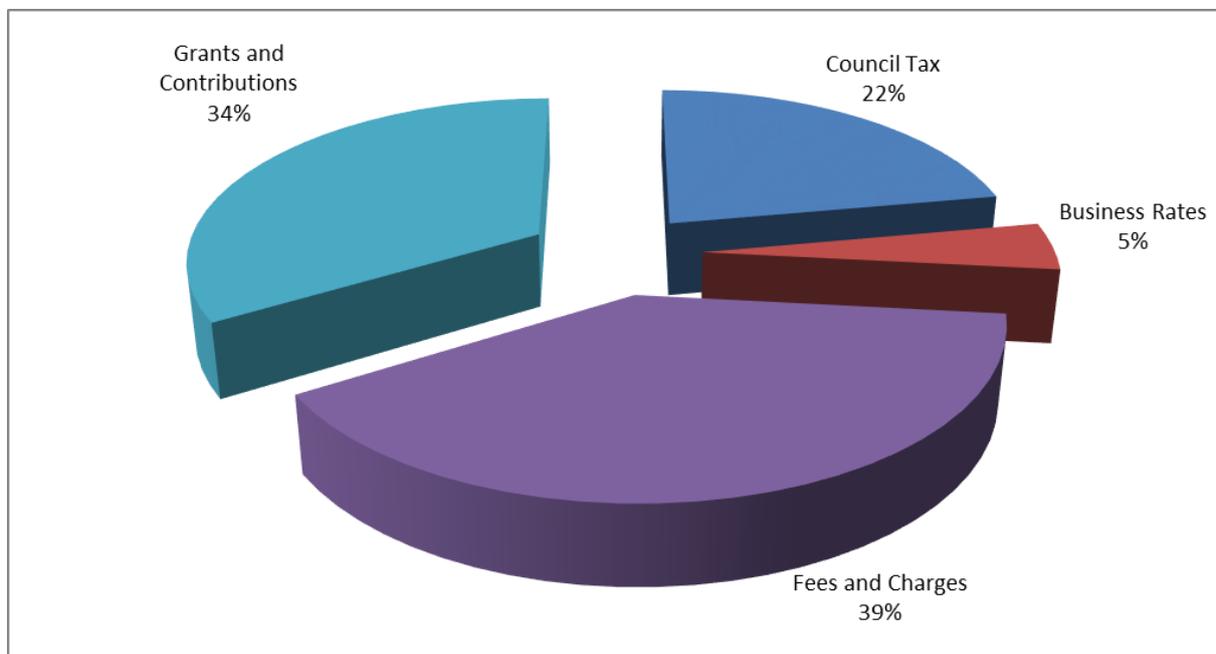
The three committees shown play an important role in guiding and examining our policies and operational and financial performance. They are involved in keeping the Council's activities under review. They scrutinise the proposals, actions and decisions of the Cabinet and Council, as well as developing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

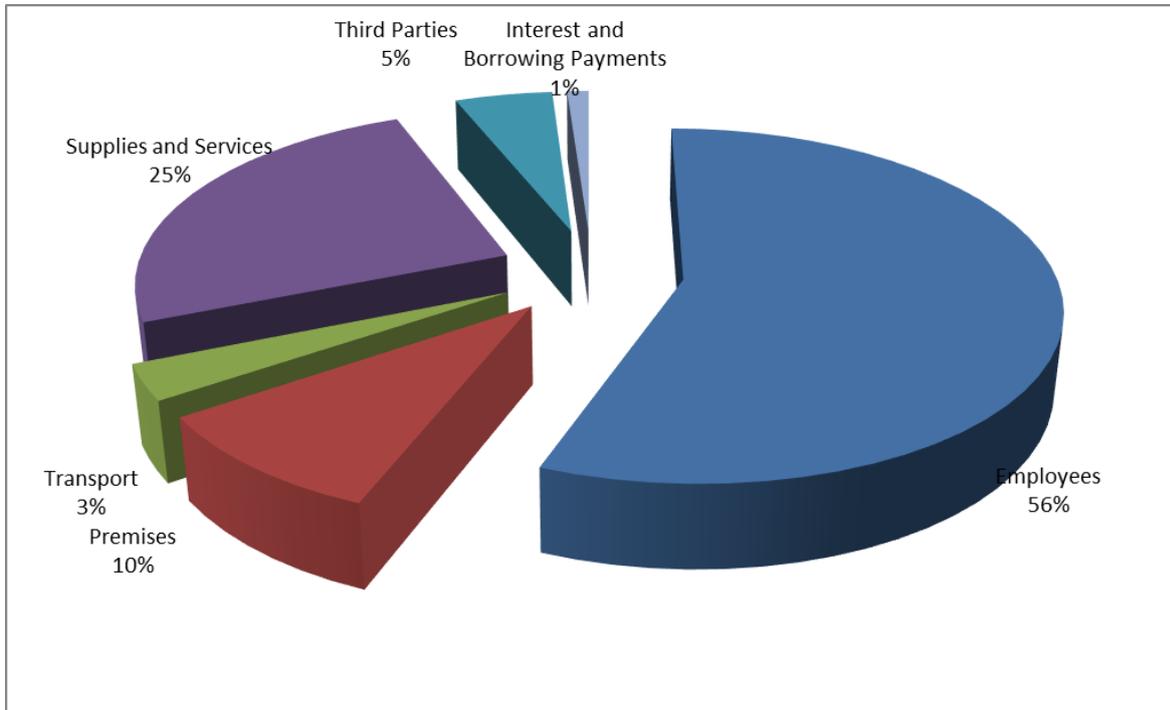
The following charts outline where the Council's General Fund revenue money came from, how it was spent and on which services. These charts exclude income and expenditure relating to housing benefits and the Housing Landlord function, which is accounted for within the Housing Revenue Account.

Sources of funding

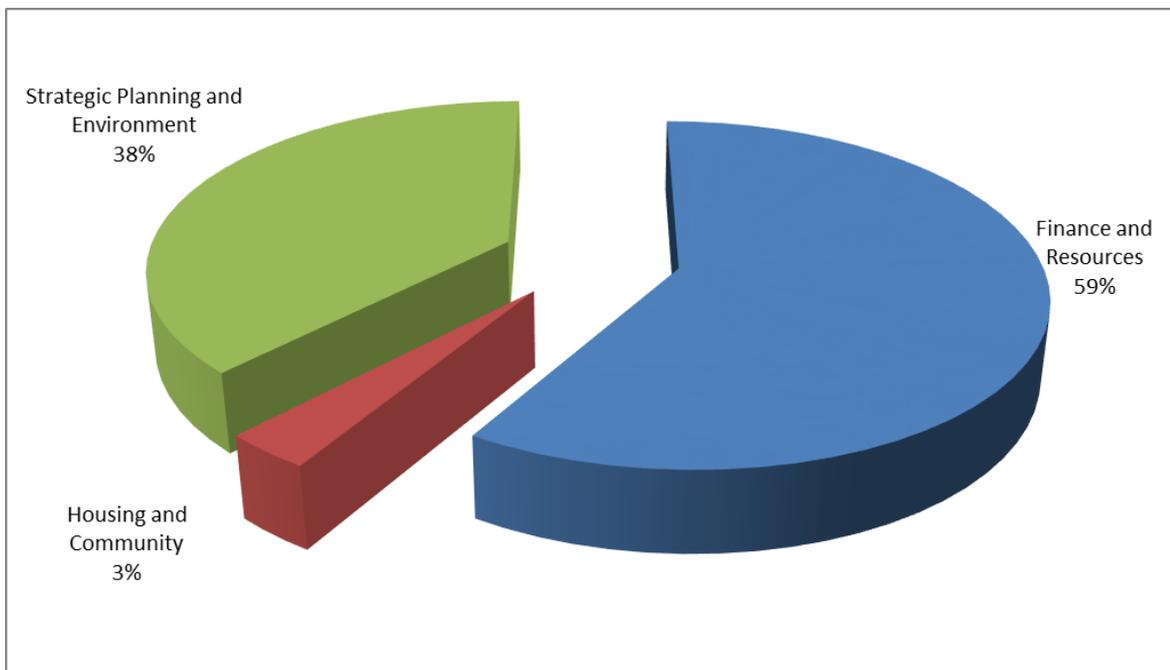


How the funding was spent¹

¹ 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 area²



The table below summarises the Council's General Fund Revenue Account for 2020/21:

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

Table 1- General Fund Revenue Financial Performance 2020/21

	Budget	Actuals	Variance
	£000	£000	£000
Finance and Resources	14,941	18,014	3,074
Housing and Community	621	1,044	423
Strategic Planning and Environment	9,738	11,606	1,869
Net Cost of Services	25,300	30,665	5,365
Investment Property	(4,374)	(3,543)	831
Interest on Investment Income, Interest Payable and Minimum Revenue Provision	616	658	42
Parish Precept Payments	972	972	(0)
Government Grants ¹	(1,979)	(20,160)	(18,181)
Revenue Contribution to Capital	350	350	0
Taxation (Council Tax and Business Rates)	(15,824)	(14,364)	1,460
Net (Income)/ Expenditure- Other Items	(20,239)	(36,087)	(15,848)
(Surplus)/ Deficit on Provision of Services	5,061	(5,422)	(10,483)
Net Recharge to the HRA	(4,384)	(4,262)	122
Contribution To / (From) Earmarked Reserves ²	(677)	12,786	13,463
Contribution from the Unusable Pensions Reserve	0	(3,102)	(3,102)
Net Movement on General Fund Working Balance	(0)	0	0

¹Government grants includes £14.4m of funding granted to the Council in respect of a shortfall on expected income relating to the Collection Fund (Business Rates and Council Tax). Note 17 to the accounts provides further information.

²Contributions to reserves includes £14.4m of grant funding referred to at (1) above that was transferred to reserves at year-end.

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
 - A shortfall against target income for Commercial and Domestic Waste services
- Finance and Resources
 - A shortfall against budgeted income relating to commercial property and car-parking
 - Costs associated with supporting leisure provision through the pandemic.

The Council has managed its overall financial position via the application of government grants and existing reserves.

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 2020/21 the returns on investments fell short against budgeted expectations due to a fall in interest rates as a result of the economic impact of the Covid-19 pandemic.

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 received some general grants from the Government to support its service provision including the New Homes Bonus and significant new Covid-19 grants provided by Government to compensate for the financial impact of Covid-19 and to provide rates relief to ratepayers. This explains why grant income this year is higher than that due to the Council in 2019/20. More information is provided at Notes 17 and 18 to the accounts.

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. D. 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 2020/21.

The net collectable amount of council tax in Dacorum for 2020/21 (for Dacorum Borough Council, Hertfordshire County Council and the Police and Crime Commissioner for Hertfordshire) was £106.6m (2019/20 £102.4m). The Dacorum Borough Council share of council tax is £12.8m an increase from £12.5m in 2019/20.

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 12 to the Accounts.

During the 2020/21 financial year the council has received several business rates support grants from government that for accounting reasons are required to be allocated to reserves and drawn down in 21/22 and hence create a significant variance to the allocation to reserves.

During 2020/21 the Council received grant funding to support taxation income losses experienced as a result of the Covid- 19 pandemic. The following associated grant balances were transferred to earmarked reserves during 2020/21:

- £581k relating to Council Tax Hardship grant. This has been transferred to the Covid Hardship Fund, an earmarked reserve.
- £1,811k relating to Council Tax and Business Rates Taxation Income Guarantee funding and £12,021k relating to Business Rates relief. These amounts are included in the net reserve movement to the Funding Equalisation Reserve.

More information on reserves movements is provide in Note 12 Earmarked Reserve (page 54 of this document).

The Taxation Income Guarantee funding and business rates relief funding will be required during 2021/22 and future years to fund the deficit on the Collection Fund as at 31/03/21.

In 2020/21 the Council has funded an upfront contribution on its pension fund obligations. This was adjusted against the unusable pensions reserve as agreed with the external auditors. This arrangement is an accounting requirement that will be unwound in 2021/22 and 2022/23, fully reinstating the balance on the unusable pensions reserve. Further details are disclosed in note 37 Pensions.

Housing Revenue Account (HRA)

The table below summarises the financial position on the Council's HRA for 2020/21:

Table 2: HRA Revenue Financial Performance 2020/21

	Budget £000	Actuals £000	Variance £000
Dwelling Rents and Service Charges	(54,685)	(54,507)	178
Non Dwelling Rents	(102)	(102)	0
Charges for Services and Facilities	(1,855)	256	2,111
Interest on Investment Income	(192)	(77)	115
Contributions towards expenditure	(645)	(563)	82
Total Income	(57,479)	(54,993)	2,486
Repairs and Maintenance	12,030	8,509	(3,521)
Supervision and Management	10,180	9,074	(1,106)
Recharges	4,384	4,262	(122)
Depreciation	12,866	15,618	2,752
Revenue Contribution to Capital	5,855	4,312	(1,543)
Interest Payable	11,586	11,486	(100)
Other Expenditure	1,011	494	(517)
Total Expenditure	57,912	53,755	(4,157)
(Surplus)/ Deficit prior to reserve movements	433	(1,238)	(1,671)
Contribution To / (From) Reserves	(433)	1,238	1,671
HRA Deficit / (Surplus)	0	0	0
Working Balance Brought Forward	(2,894)	(2,894)	0
Working Balance Carried Forward	(2,894)	(2,894)	0

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

The overall net contribution to reserves represents a transfer of year- end surplus into HRA reserves to support future investment in the HRA. A detailed breakdown of the movements to and from reserves

can be seen in Note 12 to the Accounts. The main driver to the transfer to reserves has been the significant impact of Covid-19, in relation to access to peoples' homes, which has resulted in a shortfall in repairs and maintenance work in 2020/21 that will be delivered in future years.

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.

Capital Programme

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

- £11.0m on the Council's housing stock
- £6.0m on housing development
- £2.4m to support the development of affordable housing in the borough outside the Council's own new build programme
- £1.6m on replacing the Council's fleet vehicles

Key new housing investment in the borough includes:

- Martindale Fields in Hemel Hempstead
- Paradise Fields, Coniston Road and Gaddesdon Row.

Other projects include:

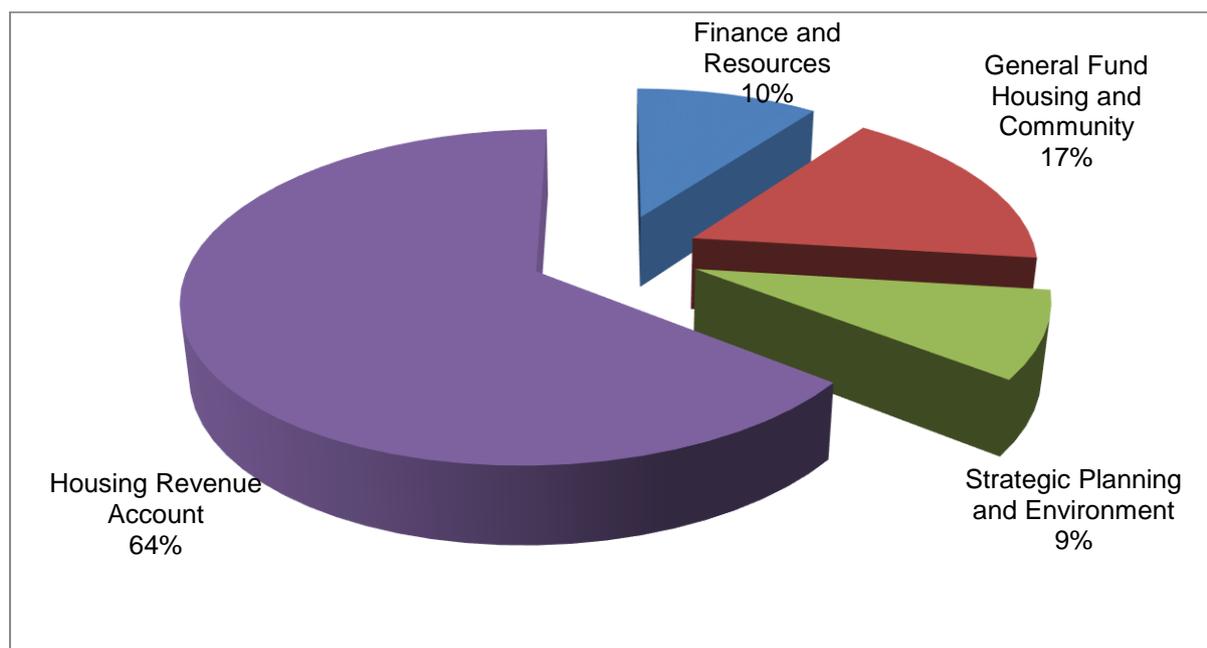
- The development of a new cemetery at Bunkers Farm
- Development of the Northend and Westerdale garage sites for the provision of temporary accommodation.

The capital programme has been funded from capital receipts, reserves, grants, revenue contributions and other contributions.

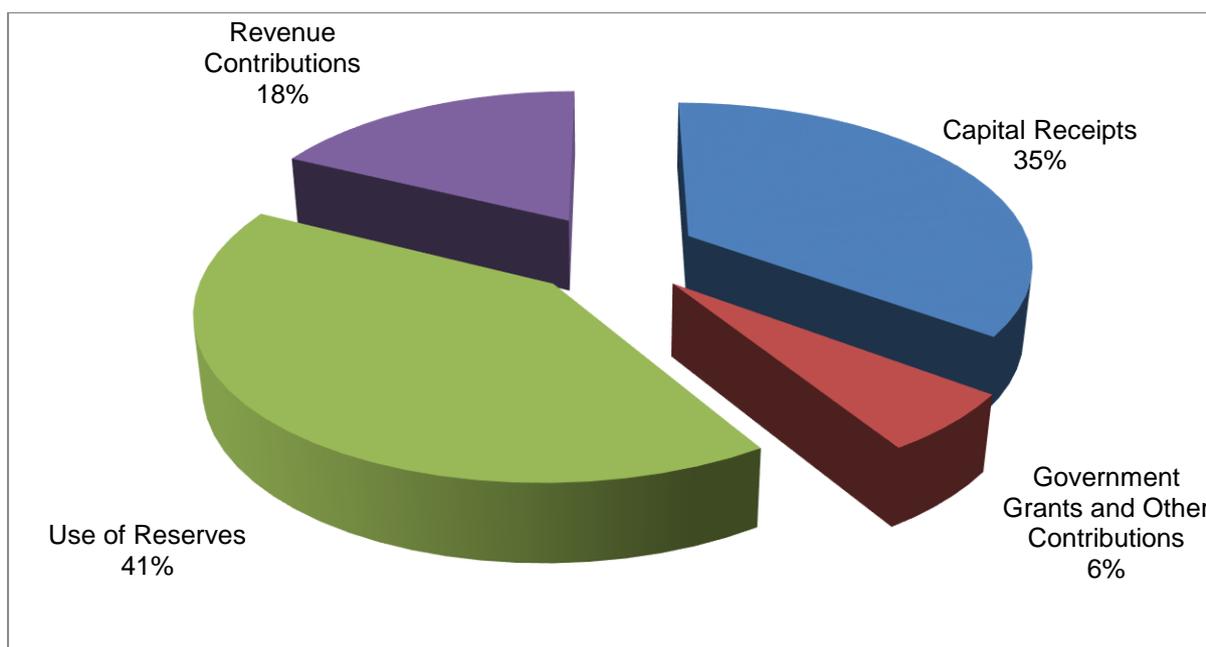
Due to the impact of the Covid-19 pandemic, there has been some slippage of the capital programme into future years.

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

Areas of capital investment 2020/21



Sources of capital financing 2020/21



The Council's Financial Outlook

The Council's budget for 2021/22 and Medium- Term Financial Forecast were approved by Full Council in February 2021. The financial impact of Covid-19 is expected to continue into 2021/22 and beyond. This has been reflected in the 2021/22 budget and the medium- term forecasts. 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 that continue to be at risk from the economic consequences of the pandemic. The Government is making funding streams available to the Council in 2021/22 as part of their response to the Covid-19 pandemic.

The Council will continue to monitor and report on its financial position in 2021/22. This is both as part of our own internal reporting requirements and the continuing external requirements placed on us by the Government. As part of this, the Council operates a detailed monthly cash-flow monitoring process and continues to ensure cash is managed carefully.

The Council's medium- term capital plans will provide a significant level of investment into the Borough. This is expected to have a positive impact on the local economy, as well as acting as a catalyst to attract private sector investment and development in Dacorum. Delivery of the capital programme may be further 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 2021/22. 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 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 2020/21 (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 2020/21, and the financial position of the Council as at 31 March 2021. 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 2021 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 Council's statutory duty to maintain a separate account to measure the resources generated and consumed in the provision of council housing during 2020/21, 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

The Council's responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Corporate Director (Finance and Operations).
- Manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.
- Approve the Statement of Accounts by 30 September 2021. 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 2021 was approved by resolution of the Audit committee of Dacorum Borough Council on (*date tbc*).

Councillor Herbert Chapman
Audit Committee Chairman

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 2021, and its income and expenditure for the year ending 31 March 2021.

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/SOLACE² framework *Delivering Good Governance in Local Government (2016)* and Regulation 6 of the Accounts and Audit Regulations 2015. 2020/21 is the 'shadow' year for the implementation of the CIPFA Financial Management (FM) Code 2019, with 2021/22 being the first full year for compliance with the FM code 2019. An assessment of how the Council's financial management arrangements are compliant with the FM Code 2019 is included within this statement.

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.

The Council's governance arrangements provide a high level of assurance and remain fit for purpose. No significant governance arrangements were identified during 2020/21. The Council's financial management arrangements are considered compliant with the requirements of the FM Code 2019.

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

² SOLACE – Society of Local Authority Chief Executives and Senior Managers

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.

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 2020/21 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. The Council has an online consultation group of around 900 residents. We send all consultations to this group. The Council also communicates with service users through its website, our customer services surveys, the corporate complaints procedure, 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 2020/21 and as part of the budget preparation for 2021/22. 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. The Council normally undertakes a residents' deliberative forum as part of its annual budget consultation process. This was not possible for the 21/22 budget setting process due to Covid- 19 related restrictions in place during January 2021 and is expected to resume for future budget setting processes.

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 assigned to them. A specialist project management resource is employed to promote high standards for all projects.

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 Senior Leadership Team (SLT) 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, SLT receive updates on the work and recommendations of five Corporate Officer working groups:

- Environmental Service and Community Protection Board
- Community, Housing, Health and Wellbeing Board
- Growth and Infrastructure Board
- Transformation Board
- Corporate Project Delivery Board
- Climate Change and Sustainable Environment Board

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 2019/20, the most recent undertaken, concluded the Council has proper arrangements to secure economy, efficiency and effectiveness in its use of 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 2020/21, 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 2020/21 so the Constitution remains fit for purpose. It was not necessary to make more substantial changes to the Constitution during 2020/21.

The Financial Regulations were reviewed during 2020/21 with no updates identified as being required. Updates to the Financial Regulations were last presented to and approved by Cabinet in December 2019. The Commissioning & Procurement Strategy and Commissioning and Procurement Standing Orders were last updated and approved by Council in November 2019. Thresholds were reviewed and based on value there is clear process for authorisation.

Full 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 2020/21. 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 2020, 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 as a strategic risk, 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 2020 as a means of managing the risks to the organisation

of the Covid-19 pandemic. Regular Covid-19 updates have been presented to Finance and Resources Overview and Scrutiny Committee and Cabinet throughout 2020/21, covering operational and financial risks to the organisation associated with the 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, Community Impact Assessment, 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 2020/21 4 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 last inspection was in February 2021, where some recommendations were made for improving the current policy and procedures, which are currently being actioned. There will be an annual report produced to Audit Committee reporting on the use of surveillance and seeking approval to any required changes to policy.

Compliance with the Data Protection Act (DPA)

Annual Governance Statement 2020/21

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
Advanced Chairing (Mandatory for Chairs/ Vice Chairs)	February 2021	7
Development Management Committee Training	February 2021	13
Planning	June 2020	50
Safe, Confident and Effective Use of Social Media	August 2020	11
Safeguarding	September 2020	23
Equality, Diversity and Inclusion	June 2020	18
Code of Conduct	October 2020	31
Portfolio Holders Decisions	November 2020	20

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Questioning Skills for Scrutiny	February 2021	15
Housing- Homelessness Briefing	December 2020	19
Housing- Allocations Briefing	December 2020	17

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

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 Instagram 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 the Dacorum Strategic Network and the Dacorum Community Safety Partnership. 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.

During 2020/21, the Council's Internal Audit service provider for 2019/20 Mazars Public Sector Internal Audit Limited completed their final service reviews from the 2019/20 Internal Audit plan. These were presented to Audit Committee, along with the Internal Audit Annual Report 2019/20.

In 2020/21, TIAA Ltd 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. TIAA is satisfied that, for the areas reviewed during the year, Dacorum Borough Council (the 'Council') has reasonable and effective risk management, control and governance processes in place. 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 2019/20 Statement of Accounts, no priority 1 recommendations were identified.

Annual Governance Statement 2020/21

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

Key element	Role and Activity during the year
Council	<ul style="list-style-type: none"> ○ Approve Constitution including: Financial Regulations; Codes of Conduct; Commissioning & Procurement Standing Orders; Scheme of Delegation ○ Set budget and policy framework
Cabinet	<ul style="list-style-type: none"> ○ Financial, performance and risk management of service delivery within the Budget and Policy Framework set by Council – quarterly reports ○ Responsibility for key decisions and initiating corrective action in relation to risk and internal control issues ○ Monthly public meetings (excluding any summer recess) ○ Regular briefings with Chief Officers
Audit Committee	<ul style="list-style-type: none"> ○ Four scheduled meetings per annum ○ Review and scrutinise the outcome of Internal and External audit reports and other external agencies such as the Ombudsman ○ Monitor the Governance arrangements within the Council ○ Delegated responsibility to scrutinise and approve the Financial Statements on behalf of the Council ○ To consider the External Auditor's report to those charged with Governance on issues arising from the audit of the accounts
Overview & Scrutiny Committees: ○ Housing & Community ○ Strategic Planning & Environment ○ Finance & Resources	<ul style="list-style-type: none"> ○ To provide overview and scrutiny and policy development role in relation to business associated with the Cabinet Portfolios ○ To monitor the performance of relevant Council services, including services which are provided under contract or agreement by external organisations or private sector companies
Standards Committee	<ul style="list-style-type: none"> ○ Consider allegations of breaches of the Code of Conduct ○ Promote and maintain high standards of conduct by the members of the Council
Internal Audit – (outsourced service provided by TIAA Ltd)	<ul style="list-style-type: none"> ○ Set overall internal audit strategy to meet the Council's overall direction ○ Undertake an annual programme of audits ○ Present audit reports to Management and to Audit Committee ○ Present progress reports to Audit Committee measuring performance against the Audit Plan
Chief Executive (Head of Paid Service)	<ul style="list-style-type: none"> ○ Overall corporate policy management and operational responsibility ○ Chair of Senior Leadership Team
Monitoring Officer (Assistant Director, Corporate and Contracted Services)	<ul style="list-style-type: none"> ○ Maintain the Constitution ○ Ensure lawfulness and fairness of decision making ○ Supporting the Standards Committee ○ Receive complaints and decide whether they merit further investigation. If the complaint is investigated to report the outcome to the Standards Committee for a decision and ensure correct procedural steps are followed and appropriate assistance is given to the Committee throughout the process ○ Act as the Senior Information Risk Officer & Senior Responsible Officer (RIPA) ○ Proper officer for access to information ○ Advise whether Cabinet and Portfolio Holder decisions are within the Council's budget and policy framework ○ Provide advice and contribute to corporate management as a member of Corporate Management Team
Section 151 Officer (Corporate Director (Finance & Operations))	<ul style="list-style-type: none"> ○ Ensure lawfulness and financial prudence of decision making ○ Responsibility for administration of financial affairs of the Council and keep proper financial records and accounts for maintaining an effective system of internal financial controls ○ Contribute to corporate management as a member of Corporate Management Team ○ Provide professional financial advice to Members including the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues ○ Provide financial information to the media, members of the public and community
Statutory Officers Comments – Monitoring Officer & Section 151 Officer	<ul style="list-style-type: none"> ○ Statutory officers review all Cabinet, Portfolio Holder and Officer Decision reports to consider and comment within the report on legal and financial implications arising out of the report ○ Review of governance issues arising out of day to day working practices ○ Consider issues arising out of the annual assurance statements

Annual Governance Statement 2020/21

Corporate Directors	<ul style="list-style-type: none"> ○ Overall strategic and operational management of those services falling within each individual directorate ○ Contribute to corporate management as members of Corporate Management Team
Senior Leadership Team	<ul style="list-style-type: none"> ○ Financial/Budgetary monitoring, Performance monitoring and monitoring of the corporate officer working groups. ○ Quarterly review of strategic risk management ○ Monitoring of the Internal Audit Programme.
Performance Board	<ul style="list-style-type: none"> ○ Review performance against Council Vision and Priorities ○ Review Dacorum improvement programme projects
Corporate Working Groups	<ul style="list-style-type: none"> ○ Officer/Member groups drawn from service directorates and including relevant Portfolio Holders as appropriate ○ Oversee and review delivery of all relevant operational matters and establish and receive reports from sub-groups as necessary ○ Consider options appraisals and make recommendations for SLT and Cabinet consideration
Assistant Directors and Group Managers	<ul style="list-style-type: none"> ○ Operational management for the services falling within each individual service area ○ Assurance Statements covering all of the Council's key internal controls, including: Financial Regulations; Commissioning & Procurement Standing Orders; Employees Code of Conduct; Corporate Policies; and risk management.

Compliance with the CIPFA FM Code 2019

The FM Code 2019 outlines the required financial management standards for local authorities, covering the following areas:

- The responsibilities of the Chief Financial Officer and the Leadership Team
- Governance and management style of the organisation
- Medium to long-term financial management
- The annual budget- setting process
- Stakeholder engagement and business cases
- The monitoring of financial performance
- External financial reporting

As part of its review of governance arrangements, the Council has concluded that governance arrangements are compliant with the requirements of the FM Code 2019. The FM Code 2019 and associated guidance states that the manner in which compliance with the FM Code 2019 is demonstrated will be:

- proportionate to the circumstances of each local authority and
- will focus on any challenges in achieving the standards

2020/21 has presented challenges in respect of medium-term financial planning, arising from both a one- year government financial settlement and the ongoing implications of the Covid -19 pandemic. The Council has addressed this by updating its medium term financial plan later in the financial cycle than is usual, in order to incorporate the most up to date assumptions. The Council has used the information from the one- year financial settlement alongside other sources of information available, to make sensible assumptions in our medium- term financial planning.

Stakeholder engagement has also been challenging in 2020/21 because of the social restrictions in place due to the Covid- 19 pandemic. The Council has addressed this by making use of technology to assist stakeholder engagement (for example, facilitating virtual attendance at committee meetings by members of the public) and also by seeking other virtual forms of stakeholder feedback.

Annual Governance Statement 2020/21

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 TIAA Ltd. The programme of works outlined for 2020/21 included 15 internal audits to be undertaken. At the time of publication of the draft Statement of Accounts 2020/21, 13 of these internal audits have been finalised and all recommendations collated and 2 have been deferred to 2021/22 due to Covid -19. The internal audit reports provide an assurance rating for a service and make recommendations for improvements.

Internal audit reviews assign an overall assessment assurance (in order of decreasing assurance) as follows: 'substantial', 'reasonable', 'limited' and 'no assurance' to the service under review. In 2020/21 the internal audit reports resulted in 2 reasonable assurances and 11 substantial assurances.

Internal audit reports provide recommendations for improvements. In total 21 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. Further details are available upon request. The Internal Auditor's Annual Report for 2020/21 will be published and presented to the Audit Committee in July 2021.

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) and the Financial Management Code 2019.

Signed
(Councillor Andrew Williams - Leader of the Council)

(date to be inserted)

Signed
(Claire Hamilton - Chief Executive)

(date to be inserted)

Comprehensive Income and Expenditure Statement

	Note	2020/21			2019/20		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£'000	£'000	£'000	£'000	£'000	£'000
Finance and Resources (GRF)		63,486	(41,576)	21,910	61,347	(45,916)	15,431
Housing and Community (GRF)		12,186	(5,480)	6,706	13,454	(5,242)	8,213
Strategic Planning and Environment (GRF)		22,642	(7,893)	14,749	20,433	(6,459)	13,973
Housing and Community (HRA)		55,648	(54,917)	731	55,258	(55,698)	(439)
Total Cost of Services		153,962	(109,866)	44,096	150,492	(113,315)	37,178
Other Operating Expenditure	8			(3,433)			(2,408)
Financing and Investment Income and Expenditure	9			1,736			5,163
Taxation and Non Specific Grant Income	10			(26,176)			(29,162)
(Surplus)/Deficit on Provision of Services				16,223			10,771
(Surplus)/ Deficit on Revaluation of Property Plant, Equipment	31			(13,301)			(108,005)
Remeasurement of the net defined benefit liability	37			32,083			(30,529)
Other Comprehensive Income and Expenditure				18,782			(138,534)
Total Comprehensive Income and Expenditure				35,005			(127,763)

-ive signage represents Income or credits to service lines and + ive represents costs or charges to the respective service line

Movement in Reserves Statement

Note	General Fund £'000	Earmarked Reserves General Fund £'000	Housing Revenue Account £'000	Earmarked Reserves HRA £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Council Reserves £'000	
Balance at 31 March 2019	2,501	13,453	2,892	18,146	627	5,670	25,334	68,624	839,879	908,503	
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	
Total Comprehensive Income and Expenditure	(132)	0	(10,639)	0	0	0	0	(10,771)	138,534	127,763	
Adjustments Between Accounting Basis and Funding Basis Under Regulations:	11	2,874	0	(1,769)	0	(615)	6,769	(9,924)	(2,665)	2,665	0
Net Increase/(Decrease) Before Transfers to Earmarked Reserves	2,742	0	(12,408)	0	(615)	6,769	(9,924)	(13,437)	141,199	127,763	
Transfer (to)/from Earmarked Reserves	12	(2,741)	2,741	12,407	(12,407)	0	0	0	0	0	
Balance at 31 March 2020	2,502	16,194	2,892	5,739	12	12,439	15,410	55,188	981,077	1,036,265	
Movement in Reserves During 2020/21:											
Surplus or (Deficit) on Provision of Services	(5,420)		(10,803)	0	0	0	0	(16,223)	0	(16,223)	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(18,782)	(18,782)	
Total Comprehensive Income and Expenditure	(5,420)	0	(10,803)	0	0	0	0	(16,223)	(18,782)	(35,005)	
Adjustments Between Accounting Basis and Funding Basis Under Regulations:	11	18,206	0	12,041	0	160	1,024	30,770	62,201	(62,201)	0
Net Increase/(Decrease) Before Transfers to Earmarked Reserves	12,786	0	1,238	0	160	1,024	30,770	45,978	(80,983)	(35,005)	
Transfer (to)/from Earmarked Reserves	12	(12,786)	12,786	(1,238)	1,238	0	0	0	0	0	
Balance at 31 March 2021	2,502	28,980	2,892	6,977	172	13,463	46,180	101,166	900,094	1,001,260	

Balance Sheet

	Note	31 March 2020 £'000	31 March 2021 £'000
Long-term Assets			
Property, Plant & Equipment	26	1,299,852	1,275,781
Investment Property	28	82,361	64,982
Heritage Assets	34	9,130	8,823
Intangible Assets	29	251	468
Long-term Debtors	21	2,537	1,566
Total Long Term Assets		1,394,131	1,351,620
Current Assets			
Short-term Investments	35	51,688	67,517
Assets Held for Sale	30	0	1,389
Inventories		109	165
Short-term Debtors	22	19,712	24,868
Cash and Cash Equivalents	35	18,494	45,800
Total Current Assets		90,002	139,739
Current Liabilities			
Short-term Creditors	20	(26,939)	(29,444)
Short-term Borrowing	35	(5,065)	(3,947)
Revenue Grants and Contributions	18	(1,571)	(12,788)
Capital Grants and Contributions	18	0	(484)
Short-term Provisions	24	(5,806)	(8,319)
Total Current Liabilities		(39,381)	(54,982)
Long-term Liabilities			
Long-term Creditors	19	(259)	(259)
Long-term Borrowing	35	(353,502)	(349,680)
Net Pension Liability	37	(54,726)	(85,178)
Total Long-term Liabilities		(408,487)	(435,117)
Net Assets (Assets Less Liabilities)		1,036,265	1,001,260
Usable Reserves			
General Fund *		2,502	2,502
Earmarked Reserves – General Fund	12	16,194	28,980
Housing Revenue Account (HRA) *		2,892	2,892
Earmarked Reserves – HRA	12	5,739	6,977
Major Repairs Reserve *		12	172
Capital Grants Unapplied Account *		12,440	13,463
Capital Receipts Reserve *		15,410	46,180
Total Usable Reserves		55,188	101,166
Unusable Reserves			
Revaluation Reserve	31	567,919	571,556
Capital Adjustment Account	32	470,064	431,093
Deferred Capital Receipts		0	0
Collection Fund Adjustment Account		(1,994)	(12,904)
Pension Reserve	37	(54,726)	(89,156)
Accumulated Absences Account		(186)	(495)
Total Unusable Reserves		981,077	900,094
Total Reserves		1,036,265	1,001,260

*Please see MIRS summary pg31 – movements in these reserves are shown in Note 11 pg 51

Cashflow Statement

	2020/21 £'000	2019/20 £'000
Net Surplus/(Deficit) on Provision of Services	(16,223)	(10,771)
Operating Activities		
Adjustments to surplus/deficit for non-cash movements		
Depreciation & Impairment & Valuations to the CIES for Property	48,509	39,375
Amortisation of Intangible Assets	114	122
Disposal of Assets	35,517	5,078
Changes in Inventory	(56)	125
Changes in Debtors	(4,879)	(6,891)
Changes in Creditors	14,559	(1,617)
Changes in Net Pension Liability	(1,631)	4,997
Other non-cash Movements	(5,132)	(3,057)
	87,001	38,132
Adjustment for items included in the net surplus or deficit on the provision of services that are investing & financing activities		
Proceeds from short-term investments	0	0
Proceeds from the sale of non-current assets	(41,616)	(10,124)
Any other items for which the cash effects are investing or financing cash flows	(2,577)	(9,480)
	(44,193)	(19,604)
Net Cash Flows from Operating Activities	26,585	7,757
Cash Flows from Investing Activities		
Purchase of Property, Plant & Equipment, Investment Property and Intangibles	(22,727)	(49,408)
Net Changes in Short-term and Long-term Investments	(16,000)	28,000
Other payments for investing activities	0	(108)
Proceeds from the Disposal of Property, Plant and Equipment	41,527	10,197
Other receipts from investing activities	3,379	8,977
Net Cash Flows from Investing Activities	6,179	(2,342)
Cash Flows from Financing Activities		
Repayments of borrowing	(4,939)	(4,306)
Other payments for financing activities	(519)	3,763
Net Cash Flows from Financing Activities	(5,458)	(542)
Net Increase/(Decrease) in Cash and Cash Equivalents	27,306	4,872
Cash and Cash Equivalents at the Beginning of the Period	18,494	13,622
Cash and Cash Equivalents at the End of the Period	45,800	18,494
The cash flows for operating activities include the following items:		
Interest Receivable and Similar Income	410	836
Interest Payable and Other Similar Charges	(12,067)	(12,434)

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 2020/21 (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.

Following the UK withdrawal from the remit of the EU-endorsement framework, the Code is based on standards adopted for UK application under the terms of the International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019 (SI 2019/685)

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

Notes to the Accounts

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.

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.

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. 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 standards introduced by the 2021/22 Code and relevant for additional disclosures that will be required in the 2020/21 financial statements in accordance with the requirements of the Code are:

- a. Definition of a Business: Amendments to IFRS 3 Business Combinations
- b. Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- c. Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.
- d. Implementation of IFRS 16: Leases- effective date of 1 April 2021. This has been postponed to 1 April 2022. 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. The postponement means that the first accounts to be produced incorporating the standard will be for the year 2022/23.

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

3. 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.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities 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 £7.1m. A 5% change in value of Council assets categorised as Investment properties would affect the carrying value of these assets by £3.2m.

Valuation of Investment Properties

Due to the effects of Covid 19 the council's valuer Wilks Head & Eve LLP has stated that there is 'material valuation uncertainty' as per VPS3 and VPGA 10 of the RICS Valuation – Global Standards.

As a consequence values of Investment properties including car parks and retail units have been affected during the year. The value of these assets for comparative years is listed below at each year end:

	£m
31/03/2019	63.3
31/03/2020	66.9
31/03/2021	64.8

The impact of any future valuations as in each financial year would be reflected in the carrying values of non-current assets and reserves in the Balance Sheet changing both by the same amount. There is no impact to council tax payable as a result of valuation gains or losses.

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 £16.73m, of which the Councils share is £6.69m. An increase in the success rate by 5% would change the required provision by £0.84m, affecting the surplus/deficit on the Collection Fund distributed to the preceptors and Central Government.

Provision for Water Charges

The Council decided to provide for refunds due to previous housing tenants in respect of water charges income generated in previous financial years. This total provision amounts to £0.89m as at 31.03.21. It is uncertain how many claims will be made by former tenants.

Further details are disclosed in Note 23. Contingent Liabilities and Note 24 Provisions.

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 2021 as follows:

	£m
0.5% decrease in the real discount rate	33.5
0.5% increase in salary increase rate	2.7
0.5% increase in the pension increase rate	30.2
	66.4

The table presents the changes in isolation; however the assumptions interact in complex ways. See note 37 for information on the pension liability.

Covid-19

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

5. 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 2021.

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

Expenditure and Funding Analysis

	2020/21			2019/20		
	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)	18,013	3,897	21,910	11,847	3,583	15,431
Housing and Community (GRF)	1,044	5,662	6,706	912	7,301	8,213
Strategic Planning & Environment (GRF)	11,606	3,143	14,749	10,231	3,742	13,973
Housing and Community (HRA)	(20,378)	21,109	731	(20,598)	20,158	(439)
Net Cost of Services	10,285	33,811	44,096	2,393	34,785	37,178
Other Income and Expenditure	(20,305)	(7,568)	(27,873)	7,273	(33,684)	(26,407)
(Surplus)/Deficit on Provision of Services	(10,020)	26,243	16,223	9,666	1,105	10,771

	2020/21	2019/20
Opening Balance on General Fund, Earmarked Reserves and HRA Balance	(27,327)	(36,993)
Pensions funding adjustment ¹	(3,978)	
Other adjustments relating to Pensions ¹	(26)	
(Add)/ Less Surplus/Deficit on Provision of Services	(10,020)	9,666
Closing Balance on General Fund, Earmarked Reserves and HRA Balance	(41,351)	(27,327)

¹ The Council prepaid secondary employee contributions for 21/22 and 22/23 details are provided in the Pensions Note

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
2020/21	£'000	£'000	£'000	£'000
Finance and Resources (GRF)	7,517	(3,711)	93	3,897
Housing and Community (GRF)	5,209	417	35	5,662
Strategic Planning & Environment (GRF)	1,956	1,073	113	3,143
Housing and Community (HRA)	21,659	(635)	85	21,109
Net Cost of Services	36,341	(2,856)	326	33,811
Other Income and Expenditure	(21,102)	1,225	12,309	(7,568)
(Surplus)/Deficit on Provision of Services	15,239	(1,631)	12,635	26,243

	Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Adjustments	Total Adjustments Between Funding & Accounting Basis
2019/20	£'000	£'000	£'000	£'000
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
Net Cost of Services	31,694	3,031	60	34,785
Other Income and Expenditure	(37,774)	1,966	2,126	(33,682)
(Surplus)/Deficit on Provision of Services	(6,080)	4,997	2,186	1,103

7. Expenditure and Income Analysed by Nature

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

	2020/21 £'000	2019/20 £'000
Expenditure		
Employees (including pension adjustments)	36,040	36,900
Premises	12,298	14,724
Transport	1,746	1,660
Supplies & Services	17,070	13,300
Third Party & Transfer Payments	38,845	41,659
Capital Charges/Revaluations	44,335	42,368
Parish Precepts	972	816
Interest Payments	12,067	12,145
Non Current assets written off as part of disposal gain	35,517	5,078
Payments to the Housing Receipts Pool	1,559	1,559
Total Expenditure	200,449	170,209
Income		
Fees, Charges and Other Service Income	(73,678)	(77,652)
Interest & Investment Income	(237)	(839)
Income from Council Tax	(12,785)	(12,476)
Income from Business Rates	7,760	(3,802)
Government Grants & Other Contributions	(63,670)	(54,545)
Sale proceeds on asset disposal and lease amortisation	(41,616)	(10,124)
Total Income	(184,226)	(159,438)
(Surplus) or Deficit on the Provision of Services	16,223	10,771

8. Other Operating Expenditure

	2020/21 £'000	2019/20 £'000
Parish Council Precepts	972	816
Payments to the Government Housing Capital Receipts Pool	1,559	1,559
(Gains)/Losses on the Disposal of Non Current Assets	(5,963)	(4,783)
Total	(3,433)	(2,408)

9. Financing and Investment Income & Expenditure

	2020/21	2019/20
	£'000	£'000
Interest Payable and Other Similar Charges	12,067	12,145
Interest Receivable and Similar Income	(237)	(839)
Net Interest on the Net Defined Benefit Liability/Asset	1,225	1,966
Rental Income from Investment Property	(4,860)	(5,049)
Direct Operating Expenses Arising from Investment Property	1,320	836
Investment Property Disposals	(134)	(263)
Changes In Fair Value of Investment Property	(7,645)	(3,634)
Total	1,736	5,163

10. Taxation and Non-Specific Grant Income

	2020/21	2019/20
	£'000	£'000
Council Tax Income	(12,936)	(12,466)
Non Domestic Rates Income & Expenditure	9,497	(2,863)
Non-ring-fenced Government Grants	(20,160)	(4,353)
Capital Grants and Contributions	(2,577)	(9,480)
Total	(26,176)	(29,162)

11. 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

2020/21	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
Adjustments involving the Capital Adjustment Account						
<u>Reversal of Items debited or credited to the Comprehensive Income & Expenditure Statement (CIES):</u>						
Capital grants and contributions	(1,342)	0	(213)	0	0	(1,555)
Amortisation of Intangible Assets	114	0	0	0	0	114
Non Current Asset Depreciation & revaluation	11,213	0	10,723	0	0	21,936
HRA impairment reversal	0	0	10,936	0	0	10,936
Movements Investment Property fair value	(7,645)	0	0	0	0	(7,645)
Non-current assets written off as part of disposal gain	25,316	0	10,201	0	0	35,517
<u>Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement (CIES):</u>						
Minimum Revenue Provision/HRA debt repayment	(237)	0	(4,590)	0	0	(4,827)
Revenue Expenditure Funded From Capital Under Statute	3,359	0	0	0	0	3,359
Capital expenditure charged to General Fund or HRA	(350)	0	(4,312)	0	0	(4,662)
Capital expenditure funded by Reserves	0	0	0	0	0	0
Adjustments involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited to CIES as part of the gain/loss on disposal	(25,752)	0	(15,864)	0	41,616	0
Repayment of Capital Loans					10	10
Use of Capital Receipts to finance capital expenditure	0	0	0	0	(9,297)	(9,297)
Housing Capital Receipts Pooling Payment	1,559	0	0	0	(1,559)	0
Adjustments involving the Major Repairs Reserve:						
HRA Depreciation	0	15,637	0	0	0	15,637
Loan Repayment Funded by the MRR	0	(4,590)	4,590	0	0	0
Use of MRR to Finance Capital Expenditure	0	(10,887)	0	0	0	(10,887)
Adjustments involving the Capital Grant Unapplied Account						
Capital Grants and Contributions unapplied credited to the CIES	(1,024)	0	0	1,024	0	0
Capital Grants applied	0	0	0	0	0	0
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	6,394	0	1,878	0	0	8,272
Employer's pension contributions to pension fund payable in the year	(4,552)	0	(1,373)	0	0	(5,925)
Adjustments involving the Collection Fund Adjustment Account:						
Amount council tax & business rates credited to the CIES differs from that calculated under statutory requirements	10,910	0	0	0	0	10,910
Adjustments involving the Accumulated Absences Reserve:						
Absences Accrual transferred to the Accumulated Absences Account	243	0	65	0	0	306
Adjustments Between Accounting Basis & Funding Basis Under Regulations	18,206	160	12,041	1,024	30,770	62,201

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
Adjustments involving the Capital Adjustment Account						
<u>Reversal of Items debited or credited to the Comprehensive Income & 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 & 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)
Adjustments involving the Capital Receipts Reserve:						
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
Adjustments involving the Major Repairs Reserve:						
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)
Adjustments involving the Capital Grant Unapplied Account						
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)
Adjustments involving the Pensions Reserve:						
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)
Adjustments involving the Collection Fund Adjustment Account:						
Amount council tax & business rates credited to the CIES differs from that calculated under statutory requirements	567	0	0	0	0	567
Adjustments involving the Accumulated Absences Reserve:						
Absences Accrual transferred to the Accumulated Absences Account	38	0	21	0	0	60
Adjustments Between Accounting Basis & Funding Basis Under Regulations	2,873	(615)	(1,769)	6,769	(9,924)	(2,665)

12. Earmarked Reserves

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

	Balance 31/03/20	Transfers Out 2020/21	Transfers in 2020/21	Balance 31/03/21
	£'000	£'000	£'000	£'000
General Fund Reserves:				
Management of Change	1,123	350	(716)	757
Local Development Framework	616	(501)	400	515
Vehicle Replacement	0	0	0	0
Funding Equalisation	6,296	(4,000)	12,346	14,641
Economic Recovery Reserve	0	(2,358)	7,500	5,142
Training & Development Reserve	0	(25)	400	375
Capital Development Reserve	300	0	0	300
Uninsured Loss	420	(60)	0	360
Litigation Reserve	317	0	0	317
Pensions Reserve	2,173	0	200	2,373
Dacorum Development	3,199	(4,630)	2,279	848
Savings Efficiency	921	0	286	1,207
Technology Reserve	256	0	500	756
Covid Hardship fund	0	0	581	581
Other Under £250k	574	(345)	579	808
Total General Fund Reserves	16,194	(11,569)	24,355	28,980
Housing Revenue Account Reserves:				
Strategic Acquisition	4,041	0	0	4,041
Revenue Commitments	1,225	0	1,214	2,439
Other HRA (Under £300k)	473	0	24	497
Total HRA Reserves	5,739	0	1,238	6,977
Total Earmarked Reserves	21,933	(11,569)	25,592	35,957

13. Members' Allowances

The following amounts were due to Members:

	2020/21 £'000	2019/20 £'000
Salaries (Basic & Special allowances)	423	416
Allowances (Broadband)	1	2
Expenses (Travel & Subsistence)	0	2
Total	423	420

14. 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	2020/21	2019/20
£50,000 - £54,999	24	12
£55,000 - £59,999	6	2
£60,000 - £64,999	2	4
£65,000 - £69,999	10	9
£70,000 - £74,999	3	4
£75,000 - £79,999	1	1
Total	46	32

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
2020/21	£	£	£	£	£
¹ Chief Executive to 31.10.20	90,880	0	90,880	15,541	106,421
¹ Chief Executive from 1.11.20	60,251	0	60,251	10,984	71,235
Corporate Director (Finance & Operations)	111,586	0	111,586	20,005	131,591
Corporate Director (Housing & Regeneration)	111,586	0	111,586	20,005	131,591
Assistant Director (Planning, Development & Regeneration)	86,463	947	87,410	15,405	102,815
Assistant Director (Performance & People & Innovation)	86,084	0	86,084	15,405	101,489
Assistant Director (Finance & Resources)	86,084	0	86,084	15,405	101,489
Assistant Director (Neighbourhood Delivery)	22,713	0	22,713	43	22,756
Assistant Director (Housing)	86,084	0	86,084	15,405	101,489
Assistant Director (Corporate & Contracted Services)	81,377	0	81,377	14,354	95,911

¹The Council's previous Chief Executive retired on 31.10.20. A new officer commenced in the role on 1.11.20.

Notes to the Accounts

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

The number of exit packages are in the table below.

Exit Package Cost Band (including special payments)	Number of Redundancies		Number of Other Departures Agreed		Total number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band £'000	
	20/21	19/20	20/21	19/20	20/21	19/20	20/21	19/20
£0 - £20,000	1	1	0	0	1	1	5	2
£20,001 - £40,000	0	1	0	0	0	1	0	39
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
Total	1	2	0	0	1	2	5	41

15. 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 2020/21 is shown in note 13. 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 2020/21 are disclosed below. 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 2020/21 £'000	Income 2020/21 £'000	Amount owed by the Council 31/03/2021 £'000	Amount owed to the Council 31/03/2021 £'000	Nature of Transaction
Community Action Dacorum	Cllr John Birnie	207	0	0	0	Grants
Stage Two Ltd	Cllr Terry Douris	0	1.2	0	0	Rental Income
Sutton Envelopes	Cllr Rosie Sutton	0	8.5	0	2	Rental Income
DP Taylor	Chris Taylor (Group Manager Strategic Planning & Regeneration)	13.1	0	0	0	Maintenance
Jarvis Group Ltd	Fiona Jump (Group Manager Financial Services)	1,661.2	0	64.5	0	Construction
Dacorum Heritage Trust	Cllr Suqlain Mahmood	58	0	0	0	Grants
Hospice of St Francis	Cllr Sally Symington	0.3	12.3	0	0	Commercial Waste Service & BID
The Chilterns Conservation Board	Cllr Phil McDowell	7.5	0	0	0	Grants

West Herts Crematorium Committee	Cllr Terry Douris	0	1.7	0	0	Application Fee for Environmental Permit to Operate
Chartered Institute of Housing Assets 2020 Working Group	Fiona Williamson	5.2	0	0	0	Training & Subscriptions

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 Rob Beauchamp rents a Caravan pitch at Woodwells. Cllr Gbola Adeleke rents a garage from the Council and Cllr Terry Douris rents two garages from the Council.

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, a loan was provided of £107k, which is included within long term debtors. During 20/21, there was expenditure of £341k. There were no material amounts due to from the Council and Herts Building Control as at 31st March 2021. The holding company for Herts Building control is Broste Rivers Limited. The Council only conducts transactions with Herts Building Control Limited.

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 17 and 18.

16. 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.

	2020/21 £'000	2019/20 £'000
External audit services carried out by the appointed auditor for the year*	56	56
Certification of grant claims and returns for previous years	13	7
Certification of grant claims and returns for the year	18	11
Total	86	74

* Audit fees are subject to revision, following PSAA review

17. Revenue Grant Income

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

Non Specific Grant Income	2020/21 £'000	2019/20 £'000

Notes to the Accounts

New Homes Bonus and Other	(1,779)	(2,179)
Covid-19 Local Authority Support Grant	(2,047)	0
Covid-19 Sales, Fees and Charges Income Compensation Scheme	(1,343)	0
Taxation Income Guarantee, Council Tax Hardship and Business Rates Relief	(14,417)	(1,861)
Other	(573)	(313)
Total	(20,160)	(4,353)

Grants Credited to Services	2020/21	2019/20
	£'000	£'000
Benefits Subsidy and Administration (included in Finance & Resources)	(36,590)	(39,859)
Covid-19 Business Support Grants – Council Acting as principal	(2,899)	
Other	(1,394)	(853)
Total	(40,883)	(40,712)

During 2020/21 the Council received grant funding to support taxation income losses experienced as a result of the Covid- 19 pandemic. Unapplied balances on these grants were transferred to earmarked reserves during 2020/21.

18. 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:

	2020/21	2019/20
	£'000	£'000
Revenue Grants and Other Contributions		
As of the Beginning of the Period	(1,571)	(788)
Receipts	(51,096)	(1,636)
Conditions Satisfied	39,878	853
Closing Balance	(12,788)	(1,571)

The balances of the revenue grants are as follows:

	2020/21	2019/20
	£'000	£'000
Revenue Grants Yet to be Recognised as Income		
Homelessness Support Grant	(496)	(362)
Strategic & Planning Delivery Grants	(1,158)	(713)
Public Health	(379)	(58)
Refugee Grant	(324)	(316)
Test and Trace Support Grant	(160)	0
Rough Sleeping Initiative	0	(90)
Other	(72)	(32)
Covid -19 Business Support Grants (see tables below)	(10,200)	0
Total	(12,788)	(1,571)

Notes to the Accounts

The Council received Covid-19 business support grants included the balance in the tables above that have yet to be paid out during the year as follows:

	2020/21	2019/20
	£'000	£'000
Covid-19 Business Support Grants - Council acting as Principal		
Covid-19 Business Support Grants Received	(6,268)	0
Covid-19 Business Support Grants Paid Out	2,899	0
Closing Balance	(3,369)	0

	2020/21	2019/20
	£'000	£'000
Covid-19 Business Support Grants - Council acting as Agent		
Covid-19 Business Support Grants Received	(42,317)	0
Covid-19 Business Support Grants Paid Out	35,486	0
Closing Balance	(6,831)	0

Capital grants & Contributions yet to be recognised as income

	£'000	£'000
As of the Beginning of the Period	0	503
Receipts	1,273	939
Conditions Satisfied	(788)	(1,442)
Closing Balance	484	0

	2020/21	2019/20
	£'000	£'000
Breakdown of Capital grants & Contributions yet to be recognised as income		
Disabled Facilities Grant	449	0
Other	35	0
Total	484	0

19. Long-term Creditors

The long-term creditors relate to 2 leases.

	2020/21	2019/20
	£'000	£'000
Other Entities and Individuals	259	259
Total Long-term Creditors	259	259

20. Short Term Creditors

	2020/21	2019/20
	£'000	£'000
Central Government Bodies	8,533	5,415
Other Local Authorities	190	4,297
NHS Bodies	0	96
Other Entities and Individuals	20,721	17,130
Total Short-term Creditors	29,444	26,939

21. Long-term Debtors

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

	2020/21	2019/20
	£'000	£'000
Other Entities and Individuals	1,566	2,537
Total Long-term Debtors	1,566	2,537

This includes a bad debt provision of £448k for Community Infrastructure Levy payment plan debtors.

22. Short-term Debtors

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

	2020/21	2019/20
	£'000	£'000
Central Government Bodies	1,890	2,977
Other Local Authorities	8,013	2,837
NHS Bodies	0	0
Other Entities and Individuals ^(a)	14,964	13,898
Total Short-term Debtors	24,868	19,712

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

	2020/21	2019/20
Bad Debt Impairment Allowances	£'000	£'000
Sundry Debtors	3,284	1,812
Housing Rents and Garages	2,045	1,851
Council Tax/Summons Fees	302	233
Business Rates/Summons Fees	1,228	659
Benefits Overpayments	1,735	1,927
Total Bad Debt Provisions	8,595	6,483

23. Contingent Liabilities

The Council was one of a several local authorities that appealed a court decision in respect of water charges made by another local authority to its housing tenants. As at 31st March 2020 this contingent liability was uncertain. The original judgement has since been upheld. Having previously made similar charges to its housing tenants, the Council has decided, after taking suitable legal advice, that this liability will be recognised within the financial statements as at 31st March 2021.

Please refer to Note 24 Provisions ^(a) and Note 22 Short Term Debtors.^(a)

24. Provisions

The Council maintains the following provisions:

	Balance as at 31 March 2020 £'000	Contribution to Provision and other adjustments £'000	Use of Provision £'000	Amounts Reversed Unused £'000	Balance as at 31 March 2021 £'000
General Fund Provisions					
Insurance- General Fund	465	1	298	(260)	504
Business Rates Appeals	5,032	1,686	(22)	(5)	6,691
Total General Fund	5,497	1,687	276	(265)	7,195
Water Charges- HRA ^(a)	0	888	0	0	888
Insurance-HRA	310	461	(170)	(365)	236
Total HRA	310	1,349	(170)	(365)	1,124
Total Short-term Provisions	5,807	3,036	106	(630)	8,319

(a) Please see Note 23 pg61

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

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. During 2020/21, the Council's share of the opening balance on the Business Rates Appeals provision increased from 35% to 40%, following the end of the 75% retained Business Rates pilot for Hertfordshire. This increase is reflected in the 2020/21 contribution to provision and other adjustments figure above.

25. 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 16th 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.

	2020/21 Chargeable £'000	2019/20 Chargeable £'000
Building Control		
Employees	0	282

Notes to the Accounts

Non Employee Costs	0	229
Total Expenditure	0	511
Total Income	0	(310)
Building Control (Surplus)/Deficit	0	200

26. Property, Plant & Equipment

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
2020/21	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost / Valuation at the beginning of the period	1,102,676	138,607	21,304	3,265	6,472	40,095	1,312,419
Depreciation written out to Gross Carrying Amount on Revaluation	(15,693)	(2,215)					(17,908)
Revaluation increases recognised in the Revaluation Reserve	20,194	7,869					28,063
Revaluation decreases recognised in the Revaluation Reserve	(10,206)	(4,251)					(14,457)
Revaluation increases/(decreases) recognised in the(Surplus)/Deficit on Provision of Services	(10,723)	(7,157)					(17,880)
Additions	13,652	1,829	2,286	532		3,374	21,673
Impairment recognised in the(Surplus)/Deficit on Provision of Services	(10,937)	(30)	(6)				(10,973)
Reclassifications	17,720	8,904		173		(27,152)	(355)
Assets reclassified (to)/from Assets Held for Sale	(1,013)					(5,808)	(6,821)
Disposals	(4,004)	(113)	(1,136)				(5,253)
Cost / Valuation at the end of the period	1,101,666	143,443	22,448	3,970	6,472	10,509	1,288,508
Accumulated Depreciation at the beginning of the period	0	(999)	(11,377)	(192)	0	0	(12,568)
Depreciation Charge	(15,661)	(1,716)	(1,760)	(59)			(19,196)
Reclassifications	(64)	64					0
Depreciation written out to Gross Carrying Amount on Revaluation	15,693	2,215					17,908
Assets reclassified to Assets Held for Sale							0
Disposals	32		1,097				1,129
Accumulated Depreciation at the end of the period	0	(436)	(12,040)	(251)	0	0	(12,727)
Net Book Value At 31 March 2021 (all owned, no finance leases)	1,101,666	143,007	10,408	3,719	6,472	10,509	1,275,781

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
2019/20	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost / Valuation at the beginning of the period	1,011,307	137,029	19,650	3,068	8,029	17,022	1,196,105
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)
Cost / Valuation at the end of the period	1,102,676	138,607	21,304	3,265	6,472	40,095	1,312,419
Accumulated Depreciation at the beginning of the period	(0)	(1,146)	(10,817)	(143)	0	0	(12,106)
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
Accumulated Depreciation at the end of the period	(0)	(999)	(11,377)	(192)	0	0	(12,568)
Net Book Value At 31 March 2020 (all owned, no finance leases)	1,102,675	137,608	9,927	3,073	6,472	40,095	1,299,852

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 31st January 2021, with the exception of dwellings which are the 31st March 2021. The remaining assets are valued on a five year cycle. Within other Land and Buildings the Council revalued £116.098m 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.

27. 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 2021 are:

Contract	Contractor	Estimated Value £'000
Construction of social housing at Eastwick Row	Jarvis Contracting Ltd	8,730
Total Asset Management	Osborne Property Services Ltd	8,596
Replacement, repair and maintenance services of boilers	Sun Realm Ltd	5,500
Supply of Refuse Vehicles	Geesinknorba Ltd	3,860
Construction of social housing at Coniston Row	Bugler Developments Ltd	2,020

The capital commitment at the 31 March 2020 was £24,774k.

28. Investment Property

Investment Properties as per Balance Sheet	2020/21 £'000	2019/20 £'000
As at the beginning of the period	82,361	80,575
Additions (Purchases/construction)	105	109
Reclassifications	18	(1,725)
Disposals	(25,147)	(231)
Net gains/(losses) from fair value movements	7,645	3,633
As at the end of the period	64,982	82,361

The investment properties were valued at the 31st January 2021 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

Notes to the Accounts

assets in the locality. See note 9 for transactions relating to Investment Properties in the Comprehensive Income and Expenditure Statement.

29. Intangible Assets

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

	2020/21	2019/20
	£'000	£'000
Intangible Assets		
As of the beginning of the Period		
Gross Carrying Amounts	1,867	1,982
Accumulated Amortisation	(1,616)	(1,673)
Net Carrying Amount as of the Beginning of the Period	251	309
Reclassifications	0	16
Purchases	350	47
Disposals (net book value)	(18)	0
Amortisation for the Period	(115)	(122)
Net Carrying Amount as of the End of the Period	468	251
Comprising:		
Gross Carry Amounts	2,139	1,867
Accumulated Amortisation	(1,671)	(1,616)
Net Carrying Amount as of the End of the Period	468	251

30. Assets Held For Sale

	2020/21	2019/20
	£'000	£'000
Opening Balance	0	372
Additions	6,605	0
Reclassification	1,013	(372)
Revaluation decreases in Surplus/Deficit	0	0
Sold to other entities and individuals	(6,229)	0
Closing Balance	1,389	0

31. 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.

	2020/21	2019/20
	£'000	£'000
Opening Balance	567,919	468,076
Upward revaluation of assets	28,253	133,498
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(14,952)	(25,493)
Difference between fair value depreciation and historical cost depreciation	(7,787)	(6,365)
Amount written off to the Comprehensive Income and Expenditure Statement	(1,877)	(1,796)
Closing Balance	571,556	567,919

32. 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.

	2020/21	2019/20
	£'000	£'000
Balance as of beginning of the period	470,064	453,614
Capital grants and contributions applied	1,554	2,711
Amortisation of intangible assets	(114)	(122)
Charges for depreciation and Revaluation losses on property, plant and equipment	(21,936)	(7,231)
Repayment of Loans for Capital	(10)	(10)
HRA impairment reversal	(10,936)	(17,841)
Difference between fair value depreciation and historical cost depreciation	7,787	6,365
HRA depreciation	(15,637)	(14,303)
Non-current assets written off to CIES on sale as part of the gain on disposal	(35,517)	(5,078)
Transfer from the Revaluation Reserve on disposal of assets	1,877	1,796
Revenue expenditure funded from capital under statute	(3,357)	(6,506)
Movements in market value of Investment Properties	7,645	3,633
Capital receipts applied to capital expenditure	9,297	18,499
Revenue contribution to capital	4,662	3,964
Use of reserves to finance capital expenditure	0	15,418
Use of Major Repairs Reserve to finance capital expenditure	10,887	11,332
Minimum Revenue Provision (MRP)	237	237
HRA Debt Repayment	4,590	3,586
Closing Balance	431,093	470,064

33. 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.

	2020/21	2019/20
	£'000	£'000
Capital Financing Requirement		
Opening Capital Financing Requirement	353,699	352,769
Capital Investment:		
Property, Plant and Equipment	21,673	50,014
Assets held for Sale	797	0
Loans treated as capital expenditure	0	0
Heritage Assets	407	0
Investment Property	86	109
Intangible Assets	81	47
Revenue Expenditure Funded from Capital under Statute	3,357	6,506
Total Expenditure	26,400	56,676
Sources of Finance:		
Capital Receipts	(9,297)	(18,499)
Government Grants and Other Contributions	(1,554)	(2,711)
Use of Reserves (including Major Repairs Reserve)	(10,887)	(26,750)
Revenue Contributions (including statutory provision for repayment of debt)	(9,489)	(7,786)
Total Financing	(31,227)	(55,746)
Closing Capital Financing Requirement	348,873	353,699
	2020/21	2019/20
	£'000	£'000
Capital Financing Requirement		
Increase/(Decrease) in underlying need to borrow (unsupported by government financial assistance).	(4,826)	931
Assets Acquired Under Finance Lease	0	0
Increase/(Decrease) in Capital Financing Requirement	(4,826)	931

34. Heritage Assets

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

	2020/21	2019/20
	£'000	£'000
Land	6,705	7,095
Sculptures/Artwork	1,819	1,820
Assets managed by Dacorum Heritage Trust	3	3
Civic Regalia and Treasuries	296	212
Total	8,823	9,130

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 Rothschilds opened a zoological museum on the site and were responsible for introducing numerous exotic animals to the park. The park was revalued on 31st March 2021.

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. Refurbishment works were completed in 2020/21 to the Cranstones Bridge, (also known as the White Bridge) a Grade II listed structure, in Gadebridge Park. The park was revalued on 31st March 2021.

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. A restoration project to conserve and enhance the original design was completed in 2018. The Water Gardens were revalued on 31st March 2021.

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	
The Residents' Rainbow 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
The Water Feature 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.
The Steel Tree 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.
The bronze relief map designed by Graham Thompson and sculpted by John Ravera.	Hemel Hempstead Town Centre	Depicts Hemel Hempstead as it was in 1947.
The Phoenix Sculpture , 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 March 2021 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

35. Financial Instruments

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

Financial Assets – All carried at Amortised Cost	2020/21	2019/20
	£'000	£'000
Cash Equivalents: Investments with Original Maturities of 3 Months or Less	44,967	17,620
Cash held by the Council	1	1
Cash: Bank Account Balance/(Overdraft)	832	873
Short-term Debtors	16,175	14,495
Long-term Debtors	1,566	2,537
Short-term Investments	67,517	51,688
Long-term Investments	0	0
Total	131,059	87,214

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.

Financial Liabilities – Amortised Cost	2020/21	2019/20
	£'000	£'000
Short-term Creditors	18,205	15,686
Long-term Creditors	188	188
Short-term Borrowings	3,947	5,065
Long-term Borrowings	349,680	353,502
Total	372,020	374,441

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 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:

Financial Liabilities – Fair Value	2020/21	2019/20
	£'000	£'000
Short-term Creditors	18,205	15,686
Long-term Creditors	188	188
Short-term Borrowings	4,008	5,080
Long-term Borrowings	415,320	396,310
Total	437,721	417,264

The exit price fair value of £437.7m 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. £17.6m 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:

	2020/21	2019/20
	£'000	£'000
Less than 1 Year	3,947	5,065
Between 1 and 2 Years	1,705	3,822
Between 2 and 5 Years	11,076	8,004
Between 5 and 10 years	35,664	30,965
More than 10 Years	301,235	310,710

Total	353,627	358,567
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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 31st March 2021 is:

Credit Risk Rating	Gross carrying amount 2020/21	Default Rate	12 month expected credit loss
	£'000		£'000
A+	9,014	between 0.014% and 0.023%	1.6
A	31,003	between 0.004% and 0.047%	5.4
A-	27,501	between 0.001% and 0.024%	4.0
Other Local Authorities	0	statutory provisions prevent default	0.0
Total	67,517		11.0

For Short-term debtors, the bad debt impairment allowance is shown in note 22. 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 31st March 2022. 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 9 for the interest revenue gains and losses on financial assets measured at amortised cost.

36. 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 2020/21 or 2019/20.

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

	2020/21	2019/20
	£'000	£'000
Operating Lease Commitments (DBC as Lessee)		

Not later than one year	52	52
Later than one year but not later than five years	149	204
Later than five years	28	28
Total Commitments under Operating Leases	229	284

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:

	2020/21	2019/20
	£'000	£'000
Operating Lease Income (DBC as Lessor)		
Not later than one year	3,961	4,225
Later than one year but not later than five years	12,886	13,782
Later than five years	55,773	58,312
Total Minimum Lease Income under Operating Leases	72,620	76,319

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 2020/21 contingent rents of £1.5m were receivable by the Council (£1.5m in 2019/20).

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:

	2020/21	2019/20
	£'000	£'000
Finance Lease Assets (Council as Lessee)	599	623

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:

	2020/21	2019/20
	£'000	£'000
Finance Lease Minimum Payments		
Current	0	0
Non-current	188	188
Finance Costs Payable in Future Years	1,572	1,592
Minimum Lease Payments	1,760	1,780

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

	2020/21	2019/20
	£'000	£'000
Commitments Under Finance Leases		

Not later than one year	20	20
Later than one year but not later than five years	80	80
Later than five years	1,660	1,680
Total Commitments Under Finance Leases	1,760	1,780

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 £23k (2019/20 £26k). The Council has sub-let these properties. At 31 March 2020 the minimum payments expected to be received under non-cancellable agreements was £246k (£300k at 31 March 2020).

37. 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 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:

	2020/21	2019/20
	£'000	£'000
Comprehensive Income & Expenditure Statement		
Cost of Services:		
Current Service Cost	7,046	8,687
Past Service Cost/(Gain) – Including Curtailments	0	0
Financing and Investment Income and Expenditure:		
Net Interest on the net defined liability	1,226	1,966
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	8,272	10,653
Other Comprehensive Income & Expenditure:		
Return on Plan Assets (excluding amounts included in net interest expense)	(37,258)	(12,225)
Actuarial (Gains) & Losses Arising on Changes in Demographic Assumptions	4,091	(6,521)
Actuarial Gains & Losses Arising on Changes in Financial Assumptions	68,169	(22,956)
Other	(2,919)	11,173

Remeasurement of the net defined benefit liability Charged to Other Comprehensive Income and Expenditure	32,083	(30,529)
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	2020/21 £'000	2019/20 £'000
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for Post Employment Benefits in accordance with the Code	(8,272)	(10,653)
Employer's Contributions Payable to the Pension Scheme	5,925	5,656
Total	(2,347)	(4,997)

	2020/21 £'000	2019/20 £'000
Pension Assets & Liabilities Recognised in the Balance Sheet		
Present value of the defined benefit obligation	(327,624)	(251,399)
Fair value of plan assets	242,446	196,673
Net liability arising from defined benefit obligation	(85,178)	(54,726)

	2020/21 £'000	2019/20 £'000
Reconciliation of Present Value of Scheme Liabilities		
Liabilities as of the Beginning of the Period	(251,399)	(261,524)
Current Service Cost	(7,046)	(8,687)
Interest Cost	(5,791)	(6,312)
Contributions by Scheme Participants	(1,444)	(1,319)
Actuarial (Losses)/Gains	(69,341)	18,304
Losses on Curtailments		
Benefits Paid	7,397	8,139
Past Service Costs	0	0
Liabilities as at 31 March	(327,624)	(251,399)

	2020/21 £'000	2019/20 £'000
Reconciliation of Fair Value of Scheme Assets		
Assets as of the Beginning of the Period	196,673	181,266
Expected Rate of Return	4,565	4,346
Actuarial Gains/(Losses)	37,258	12,225
Employer Contributions	9,903	5,656
Contributions by Scheme Participants	1,444	1,319
Benefits Paid	(7,397)	(8,139)
Closing Fair Value of Scheme Assets	242,446	196,673

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.

Notes to the Accounts

	2020/21	2019/20
Fair Value of Employer's Assets	£'000	£'000
Quoted Prices in Active Markets		
<u>Equity Securities</u>		
Consumer	2,169	3,755
Manufacturing	1,914	2,998
Energy and Utilities	0	0
Financial Institutions	1,564	2,882
Health and Care	966	1,770
Information Technology	5,567	6,738
Other	217	322
<u>Investment Funds and Unit Trusts</u>		
Equities	112,316	61,183
Bonds	39,481	64,480
Other	2,260	1,659
<u>Cash and Cash Equivalents</u>		
All	6,873	4,248
Total of Assets with Prices Quoted in Active Markets	185,836	150,032
Quoted Prices not in Active Markets		
<u>Debt Securities</u>		
Other	5,874	5,097
<u>Private Equity</u>		
All	12,673	10,522
<u>Real Estate</u>		
UK Property	13,510	5,947
Overseas Property	11,251	11,737
<u>Investment Funds and Unit Trusts</u>		
Infrastructure	102	181
Other	13,296	13,366
<u>Derivatives</u>		
Foreign Exchange	(96)	(208)
Total of Assets with Prices Quoted not in Active Markets	56,610	46,641
Total Fair Value of Employers Assets	242,446	196,673

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:

	2020/21	2019/20
Principal Assumptions	%	%
Rate of inflation	2.9	1.9
Rate of increase in salaries	3.3	2.3
Rate of increase In pensions	2.0	2.0
Rate of discounting scheme liabilities	2.0	2.3

Allowance for future retirees to elect to take additional tax-free cash up to HMRC limits pre April 2008 Service	50	50
Allowance for future retirees to elect to take additional tax-free cash up to HMRC limits post April 2008 Service	75	75

	2020/21	2019/20
Mortality Assumptions	Age	Age
Longevity at 65 for current pensioners		
Men	22.1	21.9
Women	24.5	24.1
Longevity at 65 for future pensioners		
Men	23.2	22.8
Women	26.2	25.5

Impact on the Council's Cash Flow

The liabilities show the underlying commitments the Council has to pay retirement benefits. The total liability of £89.930m 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 4. The total value of contributions expected to by the Council in 2021/22 is £3.9m.*

The weighted average duration of liabilities for scheme members is 18.0 years, based on the last triennial valuation of the fund as at 31 March 2019 (16.8 years at the previous triennial valuation as at 31 March 2016):

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:

	2020/21	2019/20
	£'000	£'000
Surplus /(Deficit) as of Beginning of the Period	(54,726)	(80,258)
Actuarial Gains/(Losses) on Pension Assets and Liabilities	(32,083)	30,529
Reversal of Items Relating to Retirement Benefits Debited/Credited to the Surplus or Deficit on the Provision of Services in the CIES	(8,272)	(10,653)
Employer Contributions <small>(please see note overleaf *)</small>	5,925	5,656
Surplus/(Deficit) as of End of the Period	(89,156)	(54,726)

* The council elected to make upfront secondary employer contributions for the financial years 21/22 & 22/23. This amounted to £3,978,000 which has been adjusted for in the total above.

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.
3. Monitoring – the Fund's investment arrangements are regularly monitored. The County 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.

	2020/21 £'000	2019/20 £'000
Income		
Dwelling Rents (Gross)	(54,507)	(53,080)
Non Dwelling Rents (Gross)	(102)	(101)
Charges for Services & Facilities	256	(1,844)
Contributions towards Expenditure	(563)	(672)
Total Income	(54,916)	(55,697)
Expenditure		
Repairs and Maintenance	8,509	11,549
Supervision and Management	9,366	9,171
Rents, Rates, Taxes and Other Charges	174	103
Increase in Allowance for Bad and Doubtful Debts	320	634
Depreciation and Impairment of Non Current Assets	37,277	33,802
Total Expenditure	55,647	55,258
Net Expenditure/(Income) of HRA Services as Included in the Comprehensive Income & Expenditure Statement (CIES)	731	(439)
HRA Share of Corporate and Democratic Core	339	326
Other recharges to the HRA	3,923	4,020
Total recharge to HRA	4,262	4,346
HRA Share of Operating Income & Expenditure Included in the Comprehensive Income & Expenditure Account		
(Gain)/Loss on Disposal of Non-Current Assets	(5,663)	(4,863)
Interest and Investment Income	(77)	(372)
Interest Payments	11,486	11,558
Net Interest on the Net Defined Benefit Liability	278	414
Capital Grants and Contributions Received	(213)	(4)
(Surplus)/Deficit for the Year on HRA Services	10,803	10,639

Housing Revenue Account

Statement of Movement on the Housing Revenue Account

	2020/21 £'000	2019/20 £'000
Balance as at 1 April	2,892	2,892
Movement in Reserves:		
Surplus/(Deficit) on Provision of Services	(10,803)	(10,639)
Adjustments Between Accounting Basis & Funding Basis Under Regulations:		
Capital Grants and Contributions Applied	(213)	(4)
Reversal of Employee Leave Accrual	63	21
Reversal Revaluation & Impairment (Gains)/Losses on Property	21,659	19,498
Amounts of non-current assets written off on sale as part of the gain on disposal to the CIES	10,201	4,297
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	(15,864)	(9,161)
Revenue Contribution to Capital	(4,312)	(3,814)
Reserve Contributions to Capital	0	(13,660)
Debt Repayment Provision	(4,590)	(3,586)
Loan Repayment from Major Repairs Reserve	(4,590)	3,586
Reversal of retirement benefits items debited or credited to the CIES	(1,373)	(1,191)
Employer's Pension Contributions to Pension Fund Payable in the year	1,878	2,244
Total Adjustments Between Accounting Basis and Funding Basis Under Regulations	12,041	(1,769)
Net Increase/(Decrease) Before Transfers to Earmarked Reserves	1,238	(12,408)
Transfer (to)/from Earmarked Reserves	(1,238)	12,408
Balance as at 31 March	2,892	2,892

Notes to the Housing Revenue Account

1. Value of HRA Property, Plant and Equipment

	2020/21 £'000	2019/20 £'000
Council Dwellings	1,097,811	1,098,449
Other Land & Building	767	1,350
Vehicles, Plant, Furniture and Equipment and intangibles	133	96
Assets Under Construction	7,343	27,653
Net Book Value as at 31 March	1,106,054	1,127,548

Council dwellings had an existing use assuming vacant possession valuation of £2,982 million as at 31st March 2021. 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

	31/03/2021	31/03/2020
Flats	3,810	3,771
Houses	6,312	6,310
Chiltern Hostel- equivalent	18	18
Total Dwellings	10,140	10,099

3. Rent Arrears

	2020/21	2019/20
	£'000	£'000
Rent - Current Arrears	2,250	1,979
Rent - Former Arrears	620	615
Supporting People and Other	334	262
Total Arrears:	3,204	2,855
Provision for Bad and doubtful Debts	(1,996)	(1,821)
Total Rent Arrears:	1,208	1,034

4. Capital Financing

	2020/21	2019/20
	£'000	£'000
Total Capital Expenditure	17,027	37,722
Financed by:		
Capital Receipts	(1,615)	(8,912)
Major Repairs Reserve	(10,887)	(11,332)
Contributions from Reserves	0	(13,660)
Capital Grants & Contributions	(213)	(4)
Revenue Contributions	(4,312)	(3,814)
Total Financing	(17,027)	(37,722)

5. Capital Receipts from the sale of HRA assets:

	2020/21	2019/20
	£'000	£'000
Sale of Land And Freehold	0	0
Easement Granted- Deed of Release, Variation, Covenants	51	202
Sale of HRA Dwellings	16,102	8,922
Discount Repaid	19	38
Total Capital receipts	16,172	9,162

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.

	2020/21 £'000	2019/20 £'000
Depreciation on Council Dwellings	15,606	14,264
Revaluation on Council Dwellings	10,723	1,657
Impairment	10,936	17,841
Depreciation on Vehicle, Plant and Equipment	20	21
Amortisation of Intangible Assets	1	1
Depreciation on Other Land and Building	8	18
Total Depreciation and Impairment	37,294	33,802

Collection Fund Income and Expenditure Account 2020/21

	Council Tax £'000	Business Rates £'000	Total £'000
Income:			
Council Tax Receivable	106,631	0	106,631
Business Rates Receivable	0	42,116	42,116
Transfers from Dacorum Borough Council General Fund s13 (A) (c) discounts	481	0	481
Total Income	107,112	42,116	149,228
Expenditure			
<u>Precepts, Demands and Shares</u>			
Hertfordshire County Council	82,826	6,693	89,519
Hertfordshire Police & Crime Commissioner	11,596	0	11,596
Dacorum Borough Council	13,058	26,770	39,828
Central Government (Business Rates Only)	0	33,463	33,463
<u>Charges to Collection Fund</u>			
Transitional Payment Protection	0	282	282
Costs of collection	0	203	203
Increase/(decrease) allowances for impairment	657	1,253	1,910
Increase/(decrease) provision for appeals	0	2,353	2,353
Enterprise Zone & Renewable Energy Growth	0	1,497	1,497
<u>Contribution towards previous year surplus/deficit</u>			
Hertfordshire County Council	949	(456)	493
Hertfordshire Police & Crime Commissioner	131	0	131
Dacorum Borough Council	151	(1,239)	(1,088)
Central Government (Business Rates Only)	0	(1,461)	(1,461)
Total Expenditure	109,368	69,357	178,725
Movement on fund balance	2,256	27,241	29,497
Balance at beginning of year	(1,307)	5,787	4,480
Balance at end of year	949	33,028	33,977
Shares of balance			
Hertfordshire County Council	730	4,092	4,822
Hertfordshire Police & Crime Commissioner	106	0	106
Dacorum Borough Council	113	13,080	13,193
Central Government (Business Rates Only)	0	15,856	15,856
	949	33,028	33,977

In addition, the Council has £494k in the Collection Fund Adjustment Account on the Balance Sheet relating to designated area growth and renewable energy.

Collection Fund Income and Expenditure Account 2019/20

	Council Tax £'000	Business Rates £'000	Total £'000
Income:			
Council Tax Receivable	102,397	0	102,397
Business Rates Receivable	0	66,272	66,272
Total Income	102,397	66,272	168,670
Expenditure			
<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)
Total Expenditure	101,991	67,686	169,677
Movement on fund balance	(406)	1,413	1,007
Balance at beginning of year	(901)	4,374	3,473
Balance at end of year	(1,307)	5,787	4,480
Shares of balance			
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
	(1,307)	5,787	4,480

In addition, the Council has £6k 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 (2020/21: 49.9p for small businesses; 51.2p 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 £42.1m in 2020/21 (£66.3m in 2019/20). The rateable value for the Council's area was £161.6m at 31 March 2021 (2019/20: £162.3m).

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 2020/21 was calculated as 58,567.40 dwellings as follows:

Band	Estimated equivalent no. of taxable properties after effect of discounts	Ratio to Band D	Band D Equivalent Dwellings
A*	1.00	5/9	0.6
A	1011.50	6/9	674.3
B	6716.25	7/9	5,223.8
C	17835.85	8/9	15,853.9
D	14668.75	9/9	14,668.8
E	8453.75	11/9	10,332.4
F	5334.75	13/9	7,705.8
G	4728.50	15/9	7,880.8
H	740.00	18/9	1,480.0
Totals	59,490.35		63,820.40
Council Tax Support			(4,889.5)
Adjustment for collection rate and contributions in lieu (0.6%)			(353.5)
Council Tax Base 2020/21			58,567.40
Council Tax Base 2019/20			57,270.20

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
Your Ref
Our Ref JD/ST
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Dear Sirs

Dacorum Borough Council
Financial Statements for the year ended 31 March 2021

This representation letter is provided in connection with the audit of the financial statements of Dacorum Borough Council for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the Council 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 2020/21 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 2020/21 ("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. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vi. The outbreak of COVID-19, declared by the World Health Organisation as a “Global Pandemic” on the 11th of March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement, and operational restrictions have been implemented by many countries. In some cases, “lockdowns” have been applied to varying degrees and to reflect further “waves” of COVID-19; although these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact. The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value.
- Accordingly, and for the avoidance of doubt, trust’s valuation is not reported as being subject to ‘material valuation uncertainty’ as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards, except as identified below.
- In respect of Retail and specific trading related assets/sectors such as Car Parks, as at the valuation date we continue to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant/sufficient market evidence on which to base our judgements.
- For the avoidance of doubt this explanatory note, including the ‘material valuation uncertainty’ declaration, does not mean that the valuation(s) cannot be relied upon. Rather, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared.
- 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. We have considered the adjusted presentational disclosures changes schedules included in your Audit Findings Report. The Council’s financial statements have been amended for these presentational disclosure changes. They had no impact on primary financial statements.
- xi. 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.
- xii. The financial statements are free of material misstatements, including omissions.
- xiii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiv. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

- 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:
- a. the nature of the Council means that, notwithstanding any intention to liquidate the Council or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
 - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

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 Council's 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.
- xxv. Annual Governance Statement
- xxvi. 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

xxvii. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 8th September 2021.

Yours faithfully

Name: James Deane

Position: Corporate Director Finance and Resources

Date: 08/09/2021

Name: Councillor Herbert Chapman

Position: Chair of Audit Committee

Date: 08/09/2021

Signed on behalf of the Council

The Audit Findings for Dacorum Borough Council

Year ended 31 March 2021

Discussion draft: August 2021

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Contents



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2. Financial statements
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. 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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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Dacorum Borough council and the preparation of the Council's financial statements for the year ended 31 March 2021 for those charged with governance.

Financial Statements

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 give a true and fair view of the financial position of the Council and of the income and expenditure for the year; and
- 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.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and the Narrative Report) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

The findings from our financial statements work are summarised at Section 2.

Our work is substantially complete. The financial statements provided for audit were produced to a high standard, with strong working paper trails. To date, we have not identified any adjusted or unadjusted misstatements to the primary statements. Amendments made to disclosure notes were minor in nature.

Our audit opinion is subject to finalisation of work in the following areas;

- completion of our work to review the Council's net pension liability. This is dependent on the completion of work by the external auditor of the Hertfordshire County Council Pension Fund;
- completion of work over valuation of PPE and creditors
- completion of work over collection fund and creditors;
- review of a final set of the financial statements; and
- obtaining a management letter of representation.

We have concluded that the other information to be published with the financial statements is consistent with our knowledge of the Council and the financial statements we have audited.

Subject to the completion of outstanding work we anticipate issuing an unmodified audit report.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. We expect to issue our Auditor's Annual Report in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Currently we have no findings which indicate a significant weakness is present.

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. We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements.

Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

2. Financial Statements

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.

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.

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Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements. Subject to the finalisation of outstanding work we anticipate issuing an unqualified audit opinion.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff amidst the pressure they were under during these unprecedented times.

2. 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.

Materiality levels remain the same as reported in our audit plan.

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	Amount (£)	Qualitative factors considered
Materiality for the financial statements	3,000,000	This is approximately 2% of gross revenue expenditure.
Performance materiality	2,250,000	Calculated as 75% of headline materiality. This is a measure used in audit testing based upon our assessment of the likelihood of a material misstatement in the financial statements.
Trivial matters	150,000	Calculated as 5% of materiality.



2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We therefore identified management override of control as an area of significant risk. The related areas of risk include management estimates, use of journals and any significant transactions outside the Council's normal course of business.</p>	<p>To address this risk we:</p> <ul style="list-style-type: none"> evaluated the design effectiveness of management controls over journals; analysed the journals listing and determined the criteria for selecting high risk or unusual journals; identified and tested high risk and unusual journals for appropriateness and corroboration; and gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness. <p>The Council has appropriately disclosed in their accounting policy any critical judgement, estimates or significant unusual transactions.</p> <p>Our audit work to date has not identified any other issues in respect of this risk.</p>
<p>The revenue cycle includes fraudulent transactions (rebutted)</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> there is little incentive to manipulate revenue recognition; opportunities to manipulate revenue recognition are very limited; the culture and ethical frameworks of local authorities mean that all forms of fraud are seen as unacceptable. <p>Our audit work has not identified any issues to change our strategy towards revenue recognition.</p>

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Fraud in expenditure recognition

As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may be greater than the risk of fraud related to revenue recognition. There is a risk the Council may manipulate expenditure to budgets and set targets and we had regard to this when planning and performing our audit procedures.

Management could defer recognition of expenditure by under-accruing for expenses that have been incurred during the period but which were not paid until after the year-end or not record expenses accurately in order to improve the financial results.

To address this risk we:

- inspected transactions around the end of the financial year to assess whether they had been included in the correct accounting period;
- inspected a sample of accruals made at year end for expenditure not yet invoiced to assess whether the valuation of the accrual was consistent with the value billed after the year. Our sample testing of accruals is currently in progress; and
- Investigated manual journals posted as part of the year end accounts preparation that reduces expenditure and found no issues.

Our audit work to date has not identified any other issues in respect of this risk.

Valuation of land and buildings including investment properties and council dwellings

The valuation of the Council's land and building, investment properties and council dwelling assets represents a significant estimate by management in the financial statements.

We designed our work to address the risk that the valuation of these assets was materially misstated.

To address this risk we;

- evaluated management's processes and assumptions for the calculation of the estimate, including the instructions issued to the Council's external valuer and the scope of their work;
- evaluated the competence, capabilities and objectivity of the external valuer;
- challenged the information and assumptions used by the valuer;
- confirmed from the valuer the basis on which the valuation was carried out;
- tested, on a sample basis, revaluations made during the year to ensure they had been input correctly into the Council's asset register;
- we have assessed for a sample of assets markets rates for comparable properties;
- evaluated how management concluded that the carrying value of assets not revalued was not materially misstated.

Our conclusions from this work are reported in the section "Financial statements – key judgements and estimates".

Valuation of investment property worth £64.8million that includes car parks and retail related assets is reported as being subject to 'material valuation uncertainty' by the expert valuer. In our audit report, we will include an Emphasis of Matter paragraph in relation to the valuer's material uncertainty disclosure.

Our work over valuation of land and buildings including investment properties and council dwellings is still outstanding .

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of the pension fund net liability

The Council's net defined benefit liability represents a significant estimate in the financial statements. The estimate is complex given the large number of scheme members and the sensitivity of the estimate to key assumptions.

To address this risk we:

- updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated, and evaluated the design of the associated controls;
- evaluated the instructions issued by management to the actuary as management's expert, and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary;
- assessed the accuracy and completeness of the information provided by the Council to the actuary;
- tested the consistency of the pension fund disclosures in the financial statements with the actuary's report;
- confirmed 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; and
- We are yet to receive assurances from the auditor of Hertfordshire 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 as audit isn't complete as of date.

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Valuations of Land and Building, Investment Property, Council dwellings	<p>The Council has made a judgement that revaluation of its balance sheet assets every 5 years is sufficiently regular. Investment properties and high value PPE assets are valued yearly and Council Dwellings are also valued at least once a year. Land and buildings are valued on a 5 year cyclical valuation programme. The remaining assets not being valued yearly are not material. These are valued at Depreciated Replacement Cost (DRC). The valuations are based on the cost of a modern equivalent asset delivering the same service provision.</p> <p>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.</p> <p>All assets are assessed annually for evidence of impairment.</p>	<p>We concluded that management's expert was competent and capable.</p> <p>Valuation of investment property worth £64.8million that includes car parks and retail related assets is reported as being subject to 'material valuation uncertainty' by the expert valuer</p> <p>As at the valuation date, the market continued to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant/sufficient market evidence on which to base valuation judgements. Valuation of these assets was therefore reported as being subject to 'material valuation uncertainty'. In our audit report, we will include an Emphasis of Matter paragraph in relation to the valuer's material uncertainty disclosure.</p> <p>Our work over valuation of land and buildings including investment properties and council dwellings is still outstanding.</p>	●

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate

Summary of management's approach

Audit Comments

Assessment

Net pension liability - LGPS £85.178m (2019/20 £54.726)

The Council recognises and discloses the retirement benefit obligation in accordance with the measurement and presentational requirement of IAS 19 'Employee Benefits'.

At 31 March 2021 the Council has a pension liability of £327.624m (2019/20 £251.399m) relating to the Local Government Pension Scheme as administered by Hertfordshire County Council.

Dacorum Borough Council uses an external actuary Hymans Robertson to provide an actuarial valuation estimate of the Council's assets and liabilities deriving from these schemes. A full valuation is required every three years.

The latest full actuarial valuation was completed in 2018/19 for the LGPS. A roll forward approach is used in intervening periods. The valuations are based on 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

We engage an auditor's actuary to assess the work of management's actuary and the reasonableness of the approach used. The auditors' actuary has provided us with indicative ranges for assumptions, which we report below. The values used by management's actuary are consistent with the ranges specified by the auditor's expert.

Assumption	Actuary Value	PWC range	Assessment
Discount rate	2.0%	1.95 - 2.05%	●
Pension increase rate	2.85%	2.85 - 2.80%	●
Salary growth LGPS	3.25%	3.80 - 3.85%	●
Life expectancy – Males currently aged 45 LGPS	22.1	20.4 – 22.7	●
Future pensioners	23.2	21.8 – 24.3	
Life expectancy – Females currently aged 45 LGPS	24.5	23.2 - 24.9	●
Future pensioners	26.2	25.2 – 26.7	

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Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - other communication and responsibilities

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	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with management. We have not been made aware of any significant incidents in the period. No other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	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.
Written representations	A letter of representation has been requested from the Council.
Confirmation requests from third parties	We seek external confirmations from relevant banks and financial institutions to support our review of the Council's yearend cash and investment balances. For one confirmation further inquiries were required and an amended confirmation was received. We have now received positive confirmation for all balances.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.
Other information	<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>Our work to date has not identified any inconsistencies. Subject to the completion of all outstanding work we plan to issue an unmodified opinion in this respect.</p>

2. Financial Statements - other communication and responsibilities

Issue	Commentary
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> - If the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, -- if we have applied any of our statutory powers or duties. <p>We have nothing to report on these matters.</p> <ul style="list-style-type: none"> - where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness. <p>Our detailed work on Value for Money is to be completed.</p>
Specified procedures for Whole of Government Accounts	<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>Detailed work is not required as the Council does not exceed the threshold specified by NAO.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2020/21 audit, as detailed in our audit report, as our VFM work is not yet complete.</p>



2. Financial Statements - other communication and responsibilities



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).

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Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council’s financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Council and the environment in which it operates the Council’s financial reporting framework the Council’s system of internal control for identifying events or conditions relevant to going concern management’s going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified. management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

3. VFM - our procedures and conclusions

We have not yet completed our VFM work and so are not in a position to issue our Auditor's Annual Report. We expect to issue our Auditor's Annual Report within three months of the date of signing of the financial statements. This is in line with the deadline specified in the Auditor Guidance issued by the National Audit Office.

As part of our work we will consider whether there are any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We have not identified any significant weaknesses from our initial planning work as reported in our March 2021 Audit Plan.

4. 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 B.

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:

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim	17,500	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 for the audit of £86,980 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.
Pooling Housing Capital Receipts Return	3,500	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 £3,500 in comparison to the total fee for the audit of £86,980 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.

Appendices

A. 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

We have not identified any adjusted misstatements which we are required to report to Those Charged With Governance as of date.

Impact of unadjusted misstatements

We have not identified any unadjusted misstatements which we are required to report to Those Charged With Governance as of date.

Misclassification and disclosure changes

There were some minor presentational changes required to the financial statements. These had no impact on the primary financial statements.

B. Follow up of prior year recommendations

We identified the following issues in the audit of Dacorum Borough Council's 2019/20 financial statements, which resulted in [1] control finding being reported in our 2019/20 Audit Findings report. We are pleased to report that management have implemented our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	We recommended that a policy is put in place to document that these reports have been run, reviewed and any significant variances investigated. 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 the payroll bureau	In 2020/21 Dacorum borough Council migrated to a new system named iTrent. We performed follow up procedures and can confirm that the recommendation from prior year has been implemented by the management.

Assessment

- ✓ Action completed
- X Not yet addressed

C. Fees

We set out below our fees charged for the audit.

Audit fees	2019/20	2020/21
Statutory Audit (excluding VAT)	£73,580	£86,980

We understand the Council will receive a grant to support additional fees for 2020/21 relating to new accounting standards and the change to the VFM audit. This amount has not yet been confirmed and as such the final fee has not been agreed with management or approved by the PSAA.

In addition, we note in August 2021 the PSAA has approved the distribution of surplus funds relating to 2020/21 to opted-in bodies. Dacorum's share of the surplus is £11,140.

Non-audit services undertaken for the Council are set out in the Independence and ethics section on page 16.

Dacorum Borough Council

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Summary Internal Controls Assurance (SICA) Report

2021/22

August 2021

Summary Internal Controls Assurance

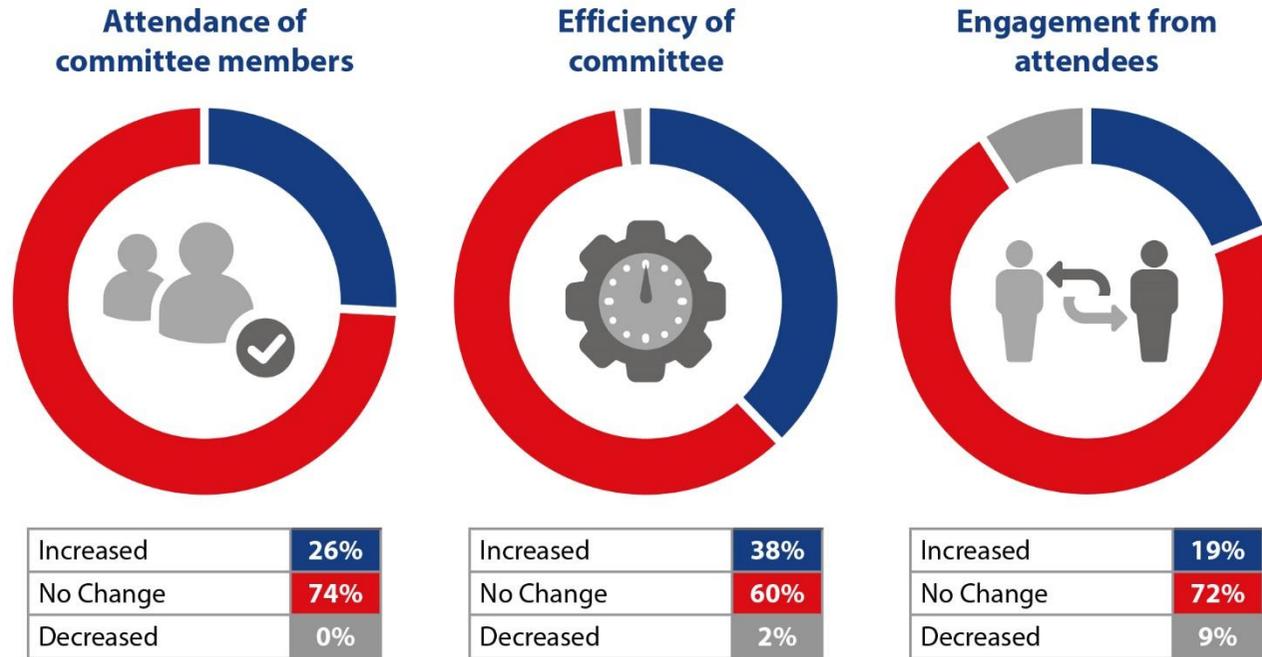
Introduction

1. This summary internal controls assurance report provides the Audit Committee with an update on the emerging Governance, Risk and Internal Control related issues and the progress of our work at Dacorum Borough Council as at 25th August 2021.

Emerging Governance, Risk and Internal Control Related Issues

2. With the easing of restrictions come the decisions by many businesses as to how they are going to operate in a post-lockdown world. There is a balance between the creativity and collaboration that arises from being in the same workplace and the benefits that arise from remote working and embracing of technology. Our approach is largely driven by how our clients are going to operate so we decided to ask their thoughts as part of our annual client survey. The majority of respondents said that they would prefer a mixture of virtual/remote and face-to-face provision of assurance services in the future. This is largely what we expected, although we recognise that is likely to vary between sectors.

How our clients would like their organisation's assurance services provided



3. Whichever model is adopted, we will continue to consider the impact on Governance, Risk and Internal Control of any changes to working practices.

Audits completed since the last SICA report to the Audit Committee

4. The table below sets out details of audits finalised since the previous meeting of the Audit Committee.

Audits completed since previous SICA report

Review	Evaluation	Key Dates			Number of Recommendations			
		Draft issued	Responses Received	Final issued	1	2	3	OEM
ICT – Network Security	Reasonable	August 2021	August 2021	August 2021	0	2	5	0
Absence Management	Reasonable	July 2021	July 2021	July 2021	0	4	1	2
Payroll (Post Implementation)	Reasonable	August 2021	August 2021	August 2021	0	0	3	0

5. The Executive Summaries and the Management Action Plans for each of the finalised reviews are included at Appendix A. There are no issues arising from these findings which would require the annual Head of Audit Opinion to be qualified.

Progress against the 2021/22 Annual Plan

Our progress against the Annual Plan for 2021/22 is set out in Appendix B.

Changes to the Annual Plan 2021/22

There a number of areas where internal audit work is recommended to enable an unqualified Head of Audit Opinion to be provided for 2021/22. These are summarised below.

COVID assurance review work

Review	Rationale
Governance Arrangements	This is a crucial area in order to be able to support that assurances are being received and evaluated fully in order to mitigate against risk and support the direction of the Council.
Business Continuity (incl Covid-19)	This is flagged as a high risk area on the risk evaluation and requires specific mitigation in order to provide day to day services.
Core Financial Controls	Financial provides essential assurances to support going concern.

Progress in actioning priority 1 & 2 recommendations

8. We have made no Priority 1 recommendations (i.e. fundamental control issue on which action should be taken immediately) since the previous SICA. The table below summarises the extent to which confirmation has been received that management actions have been taken that the risk exposure identified has been effectively mitigated. More information is provided in Appendix C.

Mitigating risk exposures identified by internal audit reviews

Review	Date	Priority 1			Priority 2		
2019/20 Governance	Mazars	0	0	0	0	0	1
2019/20 Disaster Recovery	Mazars	0	0	0	0	0	1
2020/21 Cyber Security	Sept 2020	0	0	0	0	1	0
2020/21 GDPR	April 2021	0	0	0	1	0	0
2020/21 NNDR	January 2021	0	0	0	0	1	0

Frauds/Irregularities

We have not been advised of any frauds or irregularities in the period since the last SICA report was issued.

Responsibility/Disclaimer

This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. The matters raised in this report not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Executive Summaries and Management Action Plans

The following Executive Summaries and Management Action Plans are included in this Appendix. Full copies of the reports are available to the Audit Committee on request. Where a review has a 'Limited' or 'No' Assurance assessment the full report has been presented to the Audit Committee and therefore is not included in this Appendix.

Review	Evaluation
ICT – Network Security	Reasonable
Absence Management	Reasonable
Payroll (Post Implementation)	Reasonable

ICT Network Security - Executive Summary

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

PP-R04: Failures in ICT resilience or security leading to significant system downtime

SCOPE

The audit assessed the Council’s IT remote working arrangements including controls that were put in place to support continued use and availability of ICT systems during the Covid-19 pandemic. The review considered remote working policies and procedures, remote working training needs, remote access rights, user authentication, password security, endpoint security and patch management of remote devices.

KEY STRATEGIC FINDINGS

- The Council has recorded an overall operational risk of IT failures. However, there is no risk register for specific ICT risks.
- Generic user accounts exist for third party service suppliers. This creates an accountability risk that remote access actions are not attributable to one person.
- The security posture of remote computers connecting to the Council network is not checked.
- The Council was unable to confirm current users of, and approval for, audited USB devices.

GOOD PRACTICE IDENTIFIED

- The Council has established IT security policies covering aspects of network access and remote working.
- IT systems availability is reviewed quarterly. In the fourth quarter for 2020 - 2021 it was 100%.

ACTION POINTS

Urgent	Important	Routine	Operational
0	2	5	0

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Assurance - Key Findings and Management Action Plan (MAP)

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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	The Council has recorded an overall operational risk of IT failures relating to system resilience and security. However, there is no risk register for individual systems and solutions. For instance, risks relating to network access should be assessed and recorded based on risks to systems and solutions which form part of this service.	The Council to establish an IT risk register to assess risks relating to systems and solutions employed in provision of network access services.	2	<i>We will introduce a more granular IT Risk Register for key systems and solutions</i>	29/10/21	Group Manger - Technology
3	Directed	The review of the third party supplier user accounts shows the presence of six generic accounts. This creates a risk to accountability for actions carried out from these accounts as they are not attributable to a specific individual.	The Council to remove generic accounts to ensure personal accountability for actions on IT systems.	2	<i>These generic accounts have been deleted</i>	25/08/2021	Group Manger - Technology
2	Directed	The Council does not have a staff training course to address IT security for remote workers.	The Council to develop a training course for remote workers to address risks and security implications arising from working in less secure environment as compared with the Council offices including physical security, awareness of the presence of unauthorised people, importance of regular system patches etc.	3	<i>The ICT Team will work with the Information Security Team Leader (within the Legal Governance Service) to source and provide appropriate training materials raising awareness of this increased risk</i>	30/11/2021	Group Manger – Technology & Information Security Team Leader

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
4	Directed	The review of third party user accounts identified 3 accounts which are currently enabled but have not been used for around one year. These accounts should be disabled if not in active use but still required as per the Council's IT procedures.	The third party accounts be reviewed to ensure that any accounts which are still required but are not in active use are disabled.	3	<i>These accounts have now been disabled and will only be re-enabled if/when actively needed.</i>	25/08/2021	Group Manger - Technology
5	Directed	The review assessed records relating to the use and authorisation of removable media. The Council was unable to confirm current users of and approval for the tested USB devices. The audit was informed that it is likely that the tested items are older devices which have been recorded in a previous system which has since been decommissioned.	The Council to ensure that the records of current users and approvals are available for all removable data storage devices.	3	<i>DBC ICT will maintain records of all tested USB devices passed for approved use</i>	31/08/2021	Group Manger - Technology
6	Delivery	The security posture of remote computers is not checked when they connect to the Council network. Therefore, computers with missing security patches or with out-of-date antimalware software may be able to connect. As a result a compromised computer may be able to join the Council network. The auditor was made aware of potentially costly solutions to address this risk.	The Council to assess and record associated risks and evaluate them against the cost of required controls.	3	<i>DBC ICT will prepare a short report examining this risk and the cost of mitigation to brief DBC Senior management of options.</i>	30/09/2021	Group Manger - Technology

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
7	Delivery	The Council has two Microsoft Direct Access servers to provide resilience of remote access service in case one of the servers is unavailable. However, system patches are applied to both systems at the same time and without prior testing. This creates a risk that service availability may be adversely affected in case a faulty patch is applied to both systems causing them to malfunction simultaneously.	The Council to review the patching and system update process for Microsoft Direct Access servers to mitigate against the risk of both servers being unavailable.	3	<i>DBC ICT has made the advised change so that one Direct Access server is patched at a time, ensuring that the first server is operating satisfactorily before proceeding with the second.</i>	25/08/2021	<i>Group Manger - Technology</i>

Absence Management - Executive Summary

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Sickness absence can have a big impact on both performance and costs to the organisation and therefore needs to be managed in a consistent, supportive and effective way so that operational and service levels are maintained. (IIA)

SCOPE

The review considered whether there is an Absence Management Policy which is reviewed periodically; related procedures have been documented, are up to date and made available to all staff; Line Managers are managing attendance effectively and in accordance with required procedures; all employees are aware of their related responsibilities; management are notified of all absences within the required timeframes and statements of fitness for work certificates are produced, covering applicable complete absence periods; 'Return to Work' interviews are carried out after every instance of absence; and that absence is monitored and reported on, on a regular basis.

KEY STRATEGIC FINDINGS



Testing of a sample of sickness absence cases identified issues around non-compliance, for example, absence dates not correctly recorded on certificates, Return to Work interviews not completed within the prescribed timeframes and long-term sickness reviews not being held.



The 'Sickness Absence Management Policy and Procedures' is dated August 2018 and is subject to biennial review, which is now overdue.



Documents/ information was held inconsistently on FirstCare and other related systems including Payroll and Information at Work, for example Fit notes and evidence of keeping in touch, was held in various locations which is contrary to Policy.

GOOD PRACTICE IDENTIFIED



Sickness absence due to COVID does form part of monitoring.



A Sickness Scrutiny Group meets monthly to independently review sickness absence management and provides a consistent approach across the Council.

ACTION POINTS

Urgent	Important	Routine	Operational
0	4	1	2

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Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Directed	<p>Testing identified in two of ten instances, the correct absence dates were not recorded on the Fit note. Both noted a gap of one day, as follows:</p> <ul style="list-style-type: none"> The last day of absence was not recorded. The Auditor was advised absence dates would be corrected on FirstCare. The first day of medically certified absence was not recorded on the fit note. Evidence was provided that demonstrated there was a GP assessment undertaken on the day. The Fit note was however effective from the day after. 	<p>Management to iterate to all staff the need to ensure that accurate and complete information is noted on the Fitness for Work Statements and management should check this accuracy.</p> <p>In order to ensure that staff are correctly undertaking this task, Human Resources to perform spot checks, periodically throughout the year, and outcomes to be reported to Management.</p>	2	<p>Agree.</p> <p>Action: Spot checks will be undertaken as part of SSG monthly meetings.</p> <p>Action: Management communications on the importance of accuracy on fitness for work statements is an accepted recommendation.</p> <p>Comment:</p> <p>On one case there appears to have been a GP administrative error, the fit note should have stated 7/01/21, but the GP added 8/01/21.</p>	<p>Commencing August 2021 and then monthly.</p> <p>September 2021</p>	<p>Matt Rawdon (Group Manager – People)</p> <p>Priti Gohil (HR Team Leader)</p>

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Directed	Review and testing of a sample of 10 sickness episodes, identified that in two instances, Return to Work interviews had not been conducted and the prescribed timeframe had now passed.	Return To Work interviews be completed within seven days after returning to work, in accordance with the Absence Management policy.	2	<p>Agree.</p> <p>Action: Review RTW reports at monthly SSG to highlight and address any non compliance</p> <p>Action: Continue to send HR monthly emails to managers on outstanding RTW and ask for reason why they are late.</p> <p>Comment: We already adopt a practice where HR send monthly emails to Managers on outstanding RTW's monthly and ask for the reason why the RTW was late. The two late cases were in Waste Services and upon chasing they have now been completed.</p>	<p>Commencing August 2021 then ongoing</p> <p>Ongoing</p>	<p>Priti Gohil (HR Team Leader)</p> <p>Priti Gohil (HR Team Leader)</p>
4	Directed	<p>Review and testing of a sample of 5 long-term sickness cases, identified that:</p> <ul style="list-style-type: none"> In one instance, the review meeting was planned for 27th April 2021, however did not take place. An update from the manager provided during the audit advised that the meeting was being re-arranged (June 2021). In one instance, employee went absent during a work shift due to work related stress. The Return to Work had not been completed neither had a long-term sickness review. 	<p>Management to iterate to all Managers, the importance of adhering to the Absence Management policy with regards to conducting sickness review meetings.</p> <p>More importantly Managers and HR must strengthen their review and monitoring process of staff, who are consistently absent, by way of introducing triggers.</p>	2	<p>Agree.</p> <p>Action: Send communication reminder to all managers of the absence management policy timelines and processes</p> <p>Action: HR Team to carry out audit checks on First Care Portal to ensure comments are being added to cases to show progress and communication maintained during periods of absence</p>	<p>Ongoing from September 2021</p> <p>Ongoing from September 2021</p>	<p>Priti Gohil (HR Team Leader)</p> <p>Priti Gohil (HR Team Leader)</p>

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
		<p>It was also noted that regular Manager and HR review was not evident. This employee's record showed absence of 57 days over 10 spells in the last 12 months.</p>			<p><i>Comments: In the first case, the review meeting did take place with the supervisor and staff member. The staff member decided to leave the meeting before its conclusion. The meeting is re-arranged for August, the time delay between these meetings is due to the staff member being medically suspended and annual leave commitments.</i></p> <p><i>In the second case, a sickness capability hearing was arranged for 06/05/21, but the employee did not attend, which has now been re-arranged. This negated the need for the informal sickness review meeting. This case has been regularly managed in the past, the employee has been issued with a formal written warning and was set attendance targets in line with the policy.</i></p>		

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
5	Directed	<p>Testing of staff absence records identified that information held on FirstCare, Information at work and Payroll systems differed. A lack of consistency and compliance with policy. For example:</p> <ul style="list-style-type: none"> • Not all Fit notes were recorded on FirstCare for four sickness episodes; and • In four instances, long-term sickness episodes did not have supporting notes of manager's regular contact recorded on FirstCare. 	<p>Management to iterate to all staff and managers, the need to ensure that documents/ information on FirstCare, Information to Work and Payroll systems, are per the requirements of the Absence Management Policy.</p> <p>In order to ensure that staff/ managers are uploading the required documents/ information, Human Resources to perform spot checks, periodically throughout the year, and outcomes to be reported to Management.</p>	2	<p>Agree.</p> <p>Action: Appropriate Communications will be produced for managers and spot checks to be completed by HR on Long term sickness cases when reviewing cases at SSG.</p>	September 2021	Priti Gohil (HR Team Leader)
1	Directed	<p>The Council's 'Sickness Absence Management Policy and Procedures' were dated August 2018. It was noted that the document is subject to review every 24 months.</p> <p>Review of the Policy, identified that the content requires updating, in particular:</p> <ul style="list-style-type: none"> • Reference to the former EIS system, • To reflect KPIs/ metrics and how, by whom and when these are reported; and, • Changes in practice relating to Coronavirus exemptions. 	<p>Sickness Absence Management Policy and Procedures be reviewed and updated, with the ratifying group stated on documentation.</p>	3	<p>Agree.</p> <p>Action: Review and update Policy</p> <p>Comment: HR work had to be re-prioritised during the pandemic response and this review was pushed back a year. We will be reviewing the policy during 2021.</p>	October 2021	Priti Gohil (HR Team Leader)

Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
1	Delivery	<p>Testing of sickness absences, highlighted that two sickness episodes are merged on behalf of managers on the FirstCare system.</p> <p>This effectively cancels one of the two episodes and deletes the associated notes and attachments, resulting in a gap in the sickness records.</p>	To remind line managers to be mindful that once continuous absence episodes are merged, records and supporting evidence are appropriately retained, and not lost when one of the episode is cancelled.	<i>We are now aware of this, this does not happened very often. Will add to our management communications.</i>
2	Delivery	It was noted that minutes are not maintained for the Sickness Scrutiny Group meetings however actions are recorded, but not robustly.	Sickness Scrutiny Group actions to be recorded in accordance with the acronym 'SMART'. To strengthen the robustness of current arrangements.	<i>All updates/actions are recorded on a monthly spreadsheet. We oppose of carrying out minutes of the SSG meeting as this would add more work to the process and duplicate the notes that are already recorded.</i>

Payroll (Post Implementation) - Executive Summary

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Payroll processes align with Strategic Risk SR2: The Council is unable to recruit and retain the staff required to progress as a Modern and Efficient Council.

SCOPE

The purpose of the audit was to review the post implementation of the Midland HR payroll system and assess the key processes and controls implemented.

KEY STRATEGIC FINDINGS

- 

The payroll project implementation initially experienced a delay to go-live, additional resources were required from Midland HR to address the problems with the system build between development and live environments. Evidence was made available to demonstrate that actions were taken by the Finance Payroll Team to escalate and progress issues as they occurred.
- 

The creditors delegated approval list has been adopted as a guide for payroll. A specific officer delegated list for payroll is not in place.
- 

Finance to undertake an assessment of the benefits and lessons learnt, following the payroll project implementation and return to business as usual.
- 

Sample testing of starters, leavers, permanent and temporary changes to the payroll identified no errors or any inaccuracies of data generated.

GOOD PRACTICE IDENTIFIED

- 

Dual signatory controls are in place over Payroll BACS payments and payroll to financial ledger reconciliations.
- 

There is segregation of duties in place, to ensure that payroll documentation is processed and checked by independent Payroll Team members and this is evidenced on the payroll forms.

ACTION POINTS

Urgent	Important	Routine	Operational
0	0	3	0

Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	<p>From review of three payroll exception reports (April 2021), it was noted that Finance reviews staff salary payments for previous month to current month's proposed salary, it was noted that they were not signed or dated by the Payroll Team, to evidence the routine checks performed on these reports.</p> <p>Prior to the audit, the Financial Services Lead Officer confirmed that staff had been reminded to evidence their checks through the use of a PDF signature on the report.</p>	Management to iterate to Payroll staff of their responsibilities when reviewing payroll reports, namely evidencing review by way of sign off and date.	3	<i>Recommendation accepted</i>	31/07/21	<i>Fiona Jump – Group Manager Financial Services</i>
2	Directed	<p>Through discussion with the Group Manager - Financial Services and the Financial Services Team leader, it was noted that there is opportunity to undertake a formal assessment of the Payroll project, noting lessons learnt and benefits achieved. Particularly, for project governance and the benefits subsequently realised by the change in payroll systems.</p>	Finance to undertake an assessment of the Payroll project, noting lessons learnt and benefits achieved. A timetable to be agreed for the completion and reporting of this exercise.	3	<i>The GM Finance Services requested that a review of the payroll implementation process be added to the internal audit programme precisely to identify what went well and what lessons could be learnt. This has been done as the initial phase of post implementation review. Full payroll implementation only concluded with the election payroll in June 2021. The findings of both this IA review and an internal service review will be formalised and reported to the AD, Finance and Resources.</i>	<i>Review to be completed by the end of 30th September 2021</i>	<i>Fiona Jump – Group Manager Financial Services</i>

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Directed	It was noted that the list of approving officers, used by the Payroll Team, relate to the delegated limits noted for creditor payments, which may not reflect the delegation expected for payroll processing.	A delegated approval list for payroll be established and communicated/circulated to staff.	3	<i>Recommendation accepted</i>	31 st July 2021.	<i>Fiona Jump – Group Manager Financial Services</i>

Progress against Annual Plan

System	Planned Quarter	Current Status	Comments
Absence Management	1		Final issued July 2021
Payroll (post implementation of iTrent)	1		Final issued August 2021
Business Continuity (including Pandemic Response)	1	Deferred to Quarter 3	Advised by Management to defer the review due to internal pressures.
ICT – Network Security (Remote Access)	1		Final issued August 2021
Customer Services	2	Fieldwork completed	Exit meeting to be held in early September 2021
Procurement	2	Fieldwork in progress	Draft will be issued early September 2021
Freedom of Information	2		
Corporate Health & Safety	2	Deferred to Quarter 4	Advised by Management to defer the review due to internal pressures.
Waste Management	2		Opening meeting held early August 2021 – awaiting confirmation of review start date from Auditees
Key Financial Controls	3		Audit Briefs to be issued during Sept 2021
Budgetary Control	3		Audit Briefs to be issued during Sept 2021
Council Tax	3		Audit Briefs to be issued during Sept 2021
NNDR	3		Audit Briefs to be issued during Sept 2021
Housing Benefits	3		Audit Briefs to be issued during Sept 2021
Housing Rents	3		Audit Briefs to be issued during Sept 2021
Empty Homes	4		
Planning Enforcement	4		
Safeguarding & Prevention	4		

System	Planned Quarter	Current Status	Comments
Governance & Risk Management	4		
Follow Up	3-4		

KEY:

	To be commenced		Site work commenced		Draft report issued		Final report issued
	Review deferred						

Priority 1 and 2 Recommendations - Progress update

Follow Up Analysis Table

Priority	Recs Outstanding as at 04/03/2021		Aged Analysis for Overdue Recommendations (past date/revised date as appropriate).				
	Past the Original Implementation Date	Before Imp Date	Greater than 1 year	Greater than 6 months	Greater than 3 Months	Less than 3 months	Less than 1 month
Priority 1	0	0	0	0	0	0	0
Priority 2	2	4	0	2	3	1	0
Priority 3	6	1	0	2	2	1	0

Note: Eighteen recommendations have been confirmed as having been implemented in the year to date.

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Recommendation	Priority	Management Comments	Implementation Timetable	Responsible Officer	Action taken to date (and any extant risk exposure)	Risk Mitigated
2019/20 Governance Role						
The executive should issue a communication to all Councillors outlining the requirement that mandatory training is to be completed when due. The process for escalating non completion of mandatory training and for dealing with noncompliance should be adhered to and corrective actions be taken where gaps are identified.	2	All Members have been offered the opportunity to attend mandatory training on at least two different dates. One further training session will be made available for councillors who have been unable to attend training and there will be close liaison with Group Leaders to ensure Members attend. If Members still fail to attend a report will be taken to the Council's Standards Committee for consideration	31/12/2020	Corporate Support Team Leader Director – Corporate and Contracted Services	The Member Support team are currently organising a schedule of further training to allow members a final opportunity to attend training which they have missed. Once the dates have been settled an email will be drafted for the Group Leaders to send to their members. This email will be send by the end of June.	
2019/20 Disaster Recovery						

Recommendation	Priority	Management Comments	Implementation Timetable	Responsible Officer	Action taken to date (and any extant risk exposure)	Risk Mitigated
The ICT Business Continuity Plan should link with an updated version of the ICT High Level Disaster Recovery (HLDR) Schedule in order for Recovery Time Objectives (RTO) and Recovery Point Objectives (RPO) to be included and identified.	2	The BC plan is due for a review in August 2020. This recommendation will form part of the document review.	30/08/2020 Revised date 29/01/2021	Group Manager – Tech & Digital Transformation Team Leader Corp Health, Safety and Resilience	BEN Trueman (email dated 05/03/21) - The Business Continuity Plan was updated in September 2020 and now includes the link to an updated HLDR. Qtr 1 Follow Up Review– have requested evidence to confirm implementation.	
2020/21 Cyber Security						
ICT management to ensure that Windows 2008 servers are decommissioned following ongoing work to migrate systems and data.	2	All 12 remaining Windows 2008 servers will be decommissioned by August 2021	01/08/2021 Revised date 31/08/2021	Group Manager – Technology & Digital Transformation	Work ongoing to remove these servers and on track to be completed August 2021 as per email from Ben Trueman.	
2020/21 GDPR/ Information Governance						
The record of processing activity be completed following the completion of the ongoing review of records.	2	This work is on-going and needs a lot of dedicated time. Timetable reflects this.	31/12/2021	Information Security Team Leader	Implementation date not as of yet reached	
An exercise be undertaken to review e-records and ensure a log of any destruction is appropriately recorded.	2	An on-going objective is to review the Council's e-records across all services to ensure that departments are aware of system records retention and any residual records on network shares. This is part of the Information Security Team Leaders (ISTL) Objectives. This is a major item of work, so the timetable for implementation is adjusted to reflect this.	30/09/2021	Information Security Team Leader	Implementation date not as of yet reached	

Recommendation	Priority	Management Comments	Implementation Timetable	Responsible Officer	Action taken to date (and any extant risk exposure)	Risk Mitigated
2019/20 NNDR						
The Revenues section must conduct regular reviews for reliefs/ exemptions awarded to Businesses and in doing so adopt the methodology applied to Council Tax discounts/ exemptions. Thereby maintaining consistency in approach for both services which fall under Revenues.	2	The Revenues team accepts that there is presently no comprehensive risk assessment of the various property reliefs/exemptions, and so it cannot demonstrate that reviews are being carried out to an appropriate degree. We will develop a risk-based schedule for reviewing BR accounts.	<i>Revenues & Benefits Support Team Leader</i>	31/12/2020 Revised date 30/04/2021 Revised date 31/08/2021	Unfortunately, the requirement to dedicate substantial time to grant processing did not ease during April, nor indeed has it yet, and so this task has not yet been completed. Considering the level of grant work which is still ongoing, and subject to there being no further Government announcements, I currently anticipate that the recommendation will be cleared by 31 August 2021	

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KEY:

Priority Gradings (1 & 2)

1	URGENT	Fundamental control issue on which action should be taken immediately.	2	IMPORTANT	Control issue on which action should be taken at the earliest opportunity.
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Risk Mitigation

	CLEARED	Internal audit work confirms action taken addresses the risk exposure.		ON TARGET	Control issue on which action should be taken at the earliest opportunity.		EXPOSED	Target date not met & risk exposure still extant
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ICT Audit

FINAL

Dacorum Borough Council

ICT Review of Network Security (Remote Access)

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2021/22

August 2021

Executive Summary

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

PP-R04: Failures in ICT resilience or security leading to significant system downtime

SCOPE

The audit assessed the Council's IT remote working arrangements including controls that were put in place to support continued use and availability of ICT systems during the Covid-19 pandemic. The review considered remote working policies and procedures, remote working training needs, remote access rights, user authentication, password security, endpoint security and patch management of remote devices.

KEY STRATEGIC FINDINGS

-  The Council has recorded an overall operational risk of IT failures. However, there is no risk register for specific ICT risks.
-  Generic user accounts exist for third party service suppliers. This creates an accountability risk that remote access actions are not attributable to one person.
-  The security posture of remote computers connecting to the Council network is not checked.
-  The Council was unable to confirm current users of, and approval for, audited USB devices.

GOOD PRACTICE IDENTIFIED

-  The Council has established IT security policies covering aspects of network access and remote working.
-  IT systems availability is reviewed quarterly. In the fourth quarter for 2020 - 2021 it was 100%.

ACTION POINTS

Urgent	Important	Routine	Operational
0	2	5	0

Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	The Council has recorded an overall operational risk of IT failures relating to system resilience and security. However, there is no risk register for individual systems and solutions. For instance, risks relating to network access should be assessed and recorded based on risks to systems and solutions which form part of this service.	The Council to establish an IT risk register to assess risks relating to systems and solutions employed in provision of network access services.	2	<i>We will introduce a more granular IT Risk Register for key systems and solutions.</i>	29/10/21	Group Manager - Technology
3	Directed	The review of the third party supplier user accounts shows the presence of six generic accounts. This creates a risk to accountability for actions carried out from these accounts as they are not attributable to a specific individual.	The Council to remove generic accounts to ensure personal accountability for actions on IT systems.	2	<i>These generic accounts have been deleted.</i>	25/08/21	Group Manager - Technology

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PRIORITY GRADINGS

1 **URGENT** Fundamental control issue on which action should be taken immediately.

2 **IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

3 **ROUTINE** Control issue on which action should be taken.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Directed	The Council does not have a staff training course to address IT security for remote workers.	The Council to develop a training course for remote workers to address risks and security implications arising from working in less secure environment as compared with the Council offices including physical security, awareness of the presence of unauthorised people, importance of regular system patches etc.	3	<i>The ICT Team will work with the Information Security Team Leader (within the Legal Governance Service) to source and provide appropriate training materials raising awareness of this increased risk.</i>	30/11/21	Group Manager – Technology & Information Security Team Leader
4	Directed	The review of third party user accounts identified 3 accounts which are currently enabled but have not been used for around one year. These accounts should be disabled if not in active use but still required as per the Council's IT procedures.	The third party accounts be reviewed to ensure that any accounts which are still required but are not in active use are disabled.	3	<i>These accounts have now been disabled and will only be re-enabled if/when actively needed.</i>	25/08/21	Group Manager – Technology
5	Directed	The review assessed records relating to the use and authorisation of removable media. The Council was unable to confirm current users of and approval for the tested USB devices. The audit was informed that it is likely that the tested items are older devices which have been recorded in a previous system which has since been decommissioned.	The Council to ensure that the records of current users and approvals are available for all removable data storage devices.	3	<i>DBC ICT will maintain records of all tested USB devices passed for approved use.</i>	31/08/21	Group Manager – Technology

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PRIORITY GRADINGS

1	URGENT	Fundamental control issue on which action should be taken immediately.
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2	IMPORTANT	Control issue on which action should be taken at the earliest opportunity.
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3	ROUTINE	Control issue on which action should be taken.
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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
6	Delivery	The security posture of remote computers is not checked when they connect to the Council network. Therefore, computers with missing security patches or with out-of-date antimalware software may be able to connect. As a result a compromised computer may be able to join the Council network. The auditor was made aware of potentially costly solutions to address this risk.	The Council to assess and record associated risks and evaluate them against the cost of required controls.	3	<i>DBC ICT will prepare a short report examining this risk and the cost of mitigation to brief DBC Senior management of options.</i>	30/09/21	Group Manager - Technology
7	Delivery	The Council has two Microsoft Direct Access servers to provide resilience of remote access service in case one of the servers is unavailable. However, system patches are applied to both systems at the same time and without prior testing. This creates a risk that service availability may be adversely affected in case a faulty patch is applied to both systems causing them to malfunction simultaneously.	The Council to review the patching and system update process for Microsoft Direct Access servers to mitigate against the risk of both servers being unavailable.	3	<i>DBC ICT has made the advised change so that one Direct Access server is patched at a time, ensuring that the first server is operating satisfactorily before proceeding with the second.</i>	25/08/21	Group Manager - Technology

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PRIORITY GRADINGS

1 URGENT Fundamental control issue on which action should be taken immediately.

2 IMPORTANT Control issue on which action should be taken at the earliest opportunity.

3 ROUTINE Control issue on which action should be taken.

Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
No Operational Effectiveness Matters were identified.				

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures.

Findings



Directed Risk:

Failure to properly direct the service to ensure compliance with the requirements of the organisation.

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Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
GF	Governance Framework There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	In place	-	-
RM	Risk Mitigation The documented process aligns with the mitigating arrangements set out in the corporate risk register.	Partially in place	1, & 2	-
	Compliance Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	Partially in place	3, 4, & 5	-

Other Findings

- The Council has established the Remote and Home Working Policy and some other IT security policies covering aspects of network access and remote working.
- All Council staff are required to sign up to the Council's Security and GDPR policies as part of their induction prior to being issued with a council asset.
- The password policy has been established with requirements for complexity and minimum length.
- The Council laptops are protected against malware and are encrypted.



Delivery Risk:

Failure to deliver the service in an effective manner which meets the requirements of the organisation.

Ref	Expected Key Risk Mitigation		Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
PM	Performance Monitoring	There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.	In place	-	-
FC	Financial Constraint	The process operates within the agreed financial budget for the year.	Partially in place	6	-
R	Resilience	Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	Partially in place	7	-

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Other Findings



IT systems availability is reviewed and a relevant record in the risk register is updated quarterly. The system availability in the fourth quarter for 2020 - 2021 was 100%.

Scope and Limitations of the Review

1. The definition of the type of review, the limitations and the responsibilities of management in regard to this review are set out in the Annual Plan. As set out in the Audit Charter, substantive testing is only carried out where this has been agreed with management and unless explicitly shown in the scope no such work has been performed.

Disclaimer

2. The matters raised in this report are only those that came to the attention of the auditor during the course of the review, and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Effectiveness of arrangements

3. The definitions of the effectiveness of arrangements are set out below. These are based solely upon the audit work performed, assume business as usual, and do not necessarily cover management override or exceptional circumstances.

In place	The control arrangements in place mitigate the risk from arising.
Partially in place	The control arrangements in place only partially mitigate the risk from arising.
Not in place	The control arrangements in place do not effectively mitigate the risk from arising.

Assurance Assessment

4. The definitions of the assurance assessments are:

Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

Acknowledgement

5. We would like to thank staff for their co-operation and assistance during the course of our work.

Release of Report

6. The table below sets out the history of this report.

Stage	Issued	Response Received
Audit Planning Memorandum:	27 th April 2021	27 th April 2021
Draft Report:	3 rd August 2021	25 th August 2021
Final Report:	26 th August 2021	

AUDIT PLANNING MEMORANDUM

Appendix B

Client:	Dacorum Borough Council		
Review:	ICT – Network Security (Remote Access)		
Type of Review:	Assurance	Audit Lead:	Andrei Tinine

Outline scope (per Annual Plan):	Risk: SR4 Rationale: Remote access is key for all organisations, new arrangements have had to be put in place, which has come about as a result of the Covid-19 pandemic. Scope: To assess the Council’s IT remote working arrangements including controls that were put in place to support continued use and availability of ICT systems during the Covid-19 pandemic. The review will consider: Remote working policies and procedures; Remote working training needs have been identified and training provided to users; Remote access rights are restricted to valid and authorised users; User authentication and password security settings; Endpoint security including virus protection, WSUS and data encryption; and Patch Management of all remote devices.		
Detailed scope will consider:	<p>Directed</p> <p>Governance Framework: There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.</p> <p>Risk Mitigation: The documented process aligns with the mitigating arrangements set out in the corporate risk register.</p> <p>Compliance: Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.</p>	<p>Delivery</p> <p>Performance monitoring: There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.</p> <p>Financial constraint: The process operates with the agreed financial budget for the year.</p> <p>Resilience: Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.</p>	
Requested additions to scope:	(if required then please provide brief detail)		
Exclusions from scope:			

Planned Start Date:	01/05/2021	Exit Meeting Date:	19/07/2021	Exit Meeting to be held with:	Ben Trueman
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SELF ASSESSMENT RESPONSE

Matters over the previous 12 months relating to activity to be reviewed	Y/N (if Y then please provide brief details separately)
Has there been any reduction in the effectiveness of the internal controls due to staff absences through sickness and/or vacancies etc?	N
Have there been any breakdowns in the internal controls resulting in disciplinary action or similar?	N
Have there been any significant changes to the process?	Y
Are there any particular matters/periods of time you would like the review to consider?	N



Internal Audit

FINAL

Dacorum Borough Council

Assurance Review of Absence Management

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2021/22

August 2021

Executive Summary

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Sickness absence can have a big impact on both performance and costs to the organisation and therefore needs to be managed in a consistent, supportive and effective way so that operational and service levels are maintained. (IIA)

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KEY STRATEGIC FINDINGS



Testing of a sample of sickness absence cases identified issues around non-compliance, for example, absence dates not correctly recorded on certificates, Return to Work interviews not completed within the prescribed timeframes and long-term sickness reviews not being held.



The 'Sickness Absence Management Policy and Procedures' is dated August 2018 and is subject to biennial review, which is now overdue.



Documents/ information was held inconsistently on FirstCare and other related systems including Payroll and Information at Work , for example Fit notes and evidence of keeping in touch, was held in various locations which is contrary to Policy.

GOOD PRACTICE IDENTIFIED



Sickness absence due to COVID does form part of monitoring.



A Sickness Scrutiny Group meets monthly to independently review sickness absence management and provides a consistent approach across the Council.

SCOPE

The review considered whether there is an Absence Management Policy which is reviewed periodically; related procedures have been documented, are up to date and made available to all staff; Line Managers are managing attendance effectively and in accordance with required procedures; all employees are aware of their related responsibilities; management are notified of all absences within the required timeframes and statements of fitness for work certificates are produced, covering applicable complete absence periods; 'Return to Work' interviews are carried out after every instance of absence; and that absence is monitored and reported on, on a regular basis.

ACTION POINTS

Urgent	Important	Routine	Operational
0	4	1	2

Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Directed	<p>Testing identified in two of ten instances, the correct absence dates were not recorded on the Fit note. Both noted a gap of one day, as follows:</p> <ul style="list-style-type: none"> The last day of absence was not recorded. The Auditor was advised absence dates would be corrected on FirstCare. The first day of medically certified absence was not recorded on the fit note. Evidence was provided that demonstrated there was a GP assessment undertaken on the day. The Fit note was however effective from the day after. 	<p>Management to iterate to all staff the need to ensure that accurate and complete information is noted on the Fitness for Work Statements and management should check this accuracy.</p> <p>In order to ensure that staff are correctly undertaking this task, Human Resources to perform spot checks, periodically throughout the year, and outcomes to be reported to Management.</p>	2	<p>Agree.</p> <p>Action: Spot checks will be undertaken as part of SSG monthly meetings.</p> <p>Action: Management communications on the importance of accuracy on fitness for work statements is an accepted recommendation.</p> <p>Comment:</p> <p>On one case there appears to have been a GP administrative error, the fit note should have stated 7/01/21, but the GP added 8/01/21.</p>	<p>Commencing August 2021 and then monthly.</p> <p>September 2021</p>	<p>Matt Rawdon (Group Manager – People)</p> <p>Priti Gohil (HR Team Leader)</p>

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PRIORITY GRADINGS

1 URGENT Fundamental control issue on which action should be taken immediately.

2 IMPORTANT Control issue on which action should be taken at the earliest opportunity.

3 ROUTINE Control issue on which action should be taken.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Directed	Review and testing of a sample of 10 sickness episodes, identified that in two instances, Return to Work interviews had not been conducted and the prescribed timeframe had now passed.	Return To Work interviews be completed within seven days after returning to work, in accordance with the Absence Management policy.	2	<p>Agree.</p> <p>Action: Review RTW reports at monthly SSG to highlight and address any non compliance</p> <p>Action: Continue to send HR monthly emails to managers on outstanding RTW and ask for reason why they are late.</p> <p>Comment: We already adopt a practice where HR send monthly emails to Managers on outstanding RTW's monthly and ask for the reason why the RTWI was late. The two late cases were in Waste Services and upon chasing they have now been completed.</p>	<p>Commencing August 2021 then ongoing</p> <p>Ongoing</p>	<p>Priti Gohil (HR Team Leader)</p> <p>Priti Gohil (HR Team Leader)</p>
4	Directed	<p>Review and testing of a sample of 5 long-term sickness cases, identified that:</p> <ul style="list-style-type: none"> In one instance, the review meeting was planned for 27th April 2021, however did not take place. An update from the manager provided during the audit advised that the meeting was being re-arranged (June 2021). In one instance, employee went absent during a work shift due to work related 	<p>Management to iterate to all Managers, the importance of adhering to the Absence Management policy with regards to conducting sickness review meetings.</p> <p>More importantly Managers and HR must strengthen their review and monitoring process of staff, who are consistently absent, by way of introducing triggers.</p>	2	<p>Agree.</p> <p>Action: Send communication reminder to all managers of the absence management policy timelines and processes</p> <p>Action: HR Team to carry out audit checks on First Care Portal to ensure</p>	<p>Ongoing from September 2021</p> <p>Ongoing from September 2021</p>	<p>Priti Gohil (HR Team Leader)</p> <p>Priti Gohil (HR Team Leader)</p>

PRIORITY GRADINGS

1	URGENT	Fundamental control issue on which action should be taken immediately.	2	IMPORTANT	Control issue on which action should be taken at the earliest opportunity.	3	ROUTINE	Control issue on which action should be taken.
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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
		<p>stress. The Return to Work had not been completed neither had a long-term sickness review.</p> <p>It was also noted that regular Manager and HR review was not evident. This employee's record showed absence of 57 days over 10 spells in the last 12 months.</p>			<p><i>comments are being added to cases to show progress and communication maintained during periods of absence</i></p> <p><i>Comments: In the first case, the review meeting did take place with the supervisor and staff member. The staff member decided to leave the meeting before its conclusion. The meeting is re-arranged for August, the time delay between these meetings is due to the staff member being medically suspended and annual leave commitments.</i></p> <p><i>In the second case, a sickness capability hearing was arranged for 06/05/21, but the employee did not attend, which has now been re-arranged. This negated the need for the informal sickness review meeting. This case has been regularly managed in the past, the employee has been issued with a formal written warning and was set attendance targets in line with the policy.</i></p>		

PRIORITY GRADINGS

1 URGENT Fundamental control issue on which action should be taken immediately.

2 IMPORTANT Control issue on which action should be taken at the earliest opportunity.

3 ROUTINE Control issue on which action should be taken.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
5	Directed	<p>Testing of staff absence records identified that information held on FirstCare, Information at work and Payroll systems differed. A lack of consistency and compliance with policy. For example:</p> <ul style="list-style-type: none"> • Not all Fit notes were recorded on FirstCare for four sickness episodes; and • In four instances, long-term sickness episodes did not have supporting notes of manager's regular contact recorded on FirstCare. 	<p>Management to iterate to all staff and managers, the need to ensure that documents/ information on FirstCare, Information to Work and Payroll systems, are per the requirements of the Absence Management Policy.</p> <p>In order to ensure that staff/ managers are uploading the required documents/ information, Human Resources to perform spot checks, periodically throughout the year, and outcomes to be reported to Management.</p>	2	<p>Agree.</p> <p>Action: Appropriate Communications will be produced for managers and spot checks to be completed by HR on Long term sickness cases when reviewing cases at SSG.</p>	September 2021	Priti Gohil (HR Team Leader)
1	Directed	<p>The Council's 'Sickness Absence Management Policy and Procedures' were dated August 2018. It was noted that the document is subject to review every 24 months.</p> <p>Review of the Policy, identified that the content requires updating, in particular:</p> <ul style="list-style-type: none"> • Reference to the former EIS system, • To reflect KPIs/ metrics and how, by whom and when these are reported; and, • Changes in practice relating to Coronavirus exemptions. 	<p>Sickness Absence Management Policy and Procedures be reviewed and updated, with the ratifying group stated on documentation.</p>	3	<p>Agree.</p> <p>Action: Review and update Policy</p> <p>Comment: HR work had to be re-prioritised during the pandemic response and this review was pushed back a year. We will be reviewing the policy during 2021.</p>	October 2021	Priti Gohil (HR Team Leader)

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PRIORITY GRADINGS

1 URGENT Fundamental control issue on which action should be taken immediately.

2 IMPORTANT Control issue on which action should be taken at the earliest opportunity.

3 ROUTINE Control issue on which action should be taken.

Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
1	Delivery	Testing of sickness absences, highlighted that two sickness episodes are merged on behalf of managers on the FirstCare system. This effectively cancels one of the two episodes and deletes the associated notes and attachments, resulting in a gap in the sickness records.	To remind line managers to be mindful that once continuous absence episodes are merged, records and supporting evidence are appropriately retained, and not lost when one of the episode is cancelled.	<i>We are now aware of this, this does not happened very often. Will add to our management communications.</i>
2	Delivery	It was noted that minutes are not maintained for the Sickness Scrutiny Group meetings however actions are recorded, but not robustly.	Sickness Scrutiny Group actions to be recorded in accordance with the acronym 'SMART'. To strengthen the robustness of current arrangements.	<i>All updates/actions are recorded on a monthly spreadsheet. We oppose of carrying out minutes of the SSG meeting as this would add more work to the process and duplicate the notes that are already recorded.</i>

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures.

Findings



Directed Risk:

Failure to properly direct the service to ensure compliance with the requirements of the organisation.

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Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
GF	Governance Framework There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	In place	1	-
RM	Risk Mitigation The documented process aligns with the mitigating arrangements set out in the corporate risk register.	In place	-	-
	Compliance Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	In place	2, 3 4, & 5	-

Other Findings

- The Council has a joint 'Sickness Absence Management Policy and Procedures' document in place, which is available to all staff and can be accessed via the intranet.
- The Council uses Nurse Led absence management services and an online administrative portal system provided by an external organisation, FirstCare. The Council had a five year contract with FirstCare, which commenced on 27th April 2015. The contract has been extended for a further year, from 1st November 2020 to 31st October 2021, in considering the sickness module on iTrent. The HR & OD Team Lead has stated this may be delayed by twelve months due to COVID placing other demands on the Human Resources (HR) service.
- Supporting flowcharts are in place which outline the process to be followed when managing short and long-term sickness absence.
- Dedicated HR Leads and Advisors provide support to line managers across the Council, with the absence management process.

Other Findings



Testing confirmed staff notify FirstCare of absences within the prescribed timeframes and where there were delays, these were adequately explained. For example, for three of the ten sickness episodes tested which were recorded as being reported after the start of a shift, information was provided which demonstrated each delay was reasonable, i.e. sickness absence occurring during a shift that was attended, an emergency medical procedure or administrative reason to merge two continuous episodes.



Review and testing of a sample of ten sickness absence episodes, identified that official 'Statements of Fitness for Work' (Fit note) certifications had been issued where required, including multiple Fit notes to cover the complete absence period, with the exception of two instances, where a gap of one day was noted between the absence period and shortfall in the certification. The absence period recorded on the system still stood therefore there did not appear to be a pay related impact.



Review and testing of ten sickness absences episodes, identified that in eight instances, 'Return to Work' interviews had been completed and for eight these were conducted within the seven day timeframe, in accordance with the Policy. The two overdue Return to Work interviews had either been held or arranged following the audit testing. There is evidence of HR proactively following up with managers to complete outstanding Return to Work interviews and status is regularly monitored and reported.



During testing, it was noted that Occupational Health were considered and involved in each of the ten cases reviewed. There was evidence of effective assessments leading to the following types of support:

- restricted duties;
- formal adjustments; and
- phased return, to enable suitable return to work and the management of risks to individuals and the Council so that neither are exposed.

It is understood a new Optimal Health portal was in place for managers to request for an Occupational Health review. Support is also being provided through the Council's Employee Assistance Programme.



Absence is regularly monitored and reported to the Sickness Scrutiny Group. Figures available to staff on the Council's performance information system Rocket were provided.



The Sickness Scrutiny Group meets monthly to review cases that have hit trigger points, have patterns or emerging concerns and for updates on the formal processes being undertaken. Review of Sickness Scrutiny Group monitoring records, for the sample of 10 cases reviewed, highlighted that process appeared to be working as expected and in accordance with policy requirements, including regular meetings, having plans for support and the issuance of written outcome letters and formal warnings for the period subject to review.



Good practice was noted, as emerging matters relating to the sample tested were highlighted by the Human Resources and Organisational Development Lead Officer, to relevant HR leads to ensure awareness and that these are raised at future Sickness Scrutiny Group meetings due to timing differences. At the time of time of audit, it was stated that absence information relating to May 2021 had been reviewed at the Sickness Scrutiny Group meeting held on 1st July 2021.



Delivery Risk:

Failure to deliver the service in an effective manner which meets the requirements of the organisation.

Ref	Expected Key Risk Mitigation		Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
PM	Performance Monitoring	There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.	In place	-	-
FC	Financial Constraint	The process operates within the agreed financial budget for the year.	Out of scope	-	-
R	Resilience	Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	In place	-	1, & 2

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Other Findings



There is evidence of formal reporting of absence data to the Finance and Resources Overview and Scrutiny Committee. Quarterly Performance, People & Innovation Reporting is in place which contains six sickness related KPIs. Reports are publicly available on to the internet. Relevant statistics on sickness absence are collected and analysed by HR.



Coronavirus related absences were exempt from formal sickness triggers and audit testing confirmed exclusions were being applied for the review processes examined.

Scope and Limitations of the Review

1. The definition of the type of review, the limitations and the responsibilities of management in regard to this review are set out in the Annual Plan. As set out in the Audit Charter, substantive testing is only carried out where this has been agreed with management and unless explicitly shown in the scope no such work has been performed.

Disclaimer

2. The matters raised in this report are only those that came to the attention of the auditor during the course of the review, and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Effectiveness of arrangements

3. The definitions of the effectiveness of arrangements are set out below. These are based solely upon the audit work performed, assume business as usual, and do not necessarily cover management override or exceptional circumstances.

In place	The control arrangements in place mitigate the risk from arising.
Partially in place	The control arrangements in place only partially mitigate the risk from arising.
Not in place	The control arrangements in place do not effectively mitigate the risk from arising.

Assurance Assessment

4. The definitions of the assurance assessments are:

Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

Acknowledgement

5. We would like to thank staff for their co-operation and assistance during the course of our work.

Release of Report

6. The table below sets out the history of this report.

Stage	Issued	Response Received
Audit Planning Memorandum:	27 th April 2021	28 th April 2021
Draft Report:	13 th July 2021	10 th August 2021
Final Report:	11 th August 2021	

AUDIT PLANNING MEMORANDUM

Appendix B

Client:	Dacorum Borough Council				
Review:	Absence Management				
Type of Review:	Assurance	Audit Lead:	Principal Auditor		
Outline scope (per Annual Plan):	Rationale: If an organisation does not manage absence in an effective and appropriate manner, this may lead to high operational costs				
	Scope: The review considered whether: <ul style="list-style-type: none"> • There is an Absence Management Policy which is reviewed periodically; • Procedures in relation to managing attendance have been documented, are up to date and made available to all staff; • Line Managers are managing attendance effectively and in accordance with required procedures; • All employees are aware of their responsibilities in relation to managing attendance; • Management are notified of all absences within the required timeframes and statements of fitness for work certificates are produced, where applicable, to cover complete absence periods; • 'Return to Work' interviews are carried out after every instance of absence; and • Absence is monitored and reported on, on a regular basis. 				
Detailed scope will consider:	Directed	Governance Framework: There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.			Delivery
	Risk Mitigation: The documented process aligns with the mitigating arrangements set out in the corporate risk register.	Compliance: Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.			Performance monitoring: There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.
		Financial constraint: The process operates with the agreed financial budget for the year.			Resilience: Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.
Requested additions to scope:	N/A				
Exclusions from scope:	N/A				
Planned Start Date:	12/05/2021	Exit Meeting Date:	01/07/2021	Exit Meeting to be held with:	Group Manager – People, HR&OD Lead and HR Officer

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SELF ASSESSMENT RESPONSE	
Matters over the previous 12 months relating to activity to be reviewed	Y/N (if Y then please provide brief details)
Has there been any reduction in the effectiveness of the internal controls due to staff absences through sickness and/or vacancies etc?	N
Have there been any breakdowns in the internal controls resulting in disciplinary action or similar?	N
Have there been any significant changes to the process?	N
Are there any particular matters/periods of time you would like the review to consider?	N

Document is Restricted



AGENDA ITEM:

SUMMARY

Report for:	Audit Committee
Date of meeting:	8 September 2021
PART:	1
If Part II, reason:	

Title of report:	Strategic Risk Register Quarter 1 2021/22
Contact:	Cllr Graeme Elliot, Portfolio Holder Finance & Resources James Deane, Corporate Director (Finance & Operations) Linda Dargue, Lead Officer, Insurance & Risk
Purpose of report:	To provide the quarter 1 update on the Strategic Risk Register for 2021/22
Recommendations	That the content of this report is noted, that Committee seek further assurance where required and that Committee provide comments and feedback on the report for Cabinet to consider.
Corporate objectives:	All. Risk management is an essential part of ensuring that the Council meets all of its corporate objectives
Implications:	<u>Financial</u> Incorporated within the report.
'Value For Money Implications'	<u>Value for Money</u> Risk management is closely linked to the Council's commitment to ensure that all resources are used efficiently and forms part of effective financial planning. The Council also needs to ensure that adequate provisions are in place to address anticipated risks but that these are no greater than necessary so that maximum resources are applied to services as required. To this end the Council sets minimum target working balances for both the general fund and HRA and at the date of this report these minimum balances are secured. Budget exercises for 2020/21 will ensure that the minimum balance requirements will also be met for the next financial year.

Risk Implications	<p>Effective risk management is an important factor in all policymaking, planning and decision-making.</p> <p>Failure to manage risk effectively could have serious consequences for the Council leading to increased costs, wasted resources, prosecution and criticism under external assessments</p>
Community Impact Assessment	The content of this report does not require a Community Impact Assessment to be undertaken. Project and policy proposals identified to mitigate the risks on the Strategic Risk Register will be subject to individual Community Impact Assessments. These will be reported to Members on an individual basis.
Health And Safety Implications	Not applicable
Consultees:	Chief Officer Group
Background papers:	None.

Report

1. The revised Strategic Risk register showing the position at the end of Q1 2021/22 is attached at Appendix A.
2. The methodology for scoring risk is attached at Appendix B.
3. There are no changes to the risk scores for this quarter, however the narrative has been reviewed and amended as appropriate to reflect the current position.
4. This iteration of the risk register, i.e. as at quarter 1, will be reported to Cabinet, and will include comments and suggestions as requested by the Audit Committee.



Quarter 1 Strategic Risk Report

Jun-2021

Summary

The over all risk score for each or the risks highlighted within this report are arrived at by multiplying the score given for the probability of the risk happening and the severity of the consequences of this risk.

The probability and severity are scored 1-4 relating to their severity as shown in the below table

The severity of the overall risk score can also be found in the below table

Risk Score	Probability	Severity
1	Low	Low
2	Medium	Medium
3	High	High
4	Severe	Severe

Overall Score	RAG
0 - 4	Green
6 - 10	Amber
12-16+	Red

Inherent Probability	Inherent Impact	Inherent Risk Score	Mitigated Probability	Mitigated Impact	Mitigated Risk Score
SR1 - Funding and income is not sufficient to deliver the Council's Corporate Objectives					James Deane
4	4	16	3	3	9
SR2 - The Council is unable to recruit and retain the staff required to progress as a Modern and Efficient Council					Claire Hamilton
3	3	9	2	3	6
SR3 - Social media risk					Claire Hamilton
3	3	9	2	3	6
SR4 - Cyber Attack					Claire Hamilton
3	4	12	2	3	6
SR5 - The Council will be unable to ensure that sufficient good quality and affordable homes can be delivered, particularly for those most in need					Mark Gaynor
4	4	16	3	3	9
SR6 - That the Borough does not secure sufficient investment in essential infrastructure that is required for continued and improved economic performance and housing delivery that is sustainable and fit for the future					Mark Gaynor
4	4	16	3	3	9
SR7 - Uncertainty around Brexit negotiations could result in the Council facing additional demand for its services in the short- to medium-term					Claire Hamilton
4	4	16	4	2	8

Risk Owner : James Deane Portfolio holder : Graeme Elliot

SR1 - Funding and income is not sufficient to deliver the Council's Corporate Objectives

Quarterly Update

The Council's Qtr 1 Financial Monitoring report, scheduled for report to Cabinet in September 2021, is currently indicating an in-year pressure of £1.0m. The Economic Recovery Reserve, created within the MTFS to fund the impact of Covid over the medium-term, will be utilised to fund the covid element of this pressure that equates to £0.7m.

It is still early in the financial year and there is still a certain amount of uncertainty in regards to the short term impact of covid on council services and in particular income streams.

The residual pressure of £0.3m is being carefully monitored and mitigation ideas are being discussed for 2021/22.

The MTFS is currently under review and is scheduled for a report to cabinet in September 2021.

Inherent Impact	Inherent Probability	Inherent Risk Score
4	4	16
Mitigated Impact	Mitigated Probability	Mitigated Risk Score
3	3	9

Impact

The Council is currently facing two fronts of significant financial uncertainty that both hamper planning and risk deliverability of the objectives within the Corporate Plan into the medium-term: 1) the ongoing uncertainty around future Government funding of local authorities, and 2) the financial implications of Covid.

Government Funding

The Council is currently operating on a one-year Finance Settlement from Government, the second in succession, following the conclusion of the 4-year deal in April 2019. One-year Settlements, and the planning challenges that accompany them, are expected to continue until Government implements its new funding allocation model following the completion of its Fair Funding Review

As yet there is no certainty over the level of funding that Dacorum or any other authority can expect in the future, post-review. However, there is a strong belief across the sector that the new model will divert funding away from lower tier authorities in favour of those authorities with responsibility for the provision of social care. The Council must ensure that it's in a position to adapt to significant funding reductions at potentially short notice when the new model is announced.

Covid Implications

The Council faces significant expenditure and income pressures as a result of Covid. The pattern of expenditure pressures have thus far tended to be more-directly lock-down related and, therefore, are likely to be more short-term. Income pressures on the other hand, have a short-term element, e.g. dramatic loss of car parking income during lock-down, but also potentially an even more significant long-term effect through a recessionary impact on the Council's primary income generating services, e.g. commercial property.

The magnitude of the potential Covid-related losses, combined with uncertainty around the duration of the pandemic and the unknown timing and severity of the expected recession creates a significant financial threat to the Council's in-year budget. In addition it adds further complexity and risk to the already challenging medium-term planning environment arising from one-year Government funding settlements.

Controls to manage the risk

The Council's Medium Term Financial Strategy (MTFS) and the HRA Business Plan are controls that mitigate the likelihood of this risk crystallising through the effective modelling of the future financial environment. Sound financial planning maximises the opportunity for the Council to identify funding risks in advance, and therefore grants more time for it to plan to provide its services differently in order to continue delivering its corporate priorities. The Council's sound financial planning processes, detailed below, have resulted in my reducing the inherent probability score from '4', Very Likely, to a residual probability score of '3', Likely.

The MTFS details the financial implications of the Corporate Plan over a five-year period. It ensures that the Council is able to forecast likely income pressures in the medium-term, and optimise the balance between its financial resources and the delivery of its priorities. The MTFS is reviewed at least annually and is approved by Full Council, thereby providing the opportunity for Members to make informed amendments to the Corporate Plan on the basis of likely funding constraints.

The 2020 MTFS refresh was delayed from its usual July publication until October (approved by Council in November) in order to optimise the evidence base for Covid-related forecasts into the medium-term. The Strategy adopted a two-pronged approach to combine the Council's need to 1) continue driving the efficiencies required to ensure underlying sustainability; and, 2) to protect frontline services in the face of the time-bound Covid pressures. The approved MTFS can be viewed on the October 2020 Cabinet Agenda, Item 8:

(Public Pack)Agenda Document for Cabinet, 20/10/2020 19:30 (dacorum.gov.uk)

In addition to a modified approach to the MTFS, quarterly Covid Updates have been reported to Cabinet throughout the year outlining the constantly evolving of the financial implications of the pandemic and the expected recession. The forecasts are kept under constant review and any updated forecasts that threaten the viability of the approved MTFS will be reported back to Members together with updated recommendations.

As part of its Transformation Programme, the Council is seeking to deliver its Service Plans differently from 2021 – using a more cross-directorate approach and covering a longer period than the traditional one year. The closer alignment of the MTFS and Service Plans over a multi-year period should strengthen the Council's financial planning, and the cross-directorate approach unlock corporate opportunities that would be less clear under an individual approach to service planning.

The Council's Housing Revenue Account (HRA) Business Plan maps planned income and expenditure over a thirty-year period. Government legislation that can affect the Council's delivery of social housing is incorporated within the plan and forms the basis for informed strategic decision-making.

By keeping the Corporate Plan and Communications Strategy under review the Council is able to mitigate the impact of this risk, should it occur, by keeping residents informed of the pressures faced by the Council, and consequently by managing aspiration and expectation (detail below). On this basis, I have reduced the Impact score from '4', Severe, to '3', High.

Evidence the risk is being managed

Internal Audit

In recent months, the Council has received two independent, third-party audit reviews of the financial processes that contribute to the management of this risk:

The 'Budgetary Control' process was audited by the Council's new Internal Auditors, TIAA, in October 2020, and received the highest level of assurance, with no recommendations or action points to follow up. This followed an audit by the outgoing Internal Auditors, Mazars, in March 2020 on 'Core Financial Systems and Budgetary Control' which also gave the highest level of assurance with no recommendations or action points.

External Audit

The 'Value for Money' opinion issued in Grant Thornton's 'Audit Findings' report in September 2020, was based on evaluation of the MTFS; the budget-setting process; the reserves policy and use; and, the Council's forecasting of the Covid threat and plans to deal with it. Grant Thornton's conclusion was:

'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.'

Internal validation

The fact that the Council was in a position to approve an MTFS which is capable of funding forecast Covid pressures from reserves, is practical validation of its approach to managing the MTFS and reserves over recent years. Although the planned use of reserves will inevitably reduce the amount available for future investment in the borough, it has meant that the Council is able to protect the delivery of its frontline services into the medium-term.

Risk Owner : Claire Hamilton Porfolio holder : Julie Banks

SR2 - The Council is unable to recruit and retain the staff required to progress as a Modern and Efficient Council

Quarterly Update

Inherent Impact	Inherent Probability	Inherent Risk Score
3	3	9
Mitigated Impact	Mitigated Probability	Mitigated Risk Score
3	2	6

Impact

The Council is currently finding it challenging to recruit and retain staff with the appropriate skills to deliver all of its services, particularly within professional areas such as Legal, Finance, Surveyors, Environmental Health and Planning etc.

This challenge has grown significantly over recent years – as the economy has emerged from the worst of the recession, the private sector employment market has become relatively more buoyant due to the continued constraints on public sector funding. General competition with the private sector for skilled employees is exacerbated for Dacorum by its close proximity to the higher salaries of the London market.

This has led to the appointment of agency staff across the Council in order to maintain service delivery. A reliance on agency staff brings a number of specific risks:

- Statutory – staff shortages can put delivery of the Council's statutory services at risk, e.g. Environmental Health, Housing repairs and Fire safety, and Building Control;
- Resilience – any need for agency staff leaves the Council vulnerable to potential higher turnover and loss of knowledge which can affect continuity of service provision;
- Financial – the cost of agency staff is higher than for permanent staff, which can pressurise budgets in several areas across the Council.
- Staff Morale - could be affected in areas which are carrying vacancies, due to increased workload pressure and as a result of lack of team rapport

This challenge affects all public sector organisations within the region, and a solution is high on the agenda for county-wide working groups of which DBC is a member.

Controls to manage the risk

A programme of work has been developed to enhance our ability to recruit and retain staff:

- Terms and conditions have already been reviewed to develop a range of benefits within the remuneration package
- Flexible working arrangements are in place to ensure staff achieve a good work/life balance. Many of the Council's staff have been able to work successfully from home during the pandemic.

Further measures currently being developed and implemented include:

- Enhanced and expanded Graduate/apprenticeship scheme to create up to 8 new posts within areas experiencing recruitment and retention difficulties, this will be supported by a planned approach to utilising the Council's apprenticeship levy to support some of the professional training costs
- SLT has agreed a further three graduates for 2021/22 from the National Graduate Development Programme (hosted by the Local Government Association)
- Succession planning approach embedded into appraisals and service plans with supported by the career development plans.
- Implementation of more robust management information which will be enabled by the implementation of a new Human Resources technology system
- Streamlining of recruitment campaigns and modernisation of recruitment web pages including video clips; further develop the use of social media platforms for recruitment.
- Hosting of recruitment days to generate interest in high volume recruitment service areas and retain CV's for future reference to fast track the filling of vacancies
- Establish DBC as employer of choice by presence at careers fairs, developing links with Schools, Colleges and Universities.

Evidence the risk is being managed

Turnover remains reasonably low and it is infrequent that posts are re-advertised. Graduates have been appointed and we are working for LGA to appoint the next batch of three. HR will be working with services with recruitment challenges to ensure the graduates to support these areas in the first instance.

Risk Owner : Claire Hamilton Porfolio holder : Andrew Williams

SR3 - Social media risk

Quarterly Update

Inherent Impact	Inherent Probability	Inherent Risk Score
3	3	9
Mitigated Impact	Mitigated Probability	Mitigated Risk Score
3	2	6

Impact

"Almost nine in ten (86%) of UK adults now have internet access at home, and this is highest among those aged under 55. Facebook continues to be the largest social network service in the UK. In April 2016, it attracted a digital audience of 38.9 million (more than three-quarters of active internet users). This was larger than that of LinkedIn (21.8 million) and Twitter (20.9 million)" (Ofcom report 2016).

By design, social media is widely accessible and offers users easy electronic communication of personal information and other content, such as news, videos and photos. With public participation and exchange of content so readily available, this introduces a certain level of risk.

The consequences of using social media include members of the public, pressure groups or employees using DBC social media accounts to raise negative, confidential, incorrect or abusive statements/campaigns aimed at damaging the reputation of DBC. Similarly, the risk of DBC not using social media will exclude a large proportion of residents and key demographic groups including younger residents and businesses.

Controls to manage the risk

The Council monitors and protects its social media presence through a Social Media Management Platform (Social SignIn). Social SignIn provides management options for automatic moderation of abusive messages and other risk mitigation tools.

All staff are required to read and sign up to a range of policies including:

- Corporate Information Security Management Policy
- Corporate Information Technology Security Policy
- Data Protection Act Policy
- Freedom of Information Policy
- PSN/Government Connect (GSx) Acceptable Usage Policy
- Information Security Incident Procedure

Evidence the risk is being managed

An audit of DBC's internal controls in strategy and governance, training and awareness, processes and technology, found that there is a sound system of internal control designed to achieve the system objectives.

The communications team carry out training for new staff members and refresher training when needed.

Social Media remains a key role in sending information and engaging with our residents/customers. This remains controlled and well manage as we experience very few instances where this causes issues for the Council.

Risk Owner : Claire Hamilton Porfolio holder : Andrew Williams

SR4 - Cyber Attack

Quarterly Update

Inherent Impact	Inherent Probability	Inherent Risk Score
4	3	12
Mitigated Impact	Mitigated Probability	Mitigated Risk Score
3	2	6

Impact

At least 263 million cyber-attacks were carried out on UK local authorities in the first half of 2019 alone. Nearly half of all local authorities had experienced an attempted cyber-attack on their IT systems since 2017 and 37% of them had experienced cyber-attacks in the first half of 2019.

The Council's ICT team is aware that its network is the subject of attempted cyber-attacks on a daily basis from a range of sources, likely to include organised crime and state operators.

The potential consequences of a successful cyber-attack are extremely damaging to any organisation. In the public sector, cyber-attacks on NHS trusts have led to cancelled operations, including the WannaCry attack in 2017 that affected 45 NHS organisations. In 2016 Lincolnshire County Council were hit with a £1M demand following a ransomware infection and in 2020 Hackney Council was profoundly affected by a similar ransomware attack.

Within Dacorum, a successful and extensive cyber-attack has the potential to impair the delivery of all services to its residents as well as the potential publication of sensitive and personal data. Any successful Cyber Attack could significantly impact the Council's reputation, as residents may lose confidence in the management of electronic records.

Controls to manage the risk

The Council monitors and protects against threats with particular attention to the following, in line with the Government's Cyber Essentials direction:

- Boundary firewalls and internet gateways
- Secure configuration
- Access control
- Malware protection
- Patch management

The Council also ensures that system and operational data is backed up securely and regularly, and the process of restoring from those back-ups is tested regularly.

Evidence the risk is being managed

Adherence to National Cyber Security Centre (NCSC) Cyber Essentials (formally audited 2017); Public Sector Network (PSN) Compliance (including annual vulnerabilities assessment by approved cyber security consultancy)

Risk Owner : Mark Gaynor Porfolio holder : Margaret Griffiths

SR5 - The Council will be unable to ensure that sufficient good quality and affordable homes can be delivered, particularly for those most in need

Quarterly Update

Inherent Impact	Inherent Probability	Inherent Risk Score
4	4	16
Mitigated Impact	Mitigated Probability	Mitigated Risk Score
3	3	9

Impact

Housing costs in Dacorum are already extremely high and among the highest in the country outside of London. The impact of this is that local people (and potential new residents) face considerable difficulties accessing decent and affordable homes. This has potential risks in increased homelessness, difficulties in attracting new business and inward investment and breakdown of family support networks if people have to move away or have to stay longer in parental homes than is desirable.

The causes for this are complex and varied, and some are outside of the Council's control, but include:

- The high cost of owner occupation due to location, local income levels, market shortage and increasing demand from people moving out from London. This can mean owner occupation is well beyond the reach of a large number of local people.
- The Private Rented Sector is not focused on providing homes of quality to those on low incomes with short 6 months tenancies and often in poor condition.
- The planning system does not have the levers to require new homes to be built and with respect of providing affordable homes the rented product – usually affordable rent at 80% of market rent - they are too expensive for those on low incomes.
- There are still cuts being made to the benefits systems and Universal Credit has seen a dramatic increase in the levels of rent arrears in those areas that have already had the full roll out. This will cause further difficulty for low income households to afford rent and would lead to still further homelessness.

The key risks this raises for the Council are:

- The supply of homes is unable to match demand
- An increase in the levels of homelessness resulting from landlords in private renting seeking to maximise their rents
- The impact of Universal Credit roll out leading to increased arrears, debt and homelessness
- A general risk that the construction industry may not have the capacity to meet the level of demand for development
- The HRA will not be able to access sufficient funds to fulfil the Council's programme of social rented housing

Controls to manage the risk

The Local Plan is currently under development and is likely to go out for public consultation in the summer of 2019. This will incorporate a very high level of housing growth and the plan needs to ensure that the sites are identified and are likely to be delivered in the timescales identified. There will be a strong affordable housing policy, building on the current one, which will require at least 35% affordable homes on every scheme above 10 units. The council is strengthening its expertise in Planning on robustly testing developers viability submissions. This will include no longer accepting developer arguments that the cost of land prevents or reduces the amount of affordable they can deliver – they should take account of the council's policy when agreeing the price.

Ensuring good masterplanning of the larger sites emerging from the Local Plan will mean that they are more likely to be built out as planned and will be more attractive for potential buyers.

The Private Housing Service in Housing, which includes Private Renting, has been reshaped and is geared up to the licensing of up to 900 Houses in Multiple Occupation and addressing issue of disrepair and harassment in the sector. It will work with and support landlords who are prepared to grant longer tenancies which will allow families more security and stability.

There is already a new build council home programme of 370 new homes by 2022 that is just starting. The government has announced that the cap on the HRA borrowing will be ended in April 2019 and the programme will be further expanded. A full assessment of the capacity of the HRA to move to an output of around 100-200 new homes per year will be made in the very near future and will gear up for that level of delivery. This will help, though not solve, the shortage of affordable homes for rent. Housing Associations will be encouraged to include social rented homes at lower rent levels than affordable to be built as grant is now available from Homes England for this aim.

The introduction of the Homeless Reduction Act has allowed the Council to be geared up to dealing with an increased number of homeless households with the initial aim of preventing the homelessness from happening. One important route will be working with those private landlords that have a desire to help those in housing need, and there are many, to be able to continue renting without losing income.

Evidence the risk is being managed

The process for setting out development delivered is through the Authority Monitoring Report. The agreed process for CIL will see an annual report setting out income due, achieved and expenditure made on agreed infrastructure. Regular reports are made as set out above in controls.

Regular reports will also made to the Housing and Community Overview and Scrutiny Committee on new build council homes, homeliness performance, and Private Renting sector performance.

Risk Owner : Mark Gaynor Portfolio holder : Alan Anderson

SR6 - That the Borough does not secure sufficient investment in essential infrastructure that is required for continued and improved economic performance and housing delivery that is sustainable and fit for the future

Quarterly Update

The position remains largely unchanged except that the requirement for First Homes (a discounted for sale scheme)is likely to displace affordable homes for rent

Inherent Impact	Inherent Probability	Inherent Risk Score
4	4	16
Mitigated Impact	Mitigated Probability	Mitigated Risk Score
3	3	9

Impact

The provision of infrastructure such as schools, health, transport and other facilities is crucial to sustainability of the local community and economy. Its funding, however, is increasingly complex and difficult as central government moves away from direct provision and expects the development process and local partnerships to deliver it. The risk is, therefore, that new development at a scale not experienced in Dacorum since the New Town development will not be matched with the infrastructure that a healthy and thriving community depends upon.

Failure to provide this infrastructure will have a number of damaging consequences:

- a reduction in the quality of life and opportunities for people in the Borough
- a serious constraint to economic growth with the impact on the prosperity of local people
- reduced financial contribution to service provision through Business Rates growth
- increased community opposition to new developments, particularly housing, on the grounds that existing infrastructure will not cope
- damage to the image of the area, worsening of community pride and social cohesion and reputational damage to the Council.

The provision of infrastructure such as schools, health, transport and other facilities is crucial to sustainability of the local community and economy. Its funding, however, is increasingly complex and difficult as central government moves away from direct provision and expects the development process and local partnerships to deliver it.

Controls to manage the risk

Infrastructure is provided through the development process (s106 and Community Infrastructure Levy) and elements of funding which comes from central government (increasingly through the LEP, bidding and HCC). The responsibility for some infrastructure elements is through privatised arrangements (utilities) or arms-length government agencies such as Network Rail. The ability of the Council to control these processes is limited.

The Council is able to promote the quantum, nature and timing of growth making it more likely that the infrastructure will be delivered. It is also able to promote partnerships and use its asset base and influence to stimulate desired development. Current controls include:

- Ensuring that the Local Plan (and its component elements such as site allocations, supporting policies and so on) is up to date and sets out very clearly the requirements of proposed development. This promotes sustainable development by design, access and movement, materials.
- Working with other South West Herts councils and HCC to make a case at national level for strategically important infrastructure
- Bidding into government funding pots such as the Housing Infrastructure Fund where possible.
- Use of masterplanning which supports what is required to be delivered to produce sustainability on larger sites and formalising as a Special Planning Document where appropriate to give it more 'teeth'.
- The approved Council's Community Infrastructure Levy Policy and schedule (CIL) provides for the levels of contributions that must be made by developers and the purpose for which they will be spent. This also includes an element of CIL which can be spent by local communities and act to link growth directly with infrastructure provision that local people want.
- Operating an 'open for business' approach to how the Council deals with potential development with a presumption of making acceptable development easier to deliver by proactive advice through the planning process. Allied to this is ensuring that the development management service is capable of achieving decision making within required time limits.
- Stimulating required growth through the Council's own regeneration activity, including the Enterprise Zone making inward investment being more likely.
- Increasing inward investment through initiatives such as Dacorum Look no Further, Ambassadors, direct provision of business advice and a supportive approach to new development.
- Good market intelligence through regular liaison with local employers, landowners, developers, institutional investors and land agents regarding demand and expected assistance.
- Partnership with the LEP as the main route for additional funding for infrastructure through influencing the Strategic Growth Plan (in which Hemel Hempstead and the M1 corridor is a priority) and bidding for resources for infrastructure (such as the £5M achieved for West Herts College)
- Working to create key partnerships to bring forward development capable of funding major infrastructure such as Hemel Garden Communities with the Crown Estate, St Albans and City Council, HCC, the LEP and the Enterprise Zone.

Evidence the risk is being managed

These controls are exercised and reported within the following:

- Regular reporting to the Growth and Infrastructure Group, CMT, Cabinet and Overview and Scrutiny Committee
- Fortnightly reporting on key projects to CMT
- Reporting to Performance Board before each Cabinet Meeting
- A clear programme for the Local Development Framework and CIL Quarterly reporting to Overview and Scrutiny
- Regular reporting to Cabinet
- Adherence to the agreed performance and project management processes

The process for setting out development delivered is through the Authority Monitoring Report. The agreed process for CIL will see an annual report setting out income due, income achieved and expenditure made on agreed infrastructure. Regular reports are made as set out above.

Risk Owner : Claire Hamilton Porfolio holder : Andrew Williams

SR7 - Uncertainty around Brexit negotiations could result in the Council facing additional demand for its services in the short- to medium-term

Quarterly Update

No specific issues have been raised in Quarter 1 21/22 although the position is kept under continuous review.

Inherent Impact	Inherent Probability	Inherent Risk Score
4	4	16
Mitigated Impact	Mitigated Probability	Mitigated Risk Score
2	4	8

Impact

On 23rd June 2016, the UK voted in a referendum to leave the European Union (EU). Article 50 was triggered on 27th March 2017 starting a two year formal process for leaving the EU. The UK left the EU on 31 January 2020 with a withdrawal agreement which is subject to a transition period which ended on 31st December 2020. The UK have now reached agreement on how the future relationship will work, including trade, energy, transport, social security, law enforcement, health and scientific collaboration and dispute settlement.

The agreement now reached gives the Council greater certainty and there has been no noticeable increased demand for its services in 2021 as a direct result of Brexit.

Brexit does still pose a strategic threat to the Council primarily because there is lack of clarity over how or to what extent the outcome may threaten achievement of its corporate priorities. In the absence of more detail, the Council is, in general terms, planning to 'be prepared'.

In addition, there is the possibility that the Council may be required to carry out functions under its Civil Contingencies responsibilities, although to August 2021 this threat has not come to fruition to date.

Controls to manage the risk

The Chief Executive prepared a report to Members outlining the sector's view on where the key Brexit risks currently lie. The Senior Leadership Team (SLT) has received a report from the Assistant Director (Corporate and Contracted Services), who is leading on Brexit risk, highlighting key risk areas for the Council which continue to be monitored with the wide Corporate Leadership Team . All service areas are represented at SLT, and the majority of SLT members operate within county- and nation-wide professional groups. This means that the knowledge reach of the group is wide and varied, meaning that emerging issues are likely to be raised for discussion around impact as they arise. The Assistant Director, Corporate and Contracted Services also sat on a multi-agency county wide Tactical Coordination Group which monitors the EU Transition period although as the risk has reduced in early 2021 the group was stood-down in March 2021. SLT has also ensured that all service areas revisit their Business Continuity plans to ensure that they remain up-to-date and capable of mitigating known and emerging risks. SLT also review and update the Corporate Brexit risk register.

The Leader of the Council and the Chief Executive have taken part in webinars hosted by MHCLG with various Government departments in preparation for Brexit.

Evidence the risk is being managed

The subject of Brexit is reviewed by SLT if there are any specific issues or impacts for discussion. Members will be kept advised as more information becomes available.

Risk Scoring Methodology

Impact Score

The following descriptions and definitions of impact are indicative and not exhaustive. They are a guide to assist you in assessing the impact of the risk **should** it occur.

Description	Factor	Score
<ul style="list-style-type: none"> Brief disruption of service area – up to 1 day No or insignificant environmental damage Financial loss < £5,000 Minor injury (first aid treatment) to an individual or several people Complaint from member of public Litigation/claims/fines up to £5,000 No reputational damage – little or no local press interest 	Minor	1
<ul style="list-style-type: none"> Service disruption 2-3 days Adverse effect on services in one or more areas for a period of several weeks Financial loss < £25,000 Adverse local publicity Significant injury to an individual or several people – medical treatment required Litigation/claims/fines up to £25,000 	Significant	2
<ul style="list-style-type: none"> Service disruption 3-5 days Complete loss of service area for 3-5 days Financial loss up to £50,000 Adverse publicity in professional/municipal press Adverse local publicity of a persistent nature Major injury to an individual or several people Litigation/claims/fines up to £50,000 	Serious	3
<ul style="list-style-type: none"> Service disruption 5+ days Major loss of service, including several important areas, and/or for a protracted period Financial loss >£50,000 Adverse and persistent national media coverage Adverse central government response, involving (threat of) removal of delegated powers Officers and/or Members forced to resign Loss of life Litigation/claims/fines >£50,000 	Major	4

Likelihood Score

The following descriptions and definitions of likelihood of the risk occurring are intended as a guide to assist you in arriving at your risk score.

Description	Indicators	Factor	Score
Less than 10% chance of occurrence	Has happened rarely/never before	Very unlikely	1
10 – 40% chance of occurrence	Only likely to happen every 3 or more years	Unlikely	2
40-75% chance of occurrence	Likely to happen at some point within the next 1–2 years. Circumstances occasionally encountered – few times a year	Likely	3
More than 75% chance of occurrence	Regular occurrence Circumstances frequently encountered – daily, weekly, monthly	Very likely	4

Scoring the risk

The charts above are designed to help you score the risks in terms of likelihood and impact.

This is carried out in two stages:

- Multiply the likelihood and impact scores together, as if there were **no** controls in place. This will give you an inherent risk score.
- With the list of controls that are currently in place, re-score the risk, taking into account the effect of these controls.

These final scores will give you a risk profile of those risks that may need more immediate attention.

Risk Score	Overall Rating
12 - 16	HIGH
6 - 10	MEDIUM
1 - 4	LOW

Level of Risk / (Inherent Risk Score)	Managing the risk
High Risk (12-16)	<p>Requires active management High impact / High likelihood: risk requires active management to manage down and maintain exposure at an acceptable level</p> <p>Contingency Plans A robust contingency plan may suffice together with early warning mechanisms to detect any deviation from profile</p>
Medium Risk (6-10)	<p>Good Housekeeping May require some risk mitigation to reduce likelihood if this can be done cost effectively, but good housekeeping to ensure the impact remains low should be adequate. Reassess frequently to ensure conditions remain same</p> <p>Contingency Plans A robust contingency plan may suffice together with early warning mechanisms to detect any deviation from profile</p>
Low Risk (1-4)	<p>Review Periodically Only put mitigations in place if it's cost effective to do so</p>