



Audit Agenda

WEDNESDAY 20 SEPTEMBER 2023 AT 7.30 PM

CONFERENCE ROOM 1 - THE FORUM

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

Membership

Councillor Birnie
Councillor Douris
Councillor Elliot

Councillor S Hobson
Councillor Reynolds (Vice-Chair)
Councillor Stewart (Chair)

For further information, please contact Corporate and Democratic Support on 01442 228209 or email member.support@dacorum.gov.uk

AGENDA

1. APOLOGIES FOR ABSENCE

To receive any apologies for absence

2. DECLARATIONS OF INTEREST

To receive any declarations of interest

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

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

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

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

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

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

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

3. MINUTES AND ACTIONS (Pages 3 - 13)

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. SUMMARY INTERNAL CONTROLS ASSURANCE (SICA) REPORT (Pages 14 - 37)

6. FINAL OUTTURN 2022-23 (Pages 38 - 53)

7. STATEMENT OF ACCOUNTS 2022/23 (Pages 54 - 143)

8. EXTERNAL AUDIT FINDINGS REPORT 2022-23 (Pages 144 - 171)

9. TREASURY MANAGEMENT OUTTURN AND PERFORMANCE INDICATORS 2022/23 (Pages 172 - 177)

10. WORK PROGRAMME (Page 178)

11. ANY OTHER BUSINESS (AOB)

DACORUM BOROUGH COUNCIL

AUDIT COMMITTEE MINUTES

26 JULY 2023

Present:

Councillors: Stewart (Chair)
Douris
Elliot
Birnie
S Hobson
Reynolds (Vice-Chair)

Officers: F Jump Head of Financial Services
J Bowden Trainee Accountant
B Hosier Head of Commercial Development
L Jugoo Empty Homes Lead Officer
T Angel Democratic Support Officer

Others: Chris Harris (TIAA)
Emma Boardman (TIAA)
Ajay Jha (Grant Thornton)

The meeting began at 7.28 pm

1. APOLOGIES FOR ABSENCE

Apologies were noted from Philip Lazenby, TIAA.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES AND ACTIONS

The minutes of the previous meeting were formally approved as an accurate record.

The Chair confirmed that all members had received the question sheet to submit questions in advance. Cllr Birnie advised that he had not received this and suggested that he preferred to ask questions during the meeting. The Chair stated that the sheet was just to provide members the opportunity to submit questions in advance and allows officers time to prepare, though questions can also be asked during the meeting. T Angel confirmed that she would check the circulation list.

It was confirmed that all actions were complete or would be addressed during the meeting.

ACTION: To check circulation list includes all members (T Angel).

4. PUBLIC PARTICIPATION

There was no public participation.

5. STRATEGIC RISK REGISTER Q4 2022-23

F Jump presented the overview, noting that a strategic risk register is maintained for the authority and captures what the strategic leadership team considers to be the key risks facing the Council. The status of the risks is updated on a quarterly basis and the report is brought to the Committee for comment before being taken to Cabinet for approval.

F Jump advised that the Council has been through a process to update its strategic risks over the last 12 months with advice taken from TIAA and in consultation with senior officers. The result of this has been a series of revised risks as set out in the report, each of which are owned by a member of the senior leadership team. The individual officers update the status of the risk on a quarterly basis and the update is then brought to the Committee. F Jump noted that an explanation of the scoring system was appended to the report.

Cllr Birnie referred to page 14 of the report and the comment on the risk of not being able to deliver safe and good quality homes, which is marked as red. Cllr Birnie also commented on financial resilience, noting that it states that recommendations will come in July 2023 and asked where these recommendation are.

F Jump advised that the risk on providing safe and good quality homes is currently red as this is in reference to associated consequences of this risk, so if safe and good quality homes are not delivered then there is a potential risk to life and the health and safety of tenants.

Cllr Birnie referred to page 22 of the report, noting the comment that the HRA is being closely monitored as part of the mitigation strategy and suggested that this is not an effective strategy in maintaining safe and quality homes. Cllr Birnie suggested that, given the feedback he receives from residents, the main concern is Osborne and he was unsure why sacking Osborne is not listed as a possible mitigation.

F Jump commented on the monitoring of the HRA, explaining that this is in relation to the risk around weakening financial resilience and that the referral to close monitoring is around the financial position of the housing revenue.

Cllr Birnie asked F Jump to explain to the Committee the issue regarding the financial state of the HRA. F Jump advised that towards the end of the last financial year, there was an increase in expected repairs and maintenance costs in the HRA, which had a detrimental effect on the overall financial position of the HRA. F Jump noted that it was a large increase and reflected the increase in costs that are being seen as well as the increased programme of work as the Council looked to address issues across the housing revenue.

On the risk of failure to deliver safe and good quality homes, F Jump agreed that monitoring alone does not mitigate this and she noted the various actions taken by the Council as listed

in the risk register, including the work on the housing transformation improvement programme.

On the recommendation referred to on page 14 of the report regarding financial resilience, B Hosier suggested that this is a status update on the total operating model. F Jump advised that she is yet to see this and that she would seek a revised update on when this is expected. Cllr Birnie asked that this be circulated to the Committee when they are received given that the next meeting wouldn't be until September.

ACTION: To circulate update on recommendations regarding the Total Operating Model for the HRA as referred to on page 14 of the report (F Jump).

Cllr Birnie referred to page 26 of the report regarding Hemel Place, noting the risk on the engagement of the voluntary and community sector to support place making. Cllr Birnie suggested that this should be a higher risk given comments made at SPAE regarding the dissatisfaction with the Place Strategy as it does not include adequate consultation with residents, noting that only 480 residents were consulted. Cllr Birnie suggested that it is a top-down strategy and that he is concerned about what is being developed within the residential community.

F Jump commented on the engagement, noting that the ordering of the control within the strategic risk register doesn't indicate the relative level of priority. F Jump advised that the member's comments had been made at other committees and that she assumed feedback was provided as well as taken forward by James Doe so the member should receive updates on what is being done to address this.

Cllr Birnie remarked that the report doesn't appear to include any mitigations regarding the Place Strategy and appears to be complacent in terms of risk.

Cllr Birnie commented that the Place Strategy appears to have no cultural component to it, as mentioned by residents, and that this is not listed as a risk. Cllr Birnie noted the amount of money being spent on the Place Strategy and queried what it will deliver if there are no cultural features.

F Jump stated that the comments will be noted as part of the response and suggested that the response be updated before the register is sent to Cabinet.

Cllr Douris commented that the positioning of items in the risk register is subjective and suggested that it was unfair to ask F Jump to respond on them all given that they do not fall under her remit. Cllr Douris advised that the paper is on behalf of the portfolio holder and suggested that they should be present at the Committee to respond to questions.

The Chair confirmed that all questions and responses would be collated, noting that he has prepared his own questions for which he has received draft responses. The Chair advised that, as part of this process, F Jump and the team have reached out to officers and will reach out to respective portfolio holders before responses are brought back as part of the minutes.

Cllr Douris commented that the responsibility for the creation of the strategy remains with the portfolio holder. The Chair confirmed that they will be asked the question from the member.

Cllr Douris referred to page 14 and other pages of the report, noting the comment regarding 16 being the inherent score and asked what relevance this has.

F Jump stated that the intent of the wording was to make the methodology clear to those unfamiliar with it. On the inherent risk score, F Jump advised that this is to reflect the impact if no actions were taken to mitigate the risk. As a 4x4 risk-scoring matrix is used, it is expected there would be a high inherent risk associated with all strategic risks.

Cllr Douris queried the starred mitigating action on page 21 of the report.

F Jump explained that there is a threshold within the risk reporting system that assigns a star to show that they are doing well in terms of mitigations. F Jump confirmed that further explanation on this could be provided in future updates.

Cllr Douris referred to page 27 of the report and the reference to interims. Cllr Douris asked how many interims there are at present and how many are in senior positions.

F Jump advised that she could not provide the total number of interims and suggested that they currently have a full complement of permanent staff in the corporate leadership team, bar one, and that she would check to confirm this.

ACTION: To check number of interim staff (F Jump).

The Chair thanked F Jump for the responses provided to his pre-submitted questions. Cllr Birnie queried when these responses would be available to read. The Chair confirmed that the responses would be put together in the pack as part of the minute of the meeting.

6. SUMMARY INTERNAL CONTROLS ASSURANCE (SICA) REPORT AND AUDIT PLAN UPDATE

C Harris presented the report, noting the issued note on the failure to prevent fraud offences made in the 2023 publication and that these notes are available for members to see.

On the Empty Homes Report, C Harris noted the reasonable assurance weighting and advised the important recommendation and operational matter.

Cllr Douris referred to the key strategic findings and noted his concern about the grammar used. Cllr Douris asked if the document is up to date or should be up to date, stating that the note doesn't currently reflect the timeliness of the up-to-date-ness.

F Jump suggested that the procedure is expected to be up-to-date and reflect current practice.

Cllr Douris stated that the note should therefore read that the document should be kept up to date.

ACTION: Key strategic finding to be updated to read that document should be kept up to date.

Cllr Elliot commented that they recognise that Osborne have been dysfunctional, though they have improved and noted that they are now down to less than 0.5% of properties. Cllr Elliot advised that he has seen properties left in a poor state by tenants and that it can take several months to rectify this and that he felt the Empty Homes team do a good job in turning round properties. Cllr Elliot suggested that devoid properties are only a small percentage of the overall stock.

The Chair noted the recommendations in the report and asked why it has OEM (Operational - Effectiveness Matter) as a fourth category rather than just having three categories.

C Harris explained that OEMs are operational effectiveness matters and that they look to identify best practice items during the audit that may not warrant being an official recommendation but should still be raised for attention. C Harris advised that this is best practice to ensure that matters aren't lost in the report.

The Chair asked how many adopted general lease sheltered properties there are.

L Jugoo confirmed that the report should read 'adapted' and that this was a typing error in the report. It was advised that adapted properties can be general needs or sheltered accommodation. Last year there were only a few adapted properties re-let compared to the total number of voids. The adaptations could already be in place and the applicant is housed according to the adaptation need. There are a small percentage of properties that undergo major refurbishment where adaptation work is carried out in the property, such as installing a lift or wet room. It was advised that around 30 properties were identified as adapted need last year and that there is a waiting list for those with adapted needs and there is limited stock that can accommodate these adaptations.

The Chair queried what happened to the 93 properties that were not re-let.

L Jugoo explained that it is a constant rolling number for empty homes and void properties. L Jugoo advised that, as of today, there are 78 void properties in the system, which could be due to major structural works to properties that are ready with appointments booked with tenants. All properties in the void system are closely monitored and are reviewed at each stage with Osborne being held accountable. It was noted that there was previously a high level of void properties with Osborne and today there are currently 20 active void properties undergoing repairs, which is a considerable improvement.

Cllr Douris commented on OEMs not being recommendations and instead being suggestions for good practice and suggested they be worded differently so they are clearly identified as such and not as a criticism of officers' work.

C Harris next looked at procurement, noting that this had received substantial assurance with three routine recommendations made.

The Chair asked how many Teckal companies the Council operates.

B Hosier advised that the Council has joined one Teckal company for building control and that this is the only one to date.

The Chair referred to a pre-submitted question regarding handing over contracts into service.

B Hosier explained that they support internal clients to go through the commissioning procurement process and that contract management is then down to the clients to undertake. It was noted that one of the routine recommendations in the report is that there is no performance management of contracts.

Cllr Birnie noted the suggestion by the Chair to pre-submit questions to officers to receive a more detailed answer and help speed up the meeting. Cllr Birnie advised that in other committees officers are asked to circulate responses to all committee members and suggested that questions and answers should be circulated to the Committee to ensure all members see them ahead of the meeting.

The Chair noted that members receive papers 7 days in advance of the meeting. Cllr Birnie stated that questions and answers should be circulated as and when they are answered rather than just going to the person who asked the question.

Cllr Elliot suggested that it would be helpful to see responses once they have been received.

The Chair confirmed that the complete set of answers that have been answered will be included within the minute.

F Jump confirmed that responses could be circulated to all members as and when they are provided. F Jump advised that she would look to get answers out as soon as possible, though this may be close to the meeting.

C Harris then look at housing rents, noting the reasonable assurance with one routine recommendation.

Cllr Elliot advised that they have at least 10,000 tenants and asked what percentage are likely to be in arrears.

F Jump advised that the debt write-off is around 1% and that she would provide the exact amount.

Cllr Elliot commented that the low number is a tribute to the officers who manage this. The Chair agreed with the comment.

ACTION: To provide percentage of tenants in arrears (F Jump).

Cllr Douris asked if there is a de Minimis figure that they write off, suggesting that there may be a point where it is uneconomic to chase a particular debt.

F Jump apologised that there was not a representative from the service to respond and suggested that there is de Minimis and it would be considered as part of the write-off process.

F Jump noted the amendments to the general audit programme for approval. The proposal is to increase the scope for health and safety audit work being carried out in respect of the HRA to look at health and safety compliance of contractors. In order to stay within the allocated budget for the year, the proposal is that the Council's response to the Building Safety Bill is put back to next year.

The Chair proposed that the Council's response to the Building Safety Bill be put back to next year and this was seconded by Cllr Douris. The motion was approved.

C Harris next looked to appendix C and the summary of recommendations that are past their proposed date.

Cllr Reynolds referred to the planning enforcement piece, noting that the next update is due to be on the system by Q1 2023-24 and he commented on the time this has been open.

F Jump agreed that this item has taken a long time to implement due to a system access issue that wasn't resolved in good time. The issue has now been resolved and will now be part of Q1 2023-24.

Cllr Reynolds asked for the reason behind the system access issue.

F Jump explained that this was an operational matter and that the responsibility for recording the risk has transferred between teams.

Cllr Douris asked if the final report disappears once it has been produced.

C Harris confirmed that outstanding recommendations currently appear red and if they are actioned then they won't be reported as they will be cleared. It was noted that only red items are brought to the Committee to highlight the remaining risk and ensure that action is taken.

C Harris next looked at the draft indicative audit plan for 2023-25 and the annual plan for 2023-24.

F Jump confirmed that the annual audit plan was included as a for information item for the Committee.

It was noted that there will be further opportunities to reshape the plan in the next cycle. C Harris explained that it is subject to changes and amendments as risks change throughout the year.

7. EXTERNAL AUDIT ANNUAL PLAN 2022-23

A Jha took the report as read, noting the significant risk areas as management override of controls, valuation of land and buildings and the net pension fund liability.

Cllr Birnie commented on the list of assets under the valuation of land and buildings and asked if this is the same asset audit they were told would take place this year to include land.

F Jump explained that this refers to the audit of the Council's published financial accounts and arrangements for producing these. Assets include all Council assets rather than a specific internal-facing review and is part of the overall external audit of the Council's financial accounts.

A Jha advised that some misstatements are above the headline materiality, which is currently £3.5m, and this accounts for 2% of the current year's gross operating costs for the year. The initial risk assessment for value for money audit has also been conducted and no significant weaknesses have been found in the planning at risk assessment stages.

A Jha referred to two new accounting standards, ISO 315 and ISO 240, noting that an assessment of internal controls of the IT infrastructure and systems is now required and that the assessment of the general ledger system will be conducted.

Cllr Birnie asked if the auditor's fees have increased.

A Jha advised that the fee has not increased significantly.

F Jump suggested that fees have increased by a reasonable amount over recent years to reflect the increased scope of the audit work being carried out and that the Council should expect an ongoing increase in fees.

Cllr Elliot asked if the £82,000 is the set fee for each year or is an estimate of the actual work that will be carried out.

A Jha stated that, at planning stage, they estimate the fee that they will be billing the Council for the year and that the £82,000 will be the fee for the year unless there is a change in scope or additional work is required.

Cllr Elliot commented that the fee may increase to £150,000 due to the issues with other councils.

F Jump explained that there is a scale fee set by the PSAA and as the work is carried out, external audit colleagues will feed back on additional work that is required and variations to the fee. The PSAA will then give a final verdict on the final fee and this will have to be paid. On the £150,000, F Jump explained that this is in reference to seeing an increase of around 150% in terms of the levels of fees to reflect the increased scope of audit work.

Cllr Birnie suggested that the strong performance of the Council in recent audits should mean that fees increase less slowly. F Jump advised that this strong performance does not mean there is a reduced workload for external audit colleagues.

A Jha advised that the Council will receive the scale fees in November 2023 and this will be made publicly available.

The Chair asked if the resource is in place to carry out the external audit. A Jha advised that the Council is one of Grant Thornton's stage 1 audits and gets the benefit of being very good with financial statements.

A Jha referred to the additional work regarding the IT infrastructure, noting that the general ledger system and payroll system have been identified as the key systems and a design assessment will be performed to understand the processes and controls in place.

Cllr Birnie asked if the Council outsources its payroll.

F Jump confirmed that the Council has a small in-house to handle administration and they utilise MHR for the provision of payroll services.

Cllr Birnie asked if the hybrid payroll system increases the auditing work.

A Jha explained that they don't have to technically test the payroll system and that the work is around understanding the controls around it. If the outcome of the assessment requires more work then the scope will be increased.

Outcome

The committee noted the external audit plan for 2022-23.

8. AUDIT COMMITTEE GOVERNANCE UPDATE - COMMITTEE TERMS OF REFERENCE AND APPOINTMENT OF INDEPENDENT COMMITTEE MEMBERS

F Jump presented the update, first noting the review of local authority audit arrangements, the Redmond Review. A key recommendation from the review was the appointment of independent persons on an audit committee and F Jump noted her proposals on how to address this. F Jump asked the Committee for its approval to proceed to appoint these independent persons based on the process outlined in the document.

F Jump referred to the Audit Committee Terms of Reference, noting that if the Committee agrees to the appointment of independent persons then it will be relevant to update the terms of reference to reflect the membership.

On independent persons, F Jump advised that appointing these is considered best practice and that they are likely to be required to appoint them in future so the recommendation is to start the process now.

Cllr Birnie commented on the recommendation for two independent persons and asked if the proposal is for just one.

F Jump clarified that the recommendation is for up to two persons and they would appoint up to two if they have suitable candidates.

Cllr Birnie asked if the independent persons would need to be paid.

F Jump confirmed that the position is not salaried and that the individuals could claim reasonable expenses for committee attendance.

Cllr Elliot felt it would be challenging to find people to act as an independent person on the Committee voluntarily. Cllr Birnie agreed with the comment.

F Jump asked C Harris what arrangements are in place at other local authorities. C Harris advised that some pay individuals a lump sum to attend whereas some sectors are entirely made up of independent persons, such as the police, and have good representations of people who want to be on the committee. C Harris suggested that they look to the market and potentially review the process if they are unable to attract relevant candidates.

Cllr Birnie commented on the person specification for independent persons and suggested that 'or the councillors' auditors' be added to items 4 and 5.

Cllr Douris noted a typo on the penultimate line on page 104. F Jump confirmed she would correct this.

Cllr Douris asked if they should look to recruit independent persons from outside of Dacorum to allow for a more impartial view. Cllr Birnie agreed with the comment and suggested that having someone local to Dacorum could be counterproductive.

F Jump advised that, when looking at other local authorities, they tend to look at individuals who know the local area but she also acknowledged the potential advantage of broadening the scope.

C Harris commented that they would also need to consider the travel required and suggested that they take any geographical boundaries out of the description.

The Chair suggested that they move being a Dacorum resident from essential to desirable, Cllr Birnie suggested that it be removed altogether.

ACTION: To update independent person's description and remove requirement to be based in Dacorum (F Jump).

The Chair agreed that they first test the market and review the description if they are unable to attract suitable candidates.

Cllr Douris commented on the interview panel and suggested that it would be helpful to have the Chair of the Audit Committee and one other member. The Chair agreed with the suggestion.

The Committee accepted the proposal.

Outcome

The Committee approved the amended Audit Committee Terms of Reference.

9. WORK PROGRAMME

C Harris advised that the internal audit plan should read 2024-25, not 2023-24.

There were no further changes to the work programme.

10. ANY OTHER BUSINESS

Cllr Douris commented on the upcoming training, advising that he had attended the most recent Member Development Steering Group (MDSG) meeting and that Cllr Taylor seemed to indicate that he wanted a significant level of training, including the Audit Committee. Cllr Douris suggested that they should not duplicate training and asked that audit training not also be done at MDSG. The Chair confirmed that he would speak to Cllr Taylor about this.

F Jump commented that any future finance training for members will not be a duplication.



There being no further business, the Chair formally closed the meeting.

ACTION: To discuss audit or any other duplicated training with the Chair of Member Development (Cllr Stewart).

The meeting ended at 8.50 pm.



Report for:	Audit Committee
Title of report:	Summary Internal Controls Assurance (SICA) report
Date:	20 th September 2023
Report on behalf of:	Councillor Sally Symington, Portfolio Holder for Corporate and Commercial Services
Part:	I
If Part II, reason:	N/A
Appendices:	Appendix A- SICA Report
Background papers:	None
Glossary of acronyms and any other abbreviations used in this report:	SICA- Statement of Internal Controls Assurance. A regular report produced by the Council's auditors outlining progress against the Council's approved annual audit programme of work.

<p>Report Author / Responsible Officer</p> <p>Fiona Jump, Head of Financial Services</p> <p> </p> <p>Fiona.jump@dacorum.gov.uk / 01442 228162 (ext. 2162)</p>
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Corporate Priorities	Ensuring efficient, effective and modern service delivery
Wards affected	All
Purpose of the report:	1. To provide committee with a progress update against the annual internal audit plan (Appendix A).
Recommendation to the decision maker:	1. Note the final internal audit reports issued for the following services: <ul style="list-style-type: none"> • Commercial Rent • ICT Document Management Systems • Housing Repairs and Maintenance

	2. Note the content of the SICA and progress against the annual internal audit plan.
Period for post policy/project review:	An update on progress against the approved Internal Audit programme is brought to committee on a regular basis.

1 Background

Attached at Appendix A is the latest SICA report. The SICA report provides Audit Committee with an update on governance, risk and internal control arrangements for the Council. The report will be presented at Audit Committee by the Council's internal auditors, TIAA. Officers for the services covered by the internal audit reports issued since the last SICA was presented to Audit Committee will also be present to answer queries from Members.

2 Internal audits completed since the last SICA

The following audits have been completed since the last SICA was presented to Audit Committee in July 2023:

- Commercial Rent- Substantial assurance
- ICT- Document Management Systems- Reasonable Assurance
- Housing Repairs and Maintenance – Reasonable Assurance

TIAA use four levels of assurance assessment when undertaking internal audit review:

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.

The summary report and associated recommendations for the above audit are included in Appendix A.

Internal audit recommendations are rated from 1, 2 or 3, with 1 being urgently required for implementation. No priority 1 recommendations have been made in respect of the three audit reviews above.

3 Financial and value for money implications:

A robust programme of internal audit activity supports the delivery of value for money by the Council.

4 Legal Implications

The Council is required by law to make arrangements to undertake effective internal audit of its activities.

5 Risk implications:

The Council's internal audit programme is compiled on a risk- led basis.

6 Equalities, Community Impact and Human Rights

None arising directly from the report.

7 Sustainability implications (including climate change, health and wellbeing, community safety)

None arising directly from the report.

8 Council infrastructure (including Health and Safety, HR/OD, assets and other resources)

None arising directly from the report.

9 Conclusion

The SICA presented at Appendix A provides details of all internal audits completed since the July 2023 Audit Committee meeting.

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Internal Audit

FINAL

Dacorum Borough Council

Summary Internal Controls Assurance (SICA) Report

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2023/24

September 2023

Summary Internal Controls Assurance

Introduction

1. This summary 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 7th September 2023

Whistleblowing - driving the conversation

2. **The importance of a healthy culture.**

We have seen, over the last few months, the publication of several high-profile reports such as the Metropolitan Police (Casey Review March 2023), University Hospitals Birmingham (Bewick Report March 2023) and Plaid Cymru's review (conducted by Nerys Evans May 2023) where a common theme for each organisation was reported around the treatment of whistleblowers as well as 'poor' organisational culture, failures in leadership and poor whistleblowing reporting mechanisms.

There is a real drive within government to look at the Whistleblowing Laws in the UK to drive through change. It is anticipated that there will be greater onus on organisations to improve their culture and to provide greater support and protection for whistleblowers. The outcome of the government's research is due for completion by the Autumn 2023.

In anticipation of the key messages coming out from the government, we in TIAA are using our expertise and knowledge to support organisations by:

1. Working with organisations to 'health check' organisational culture in respect of whistleblowing;
2. Providing a platform for those responsible for governance, raising concerns, whistleblowing and freedom to speak up guardians to share knowledge expertise, good practice in a forum event.
3. Examining poor practice and looking at the lessons to be learnt from recent incidents in webinar events and through consultation exercises such as online surveys.
4. Sharing the information through benchmarking reports and roundtable events.

Please use this link to keep up to date with our campaign and/or to be part of the conversation and drive through real change and improvement in this important area.

<https://www.ttaa.co.uk/publications/ttaa-organisational-culture-and-whistleblowing-webinar/>

Audits completed since the last SICA report to the Audit Committee

3. 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
Housing Repairs and Maintenance	Reasonable Assurance	5/6/2023	16/8/2023	18/8/2023	-	1	1	-
ICT Document Management System	Reasonable Assurance	14/12/2022	27/3/2023	28/3/2023	-	1	3	-
Commercial Rents	Substantial Assurance	23/8/2023	23/8/2023	25/8/2023	-	-	1	1

4. 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 2023/24 Annual Plan

Our progress against the Annual Plan for 2023/24 is set out in Appendix B.

Changes to the Annual Plan 2023/24

6. There are a number of areas where areas where internal audit work is recommended to enable an unqualified Head of Audit Opinion to be provided for 2023/24. These are summarised below.

Review	Rationale
Building Safety	The department are working on the submission of the required information to obtain the interim safety certificates for in-scope buildings –the regulator will issue the safety certificates based evidence or highlight gaps to obtain the certificate. To undertake this audit in 2023 would duplicate this work. The time from this is to be allocated against H&S HAR
H&S HRA	The days formally allocated to Building safety to be moved to H&S HRA to provide a more detailed review with the audit moved to Q3.
H&S General Fund and H&S	Combine these audits to reflect the overlap in scope.

Progress in actioning priority 1 & 2 recommendations

7. We have made no Priority 0 recommendations (i.e. fundamental control issue on which action should be taken immediately) since the previous SICA. More information is provided in Appendix C.

Mitigating risk exposures identified by internal audit reviews

Review	Date	Priority 1			Priority 2		
Housing Repairs and Maintenance		0	0	0	0	1	3
ICT Document Management System		0	0	0	0	1	0
Commercial Rents		2	0	0	4	1	3

Frauds/Irregularities

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

Other Matters

We have issued a number of briefing notes and fraud digests, shown in Appendix D, since the previous SICA report. The actions taken by Dacorum Borough Council are summarised below:

Action taken by Dacorum Borough Council in response to Alerts issued by TIAA

Briefing Note	Management Response
HMRC Guidance on Tax avoidance Schemes	

Responsibility/Disclaimer

10. 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
Housing Repairs and Maintenance	Reasonable
ICT Document Management System	Reasonable
Commercial Rents	Substantial

Housing Repairs and Maintenance

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Directed	There are currently no risks related to housing repairs and maintenance captured in the Council's risk register.	Risks related to repairs and maintenance be regularly captured and logged in order for risk to be appropriately monitored and mitigated.	2	<p><i>The Council have a strategic risk around the 'the inability to deliver safe and good quality homes'. This is a high level risks designed to capture housing property related risk including that relating to repairs and maintenance.</i></p> <p><i>There are further operational risks which are featured on the department service plan</i></p>	n/a	n/a
1	Directed	A Repairs, Maintenance and Improvements Policy has been developed by the Council, dated August 2021, and is reviewed on a regular basis to ensure that it remains in line with government legislation, guidance and good practice. However, the document does not specify when the policy will be reviewed next or who approve it.	The Council's next updated policy to include its next review date and who approved the policy.	3	<i>Recommendation noted and will be implemented when the policy is next reviewed in August 2024.</i>	August 2024	Head of Asset Management

ICT Document Management System

OVERALL ASSESSMENT







ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

N/A



SCOPE

The review assessed: Application Management and Governance; System Security; Interface Controls and Processing; Data Input and Output; Change Control; System Resilience and Recovery; and Support Arrangements.

KEY STRATEGIC FINDINGS

-  There is a need to introduce a regular review of access permissions within Information at Work (I@W).
-  There is a need to formally document I@W superuser roles and responsibilities.
-  There is a recognised need to complete a Disaster Recovery test exercise to provide assurance around the ability to recover the I@W system.
-  There is a recognised need to document RTO's/ RPO's for the I@W application, work was ongoing around this at the time of the audit.

GOOD PRACTICE IDENTIFIED

-  Starter and leaver check sheets are in use and a SQL script is run on a daily basis to ensure that any leaver accounts are disabled.
-  Backups of I@W are made and replicated to a secondary site, with the success of backups checked on a daily basis.

ACTION POINTS

Urgent	Important	Routine	Operational
0	1	3	0

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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)
4	Directed	There is a recognised need to complete a Disaster Recovery (DR) test exercise to provide assurance around the ability to recover the I@W system in the event of a DR event. It is recommended that disaster recovery arrangements are tested on at least an annual basis and that test results should be documented as part of a formal test report. It was advised at the time of audit that management are planning to arrange a tabletop DR test exercise which will provide assurance around the DR process.	Disaster recovery arrangements be tested on an annual basis. Test results be documented as part of a formal test report which details test objectives, outcomes, and lessons learned. This can then be used in updating and improving the DR plan and supporting documents.	2	<i>A DR restoration of the servers that make up the I@W infrastructure was completed.</i>	<i>Completed Jan 2023</i>	<i>ICT Operations Team Leader</i>
1	Directed	Though some activity to review user accounts is performed on an ad-hoc basis there is a need to introduce a regular review of access permissions within I@W. A regular exercise to review the user profiles would help ensure that role profiles remain appropriate and aligned to current business needs.	A regular, at least annual, review exercise be undertaken to review user profiles to ensure roles remain appropriate.	3	<i>A Team has been created in MS Teams containing all I@W super users as members. Each of these members have been assigned a task to completed every three months to review the accounts within their respective file systems.</i>	<i>Completed Jan 2023</i>	<i>ICT Operations Team Leader</i>
2	Directed	It was noted that there is a need to formally document I@W superuser roles and responsibilities. At the time of the audit the ICT Corporate Applications team was in the process of identifying additional superusers to aid in the administration and management of I@W queries.	Management to document I@W superuser roles and responsibilities and ensure these are made available to new and existing superusers.	3	<i>The roles and responsibilities have been reviewed and are documented on the Information@Work intranet site.</i>	<i>Completed Jan 2023</i>	<i>ICT Operations Team Leader</i>

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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Directed	It was noted that there are no documented RTOs (recovery time objective)/ RPOs (recovery point objective) currently in place for the I@W application. At that time of audit an exercise was ongoing to define specific RTOs and RPOs for Council systems and services and ensure that these are given the correct level of priority from a BCP (business continuity plan)/DR perspective. The lack of specific RTOs for particular key applications/ systems increases the risk that these systems may not be recoverable within an acceptable timescale in the event of a DR scenario, and that backup arrangements have been determined based on the ICT team's assessment of criticality rather than having been based on the requirements of the operational teams.	ICT to liaise with key Council management and stakeholders within the business to ensure documented recovery requirements for the I@W system are defined and agreed.	3	<i>RTOs and RPOs for all systems are documented within the ICT SLA document.</i>	<i>Completed Jan 2023</i>	<i>ICT Operations Team Leader</i>

Operational - Effectiveness Matter (OEM) Action Plan

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

Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
No operational effectiveness matters were identified.				

Commercial Rents

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Commercial rents are being appropriately managed.



SCOPE

Commercial Rents are becoming a major income stream for the Council and an annual audit is required to provide assurance that all rents are collected in accordance with the rental/lease agreement. The review focussed on the processes for ensuring that all commercial rents are appropriately recorded, the database of commercial properties is accurate and up to date, and testing of a number of commercial properties to confirm that rents are paid in accordance with their agreement.

KEY STRATEGIC FINDINGS

-  The Strategic Asset Review has progressed.
-  Sample testing confirmed the Council's commercial property processes are operating satisfactorily and rents have been paid in accordance with formal legal agreements. The agreements reviewed were correctly recorded.
-  Proactive management and monitoring of rental agreements is undertaken monthly, including rent due, expiries and aged debt.
-  KPI performance shows a continued stable asset base, 11% of rental arrears and actual income received against forecast improved to -8.3% from -16.8% from April to May 2023. Legal recovery powers can resume, following a temporary pause under the Coronavirus Act.

GOOD PRACTICE IDENTIFIED

-  A wide range of KPIs relating to commercial property and rents are measured and monitored monthly.
-  High commercial rental occupancy has been achieved, at 96% for May 2023.

ACTION POINTS

Urgent	Important	Routine	Operational
0	0	1	1

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>For one case sampled the first rental invoice had been raised late, in mid-April for rent due in advance from 1st February 2023 according to the agreement.</p> <p>This was reviewed by the Customer Accounts team and the auditor was informed that delays related to the processing and communication of this new agreement, the completion certificate, and staff availability.</p>	Formal invoicing timescales be worked to as closely as possible to help facilitate the timely receipt of rental income due to the Council.	3	<i>This was very much an exception due to a delay in the time taken by the Legal Dept to issue documentation to the Customer Account Team who in turn were delayed due to staff absence (leave). As an action, Property Services & Customer Accounts will meet on quarterly basis to compare case completions to minimise risk of a re-occurrence.</i>	October 2023	Estates Valuation Manager & Finance Lead Officer.

Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
1.1	GF	<p>Dacorum property and asset management website links to an Asset Management strategy from 2016 which includes a number of statements such as</p> <p>In many instances, the Group Manager Commercial Assets lacks a clear internal asset owner with whom he can discuss relative prioritisation of future plans and resourcing</p> <p>And</p> <p>The Council will also clarify responsibilities where different services interface, such as between Page 26 of 38 Asset Management Strategy Version 2 2016 Page 26 of 38 Environmental Services and the property team over parks and open spaces.</p>	<p>Management to review the appropriateness of the 2016 Asset Management strategy and consider reviewing it and also consider whether the stated weaknesses/actions have been fully addressed.</p>	<p><i>A new Strategic Asset review is being commissioned and will be completed this financial year, which will then formulate the basis for a reviewed Asset Management Strategy.</i></p>

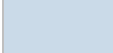
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Progress against Annual Plan

System	Planned Quarter	Current Status	Comments
MTFS	1	Fieldwork Completed	
H&S	1	Fieldwork Completed	
HRA H&S	1	Site work commenced	Postponed until October at the request of management
General Fund H&S - Cancelled	2	Cancelled	Amalgamated with other H&S reviews
Overtime and Additional Allowances	2	To be commenced	
Risk Management Framework	2	Site work in progress	
Commercial Rents	2	Final	Final
Garage Rents	2	Site work in progress	
Building Safety Bill Compliance - Cancelled	2	Cancelled	Amalgamated with other H&S reviews
Community Grants	2	Site work in progress	In Progress
Leisure Contract	3	Site work in progress	In Progress
Waste Management	3	To be commenced	
Performance Management	3	To be commenced	
Planning Enforcement	3	To be commenced	
Key Financial Controls	3	Site work commenced	In Progress
Housing rents	3	To be commenced	
Budgetary Control	3	Site work commenced	In Progress
Ad hoc advice days	4	To be commenced	
Housing Transformation Improvement Programme (HTIP)	4	To be commenced	


System	Planned Quarter	Current Status	Comments
Climate Change	4	To be commenced	
Housing Allocations	4	To be commenced	
Planned and Preventative Estate Maintenance	4	To be commenced	

KEY:

 To be commenced

 Site work commenced

 Draft report issued

 Final report issued

Priority 1 and 2 Recommendations - Progress update

Recommendation	Priority	Management Comments	Implementation Timetable	Responsible Officer	Action taken to date (and any extant risk exposure)	Risk Mitigated
22/23 202122 Place Strategy HGP JD - Hemel Place						
The Hemel Place Board along with HGC Delivery Board, to devise a suite of metrics against key deliverables and to be reported periodically over the life of the project/ scheme.	2	Hemel Place and HGC will work with DBC Project Management Office to articulate the objectives and consider appropriate KPIs when in delivery mode and whether these should only be in policy development mode as well. For example KPIs are relevant to HGC capital spend for 2022/23. Hemel Place will move to delivery mode after April 2023 and it is suggested that relevant KPIs will be reported to SPEOSC going forward.	30/04/2023 Revised 31/12/2023	Programme Director, Hemel Garden Communities	07/09 KPIs still under development.	
It be ensured that budgetary positions for “discreet projects” such as Hemel Place including key variances are presented on a periodic and proactive basis to Members for approval, and that this approval is documented accordingly.	2	<i>The financial forecast shows an over spend of £76k as opposed to £170k and is interdependent to the Place Communities Enterprise restructure and additional spend to deliver Hemel Place priorities.</i>	31/3/2023 Revised 31/12/2023	Hemel Place Strategy, Programme Manager	08/09/23 Financial reporting on Hemel Place Strategy as well as other such projects within the service area will be included in programme management reporting moving forward as appropriate as well as included in Scrutiny reporting on programme updates.	

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Recommendation	Priority	Management Comments	Implementation Timetable	Responsible Officer	Action taken to date (and any extant risk exposure)	Risk Mitigated
<p>The MoU be finalised and signed by all parties as a matter of urgency. The MoU should outline each Partner's roles and responsibilities.</p>	<p>2</p>	<p>The MOU is a partnership agreement, in which any partner can provide four weeks' notice to no longer be part of the partnership work. The findings articulate that a legal agreement has not been drawn up nor entered into. This is linked to the need for a sustainable financial future and is currently under discussion between partners. In the meantime, the Terms of Reference for the MOU are currently being concluded and the revised MOU will be circulated for signing.</p>	<p>17/03/2023 Revised 31/10/2023</p>	<p>Programme Director, Hemel Garden Communities</p>	<p>07/09 The MOU is under consideration by all partners involved in HGC.</p>	<p></p>

Recommendation	Priority	Management Comments	Implementation Timetable	Responsible Officer	Action taken to date (and any extant risk exposure)	Risk Mitigated
21/22 Safeguarding & Prevention						
The Policy be reviewed and updated in line with the proposed changes and communicated to staff at the earliest opportunity.	2	<i>The Policy be reviewed and updated in line with the proposed changes and communicated to staff at the earliest opportunity.</i>	31/07/2022 <i>Revised</i> 31/12/2023	Sue Warren, Lead Officer, Safeguarding	08/09/23 <i>Changes have been made to the policy as per the recommendation. There is further work to be done on the policy to make it fit for purpose and fully reflective of current safeguarding best practice. The new Head of Safe Communities is working on a thorough review of the policy prior to taking the document through the Council's approval process.</i>	

Recommendation	Priority	Management Comments	Implementation Timetable	Responsible Officer	Action taken to date (and any extant risk exposure)	Risk Mitigated
20/21 GDPR/Information Governance						
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 Revised 31/12/2023	Information Security Team Leader	Update 08/09/23 Revised implementation date due to capacity within the service and other service priorities. Document retention policies are in place to support appropriate review and destruction of records as needed. Work on review of e-records per the recommendation are expected to conclude end of December 2023."	

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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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Briefings on developments in Governance, Risk and Control

TIAA produces regular briefing notes to summarise new developments in Governance, Risk, Control and Anti-Crime which may have an impact on our clients. These are shared with clients and made available through our Online Client Portal. A summary list of those CBNs and Anti-Crime Alerts issued in the last three months which may be of relevance to Dacorum Borough Council is given below. Copies of any CBNs are available on request from your local TIAA team.

Summary of recent Client Briefing Notes (CBNs)

CBN Ref	Subject	Status	TIAA Comments
23009	HMRC Guidance on Tax avoidance Schemes		<p>Action Required:</p> <p>Raise the profile of tax avoidance across networks and communication channels Support HMRC by sharing the following link with stakeholders to help raise awareness among workers in the health and social care sectors, and to warn them of the risks of getting involved in tax avoidance.</p>



Audit Committee

Report for:	Audit Committee
Title of report:	Final Outturn 2022-23
Date:	20 th September 2023
Report on behalf of:	Cllr Sally Symington, Portfolio Holder for Corporate and Commercial Services
Part:	I
If Part II, reason:	N/A
Appendices:	Appendix A – General Fund Revenue Final Outturn 2022-23 Appendix B – Housing Revenue Account Final Outturn 2022-23 Appendix C – Capital Programme Final Outturn 2022-23 Appendix D- Reserves position as at 31 st March 2023
Background papers:	None.
Glossary of acronyms and any other abbreviations used in this report:	GF – General Fund HRA – Housing Revenue Account

Report Author

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Responsible Officer

Nigel Howcutt, Chief Finance Officer



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Corporate Priorities	A clean, safe and enjoyable environment Building strong and vibrant communities Ensuring economic growth and prosperity
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	<p>Providing good quality affordable homes, in particular for those most in need</p> <p>Ensuring efficient, effective and modern service delivery</p> <p>Climate and ecological emergency</p>
Wards affected	All
Purpose of the report:	<ol style="list-style-type: none"> 1. To provide details of the Final Outturn 2022-23 for the: <ul style="list-style-type: none"> • General Fund • Housing Revenue Account • Capital Programme
Recommendation (s) to the decision maker (s):	<ol style="list-style-type: none"> 1. That Committee review the final financial outturn for 2022-23 (Appendices A and B) and note the final financial outturn position for 2022-23. 2. That Committee approve the following reserve movement for 2022-23, as set out at sections 2.7 and 4.4 of this report: <ul style="list-style-type: none"> • Transfer to the Savings Efficiency reserve of £250k relating to interest due to the Council from a loan to West Herts Crematorium. • Transfer to the Savings Efficiency reserve of £111k relating to the final surplus position on the General Fund for 2022-23. • A transfer to HRA lift reserves of £22k to support the cost of lift replacements in Council HRA properties. • A draw down from HRA revenue reserves of £1.459m to balance the outturn position for the Housing Revenue Account for 2022-23. 3. That Committee review the Capital Programme Outturn for 2022-23 (Appendix C). 4. That Committee review the balances on earmarked reserves as at 31st March 2023 (Appendix D).

1 Introduction:

1.1 This report presents the final financial outturn position for the Council for 2022-23. Under the Council's Financial Regulations, Audit Committee have delegated powers to approve final movements to the Council's financial reserves following the external audit of the Council's accounts.

1.2 A provisional outturn position was presented to Cabinet on 18th July 2023. The reported provisional outturn position included the following:

- General Fund (GF) revenue budgets: a surplus of £0.065m. Cabinet recommended to Council that this surplus be transferred to the Dacorum Development reserve to fund future initiatives.
- Housing Revenue Account (HRA) revenue budgets: a final residual pressure of £2.289m at year end. Full Council had previously approved the draw-down of £0.830m from HRA reserves to support HRA pressures in February 2023. Audit Committee are asked to approve a further draw down for the additional £1.459m required to bring the HRA to balanced position for 2022-23.
- The GF capital programme: further slippage of £3.073m and an overspend of £0.075m. The slippage is the combined position across a number of different schemes. These include:
 - Hemel Garden Communities capital projects
 - Car park re-surfacing and refurbishment
 - The fleet replacement programme
 - Depot improvements and works at the waste transfer site.

An overspend relating to the purchase of wheeled bins for waste collection.

- The HRA capital programme: further slippage of £5.741m and a broadly balanced outturn position. The slippage relates predominantly to the impact of restrictions on the granting of planning approval in place during 2022-23, together with delays on capital works to the Council's housing stock arising from increased demand on revenue repairs and maintenance.

1.2 This final outturn report for 2022-23 has been produced following finalisation of reserve movements for the year, audit work undertaken in conjunction with our external auditors and the publication of the Audit Findings Report by the Council's external auditors.

1.3 The overall position for HRA revenue, GF capital and HRA capital are unchanged from the position reported to Cabinet at provisional outturn.

1.4 The position for GF revenue at final outturn is a balanced outturn position. This position now includes:

- The reserve transfers recommended by Cabinet for approval to Council as part of provisional outturn report.
- The final reserve transfers proposed for Audit Committee approval at section 2.7 below and the recommendations to this report.

2 General Fund Revenue Outturn

2.1 Appendix A provides an overview of the General Fund forecast outturn position. This is summarised in the table below. Note, under local authority financial reporting conventions, negative figures (also denoted in brackets) represent income or a surplus, whilst positive figures represent expenditure or a budget pressure/deficit.

Table 1- General Fund Provisional Outturn 2022-23	Current Budget £m	Forecast Outturn £m	Variance	
			£m	%
Finance & Resources	14.615	15.964	1.349	9.2%
Housing and Community	0.904	0.791	(0.113)	(12.5%)
Strategic Planning and Environment	10.457	11.698	1.241	11.9%
Net Cost of Services	25.976	28.453	2.477	9.5%
Investment Property	(3.853)	(4.328)	(0.475)	12.3%
Other Core Funding items including recharge to the HRA	(20.493)	(20.331)	0.162	(0.8%)
Contribution To/ (From) Earmarked Reserves	(1.630)	(3.794)	(2.164)	132.8%
(Surplus)/ Deficit	0.000	0.000	0.000	

2.2 Key variances (greater than £0.100m) are summarised below. These were reported to Cabinet as part of provisional outturn. Some overspends contained within the deficit position against 'Net cost of services' have been funded by additional draw-downs from revenue reserves during 2022-23, following Full Council approval in year. These additional reserve draw-downs are reflected in the 'surplus' shown against 'Contribution To/ (From) Earmarked Reserves. The surplus indicates that more funding was drawn down from reserves that originally budgeted for.

The main change from provisional outturn relates to interest income of £250k from a loan to West Herts Crematorium. Further information is provided at 2.7 below.

2.3 Finance and Resources

Car parking income for 2022-23 resulted in a pressure of £0.510m, as a result of reduced use of the car parks.

Following a review of technical treatment of spend previously recorded as capital expenditure in relation to consultancy and surveys at Berkhamsted Leisure Centre, this has been moved and allocated to revenue, £0.300m.

2.4 Strategic Planning and Environment

The pressures in waste services employees and hire vehicles totals £0.968m for 2022-23. This is caused by staff resources, increased rounds and maintaining additional fleet. Work has taken place to review the service demands following growth in the borough and how the routes can be managed to provide the service with less financial risk. The associated changes in operational activity commenced during summer 2023.

A benefit of £0.570m was seen in 2022-23 for haulage and gate fee costs in relation to the waste disposal costs on recyclables. At the start of 2022-23, the basket price for recyclables was very high, generating income for the authority. The market has since declined to previous levels and the disposal of these materials has returned to costs and therefore no benefit is expected in 2023/24.

Budgeted income for the cemeteries service, which includes income for the new crematorium saw a pressure of £0.160m, mainly being rental income from the crematorium.

Cost of living increases are creating additional costs to the Council for 2022-23. At outturn, within Waste Services and Clean Safe and Green there is a pressure of £0.170m against fuel that is considered attributable to the rising prices. These costs have been supported by an additional draw down from the Council's inflationary pressures reserve. The 2023/24 budgets have had inflationary increases of 20% for fuel and utilities and the fuel and utility costs along with the government's policy response to these pressures will be closely monitored.

A pressure on planning income and land charges income of £0.420m for 2022-23, which was driven by in-year legal restrictions on the issuing of planning decisions, which have since been lifted. Delays in planning applications are still being seen by the service as developers adjust to the new post moratorium arrangements.

2.5 Housing and Community

Garages repairs and maintenance has an underspend of £0.280m. Garage stock condition survey results were received at the end of 2022-23. The outcome of this will allow the service to understand where to focus repair works moving forward. Major works have been delayed until the outcome of the stock condition survey was known.

2.6 Investment Property and Core Funding

Investment property income has seen a surplus of £0.530m. As part of the Council's response to the expected impact of the pandemic on key income streams, income targets for the service were reduced, to be gradually increased over a period of four years. For 2023/24 the income budgets have been increased. The Forum receive income for office space that was not expected at the time of budget setting, generating income in 2022-23 of £0.230m.

The impact of the continuing rise in the Bank of England interest rates and high cash balances has had a positive impact on interest received on the Council's cash balances for 2022-23. This has resulted in an additional £1.530m of income over budget. During the external audit process, the Council identified that £250k of interest due to the Council in relation to a loan granted to West Herts Crematorium needed to be accounted for in 2022-23. This was raised with the Council's auditors and an adjustment made to the accounts accordingly.

Additional New Burdens grant has been received in respect of work the Council has undertaken in 2022-23 in the administering of Covid schemes and other energy schemes. The Council also received a higher level of business rates grants than expected. Overall, these contributed to a £5.308m surplus of grant income at year end.

During the year, the Council made an expected but unbudgeted payment of £8.000m in respect of a Collection Fund deficit arising from the impact of the pandemic. Funding to support the payment was received from the government in previous financial years, transferred to the Funding Equalisation Reserve in previous year and drawn down in 2022-23. As referred to above, business rates grants received for 2022-23 have been higher than expected. These have been transferred to the Funding Equalisation reserve. Overall a net balance of £2.850m was drawn down from the Funding Equalisation Reserve to support movements on the Collection Fund.

2.7 General Fund Reserve movements

The following additional reserve movements are incorporated into the final outturn position from the provisional outturn.

- Transfer to the Savings Efficiency reserve of £250k relating to interest due to the Council from a loan to West Herts Crematorium.

- Transfer to the Savings Efficiency reserve of £111k relating to the final surplus position on the General Fund for 2022-23.

3 Housing Revenue Account Position

3.1 The HRA is a ring-fenced account relating to the Council's Landlord functions. A guiding principle of the HRA is that revenue raised from rents and service charges must be sufficient to fund expenditure incurred. The final outturn position for the HRA is shown at Appendix B.

3.2 The HRA is reporting a balanced final outturn position for 2022-23. The movements between provisional and final outturn all relate to reserve movements and are set out section 4.3 below.

3.3 Dwelling Rents - £0.106m additional income over budget.

The variance represents less than 0.2% of the budget for rental income. When rental budgets are set, an adjustment is made for an assumed level of void (empty) properties. Performance on rental income has been slightly better than expected.

3.4 Interest and Investment Income - £1.042m additional income over budget

The impact of the continuing rise in the Bank of England interest rates and high cash balances has had a positive impact on interest received on our cash balances for 2022-23; resulting in an additional £1.042m on budget for the HRA.

3.5 Contribution towards Expenditure - £0.245m over achievement in income

Additional income over budget for minor capital receipts and rechargeable works has been achieved during the year.

3.6 Repairs and Maintenance- £5.242m pressure

There has been an increase in the cost of responsive and empty home repairs due to the impact of inflation. In addition, the cost of damp and mould works have contributed to the outturn pressure.

3.7 Supervision and Management and Recharges- £1.281m pressure against budget

This pressure is comprised of a number of items including the following:

- The additional impact of the 2022-23 pay award over and above assumptions at budget setting £0.280.
- The additional costs of the Asset Management team £0.195m
- The increased costs of utilities due to inflationary increases £0.459m
- £0.305m of additional expenditure incurred relating to the use of General Fund services to support the HRA.

3.6 Other Expenditure (Rent, Rates and Taxes, Provision for Bad Debt)- £0.344m underspend

Whilst tenants have needed the support of the service during the year to help manage their position with respect to rent and other amounts due to the Council, the budgeted allocation to top up the bad debt provision has not been required in full.

4 Housing Revenue Account- Technical and Accounting Adjustments

4.1 In addition to the service-related variances above, the technical adjustments have arisen during the year.

4.2 Depreciation - £0.815m over budget

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

4.3 Revenue Contribution to Capital - £3.284m under budget

The Council budgets for a revenue contribution to support the HRA capital programme. During 2022-23, this funding was used instead to support transformation work with the HRA and to help meet the cost of pressures on across the service, particularly against repairs and maintenance.

4.4 HRA Reserve movements

The following additional reserve movements are incorporated into the final outturn position from the provisional outturn.

- A contribution to the Council's HRA Lift reserve of £22k, to support future lift replacements in HRA properties.
- A draw- down of £0.830m from HRA revenue reserves to support HRA pressures, previously approved by Full Council in February 2023.
- A draw further down from HRA revenue reserves of £1.459m to balance the outturn position for the Housing Revenue Account for 2022-23. This additional requirement was outlined in the provisional outturn position to Finance and Resources Overview and Scrutiny Committee and Cabinet.

5 Capital Programme

5.1 Appendix C shows the projected capital final outturn in detail by scheme. The position is unchanged from provisional outturn.

The current budget is the original budget approved by Cabinet in February 2022, plus approved amendments.

The 'rephasing' column refers to those projects where expenditure is still expected to be incurred, but it will now be in 2023-24 rather than 2022-23, or conversely, where expenditure planned initially for 2023-24 has been incurred in 2022-23.

The 'Variance' column refers to projects which are expected to come in under or over budget and projects which are no longer required.

Table 2- Final Outturn 2022-23	Current Budget £000	Re-phasing (To)/from future years £000	Revised Budget £000	Forecast Outturn £000	Variance	
					£000	%
Finance and Resources	1.944	-1.168	0.777	0.810	0.033	4.24%
Strategic Planning and Environment	3.496	-0.970	2.526	2.529	0.003	0.10%
Housing & Community	2.286	-0.935	1.351	1.390	0.039	2.90%
GF Total	7.727	-3.073	4.654	4.729	0.075	1.60%
HRA Total	40.616	-5.741	34.875	34.884	0.009	0.03%
Grand Total	48.343	-8.814	39.529	39.613	0.084	0.21%

5.2 General Fund Capital Programme Major Variances

General fund capital budgets are reporting further slippage of £3.073m, relating to the following:

- Disabled Facilities Grants £0.344m, due to continued carry forward of grant following impact of the pandemic on the completed works funded by the grant.
- Waste Services IT Upgrade £0.080m, due to the waste transformation project. The requirements for the system are under review to ensure the system upgrade produces benefits.
- Depot Improvements £0.060m & Waste Transfer Site £0.262m, due to increased costs for the works. The project is being reviewed and the scope of works being reassessed to complete essential works in line with the budget.
- Chipperfield Car Park resurfacing £0.200m, due to delays in contracting for the project.
- Fleet Replacement Programme £0.294m, due to delays arising from a review of requirements and supply chain delays.
- Car Parking refurbishment £0.135m, due to review of drainage requirements being undertaken and ongoing work with the Environment Agency and contractors.
- Multi-Functional Devices (MFDs) £0.090m. Reduced usage since the pandemic has meant that the life of the existing assets has extended.
- Hemel Garden Communities projects, including Nickey Line Improvements - £0.552m. Government grant was awarded in 2022-23 to fund these projects. The service is working with Hertfordshire County Council to complete the project to meet the grant requirements.
- Aragon Close £0.119m – the project has completed and final invoices are awaited from the supplier.

The General Fund is reporting an overspend on capital projects of £0.075m. £0.056m relates to Wheeled Bins and Boxes. The service has experienced continuing high level of demand for replacement bins following the deterioration of existing bins splitting and requiring replacement. A large proportion of the defective bins have now been replaced.

5.3 Housing Revenue Account Major Variances

HRA capital budgets are reporting slippage of £5.741m. The housing development programme has been delayed due to the planning moratorium seeing a further £3.193m slippage. This includes Paradise Depot, Marchmont, Randalls Ride and Garage Sites. In addition Eastwick Row has been delayed following the contractor going into administration. Further slippage of £2.547m for Housing Property is a result of increased demand on revenue repairs and maintenance and procurement negotiations delaying planned projects.

There is a minor overspend of £0.009m against the HRA capital programme. This represents less than 1% of the 2022-23 HRA programme budget.

6 Financial and Value for Money implications

6.1 Contained within the body of the report

7 Legal Implications

7.1 The Council has a statutory responsibility to make arrangements for the proper administration of its financial affairs. This report forms part of these arrangements.

8 Equalities, Community Impact and Human Rights

8.1 Community Impact Assessments on Council activities are carried out by relevant services with responsibility for those activities. A separate Community Impact Assessment has not been carried out in respect of this report.

8.2 There are no Human Rights Implications arising from this report.

9 Sustainability implications

9.1 There are no specific sustainability implications arising from this report.

10 Council infrastructure

10.1 The content of this report sets out the implications of the Council's activities for its financial resources for 2022-23.

11 Conclusions

11.1 At final outturn 2022-23, there is a balanced position against Council General Fund and Housing Revenue Account budgets following proposed movements to and from General Fund and HRA revenue reserves. Audit Committee are asked to approve the final reserve movements for 2022-23.

11.2 At final outturn 2022-23, General Fund capital budgets are reporting slippage of £3.073m and an overspend of £0.075m. Against Housing Revenue Account capital schemes, there is slippage of £5.741m. The HRA capital programme spent broadly to budget.

Dacorum Borough Council General Fund Final Outturn 2022/23	Budget £000	Actuals £000	Variance £000
Finance and Resources	14,615	15,964	1,349
Housing and Community	904	791	(113)
Strategic Planning and Environment	10,457	11,698	1,241
Net Cost of Services	25,976	28,453	2,477
Investment Property	(3,853)	(4,328)	(475)
Interest on Investment Income, Interest Payable and Minimum Revenue Provision	729	(1,280)	(2,009)
Parish Precept Payments	1,034	1,015	(19)
Government Grants	(1,638)	(6,946)	(5,308)
Council Tax	(13,466)	(13,744)	(278)
Business Rates	(1,881)	6,200	8,081
Net (Income)/ Cost- Other Items	(19,075)	(19,083)	(8)
(Surplus)/ Deficit on Provision of Services	6,901	9,370	2,469
Net Recharge to the HRA	(5,271)	(5,576)	(305)
Contribution To / (From) Earmarked Reserves	(1,630)	(3,794)	(2,164)
Net Movement on General Fund Working Balance	0	0	0

Dacorum Borough Council Housing Revenue Account Final Outturn 2022/23	Budget £000	Actuals £000	Variance £000
Dwelling Rents	(57,550)	(57,656)	(106)
Non Dwelling Rents	(102)	(97)	5
Charges for Services and Facilities	(1,849)	(1,905)	(56)
Interest on Investment Income	(42)	(1,084)	(1,042)
Contributions towards expenditure	(645)	(890)	(245)
Total Income	(60,188)	(61,632)	(1,444)
Repairs and Maintenance	11,471	16,713	5,242
Supervision and Management	12,425	13,401	976
Recharges	5,271	5,576	305
Depreciation	15,620	16,435	815
Revenue Contribution to Capital	3,284	0	(3,284)
Interest Payable	11,302	11,302	0
Other Expenditure	815	471	(344)
Total Expenditure	60,188	63,898	3,710
(Surplus)/ Deficit prior to reserve movements	0	2,266	2,266
Contribution To / (From) Reserves	0	(2,266)	(2,266)
HRA Deficit / (Surplus)	0	0	0
Working Balance Brought Forward	(2,894)	(2,894)	0
Working Balance Carried Forward	(2,894)	(2,894)	0

CAPITAL PROGRAMME MONITORING BY SCRUTINY COMMITTEE FOR MARCH 2023

Scheme	Original Budget	Prior Year Slippage	Adj's, Supps, Virements	Adjustments (Slip. C/F)	In-Year Adjustments	Current Budget	YTD Spend	Projected Outturn	Forecast Slippage	Projected Over / (Under)
General Fund										
Finance and Resources										
Head of Digital										
51 Automation Programme	85,000	0	0	(80,000)	(80,000)	5,000	0	0	(5,000)	0
52 Firewall Renewal	95,000	0	0	0	0	95,000	95,000	95,000	0	0
53 Civica Customer Experience Software (Flare replacement)	100,000	0	0	(100,000)	(100,000)	0	0	0	0	0
54 Rolling Programme - Hardware	75,000	0	0	0	0	75,000	44,899	44,899	(30,101)	0
55 Software Licences - Right of Use	40,000	0	0	0	0	40,000	6,583	6,583	(33,417)	0
56 Future vision of CRM	100,000	98,600	0	(198,600)	(198,600)	0	5,225	5,225	5,225	0
	495,000	98,600	0	(378,600)	(378,600)	215,000	151,707	151,707	(63,293)	0
Head of Environmental Protection										
60 Health and Safety software system	40,000	0	0	(40,000)	(40,000)	0	0	0	0	0
	40,000	0	0	(40,000)	(40,000)	0	0	0	0	0
Head of Property Services										
64 Service Lease Domestic Properties	0	8,118	0	0	0	8,118	0	0	(8,118)	0
65 Old Town Hall - Cafe Roof and stonework renewal	0	60,000	0	(45,000)	(45,000)	15,000	0	0	(15,000)	0
66 Piccotts End Retaining Wall Rebuild	35,000	0	0	0	0	35,000	0	0	(35,000)	0
67 Tring Community Centre - new play area for Children's Nursery	0	11,144	0	0	0	11,144	23,050	23,050	0	11,906
68 Adeyfield Community Centre Structural Improvements	20,000	17,000	0	0	0	37,000	0	0	(37,000)	0
69 Boiler Replacement Programme	15,000	5,046	0	0	0	20,046	20,757	20,757	(0)	711
70 Tring Community Centre - Retaining Wall for New Play Area	0	20,000	0	0	0	20,000	33,600	33,600	0	13,600
71 Bennetts End Community Centre door upgrade work	15,000	0	0	0	0	15,000	14,990	14,990	0	(10)
72 External Refurb - Woodhall Farm Community Centre	40,000	0	0	0	0	40,000	27,020	27,020	(12,980)	0
73 Rossgate Shopping Centre - Structural Works	240,000	221,577	0	(290,000)	(290,000)	171,577	146,297	146,297	(25,281)	0
74 Commercial Properties - Renew Obsolete Door Entry Controls	25,000	0	0	0	0	25,000	23,278	23,278	(1,723)	1
75 100 High St (Old Town), Hemel - Window Replacement	0	14,000	0	(14,000)	(14,000)	0	0	0	0	0
76 Long Chaulden Roof	0	55,020	0	(55,020)	(55,020)	0	0	0	0	0
77 Bellgate - Walkway Renovation	0	19,550	0	0	0	19,550	7,450	7,450	(12,100)	0
78 Bennettsgate - Window Renewal	0	74,780	0	(74,780)	(74,780)	0	0	0	0	0
79 Queens Square Canopy Renewal	40,000	0	0	0	0	40,000	(72)	(72)	(40,072)	0
80 Renew Surface Water Drains to Henry Wells Square	0	19,100	0	0	0	19,100	21,620	21,620	0	2,520
81 Void Commercial Property Refurbishment	70,000	0	0	0	0	70,000	47,492	47,492	(22,508)	0
82 Bennettsgate - Structural Concrete Improvements & Façade Renewal	0	79,762	0	(51,712)	(51,712)	28,050	28,050	28,050	0	0
83 Bellgate - Concrete Renewal & Refurbishment	0	25,000	0	0	0	25,000	10,700	10,700	(14,300)	0
84 Village Centre - Soffits & Facias	0	45,000	0	0	0	45,000	41,050	41,050	(3,950)	0
85 9 High Street Tring, Electrical Works	0	14,793	0	0	0	14,793	10,500	10,500	(4,293)	0
86 Broadwater Road Resurfacing	0	93,000	0	(93,000)	(93,000)	0	0	0	0	0
87 Creation of new Community Facility and Foodbank at The Hub (Dens)	625,000	0	0	(625,000)	(625,000)	0	0	0	0	0
88 Damp proofing improvements to commercial properties	30,000	0	0	0	0	30,000	0	0	(30,000)	0
89 Kings Langley Charter Court - Separate Meter Supply	20,000	0	0	0	0	20,000	0	0	(20,000)	0
90 48-52 High Street - Fire Alarm System Renewal	15,000	0	0	(15,000)	(15,000)	0	17,432	17,432	15,000	2,432
91 Bellgate Canopy Renewal - Highfield	200,000	0	0	(200,000)	(200,000)	0	0	0	0	0
92 Rossgate Terrace Walkway Waterproofing	30,000	0	0	0	0	30,000	0	0	(30,000)	0
93 Public Conveniences - Improvement Programme	40,000	0	0	0	0	40,000	24,498	24,498	(15,502)	0
94 Maylands Business centre upgrade fire alarm	20,000	0	0	0	0	20,000	21,750	21,750	0	1,750
	1,480,000	782,890	0	(1,463,512)	(1,463,512)	799,378	519,461	519,461	(312,827)	32,910

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Scheme	Original Budget	Prior Year Slippage	Adj's, Supps, Virements	Adjustments (Slip. C/F)	In-Year Adjustments	Current Budget	YTD Spend	Projected Outturn	Forecast Slippage	Projected Over / (Under)
Head of Commercial Development										
98 Hemel Hempstead Sports Centre - Astroturf renewal	0	280,000	0	(280,000)	(280,000)	0	0	0	0	0
99 Berkhamsted Leisure Centre Redevelopment	14,150,000	(299,644)	0	(13,850,356)	(13,850,356)	0	0	0	0	0
100 Hemel Hempstead Sports Centre - Basketball Hoop Replacement	0	0	0	0	0	0	21,274	21,274	21,274	0
101 Car Park Refurbishment	0	135,000	0	0	0	135,000	0	0	(135,000)	0
102 Water Gardens North Car Park Drainage Improvements	0	35,000	0	0	0	35,000	0	0	(35,000)	0
103 Multi Functional Devices	0	90,000	0	0	0	90,000	0	0	(90,000)	0
	14,150,000	240,356	0	(14,130,356)	(14,130,356)	260,000	21,274	21,274	(238,726)	0
SD Place										
111 Nickey Line Improvements - HGC capital project	0	0	0	0	0	670,000	117,246	117,246	(552,754)	0
	0	0	0	0	0	670,000	117,246	117,246	(552,754)	0
Totals: Finance and Resources	16,165,000	1,121,846	0	(16,012,468)	(16,012,468)	1,944,378	809,688	809,688	(1,167,600)	32,910
Housing and Community										
AD Place, Community and Enterprise										
119 Adventure Playgrounds Improvement Programme	500,000	0	0	(500,000)	(500,000)	0	64,465	64,465	64,465	0
120 Capital Grants - Community Groups	20,000	4,500	135,000	0	135,000	159,500	159,500	159,500	0	0
	520,000	4,500	135,000	(500,000)	(365,000)	159,500	223,965	223,965	64,465	0
Head of Housing Property										
121 Disabled Facilities Grants	741,000	272,834	0	0	0	1,013,834	669,960	669,960	(343,874)	0
	741,000	272,834	0	0	0	1,013,834	669,960	669,960	(343,874)	0
Head of Development										
122 Affordable Housing Development Fund	311,000	487,594	0	0	0	798,594	339,757	339,757	(458,837)	0
129 Temporary Accommodation - creation of new units	0	275,201	0	0	0	275,201	203,536	203,536	(71,665)	0
130 Aragon Close - Creation of Affordable Housing Move-on Units	0	824,288	0	0	0	824,288	705,305	705,305	(118,983)	0
131 Rough Sleepers Accommodation Programme	0	0	0	0	0	300,000	300,000	300,000	0	0
	311,000	1,587,083	0	0	0	2,198,083	1,548,599	1,548,599	(649,484)	0
Head of Commercial Development										
135 Highbarns Land Stabilisation Project	0	0	0	0	0	0	2,600	2,600	0	2,600
	0	0	0	0	0	0	2,600	2,600	0	2,600
Head of Community Safety										
139 Rolling Programme - CCTV Cameras	25,000	11,290	0	(11,290)	(11,290)	25,000	0	0	(25,000)	0
140 Alarm Receiving Centre	0	33,627	0	(33,627)	(33,627)	0	0	0	0	0
141 CCTV Equipment Refresh	110,000	(55,460)	0	(54,540)	(54,540)	0	24,758	24,758	24,758	0
142 Verge Hardening Programme	150,000	114,036	0	(164,036)	(164,036)	100,000	58,743	58,743	(41,257)	(0)
	285,000	103,493	0	(263,493)	(263,493)	125,000	83,500	83,500	(41,500)	(0)
Totals: Housing and Community	1,857,000	1,967,910	135,000	(763,493)	(628,493)	3,496,417	2,528,624	2,528,624	(970,392)	2,600

Scheme	Original Budget	Prior Year Slippage	Adj's, Supps, Virements	Adjustments (Slip. C/F)	In-Year Adjustments	Current Budget	YTD Spend	Projected Outturn	Forecast Slippage	Projected Over / (Under)
Strategic Planning and Environment										
AD Place, Community and Enterprise										
150 Urban Park/Education Centre (Durrants Lakes)	0	134,015	0	(108,915)	(108,915)	25,100	0	0	(25,100)	0
151 The Bury - Conversion into Museum and Gallery	0	53,150	0	(53,150)	(53,150)	0	0	0	0	0
	0	187,165	0	(162,065)	(162,065)	25,100	0	0	(25,100)	0
Head of Environmental Services										
155 Waste Services IT upgrade	80,000	0	0	0	0	80,000	0	0	(80,000)	0
156 Wheeled Bins & Boxes for New Properties	100,000	0	0	0	0	100,000	156,278	156,278	0	56,278
157 Litter Bin Upgrade	40,000	0	0	0	0	40,000	40,969	40,969	0	969
158 Play Areas & Open Spaces - replace equipment	250,000	0	152,486	(135,032)	17,454	267,454	265,015	265,015	(2,439)	(0)
159 Resurfacing Works and Building Improvement to Depot	0	60,000	0	0	0	60,000	0	0	(60,000)	0
160 Chipperfield Common Car Park Resurfacing	0	200,000	0	0	0	200,000	0	0	(200,000)	0
161 Gadebridge Park Walled Garden Pathway Improvements	30,000	0	0	0	0	30,000	23,628	23,628	0	(6,372)
162 Improvements to Sport Pitches	35,000	0	0	0	0	35,000	33,769	33,769	0	(1,231)
163 Waste Transfer Site Upgrade Works	400,000	0	0	0	0	400,000	137,539	137,539	(262,461)	0
164 Fleet Replacement Programme	919,988	1,943,640	0	(2,047,626)	(2,047,626)	816,002	522,296	522,296	(293,707)	0
	1,854,988	2,203,640	152,486	(2,182,658)	(2,030,172)	2,028,456	1,179,495	1,179,495	(898,606)	49,645
Head of Property Services										
168 Boxmoor War Memorial Structural Improvements	40,000	(500)	0	0	0	39,500	28,375	28,375	0	(11,125)
169 Gadebridge Park Roadway Improvements	110,000	0	0	0	0	110,000	109,978	109,978	0	(22)
170 Allotment Improvement Programme	40,000	16,750	0	(56,750)	(56,750)	0	8,780	8,780	8,780	0
171 Stone Works to Charter Tower	0	18,000	0	(18,000)	(18,000)	0	0	0	0	0
172 Nickey Line Bridge Refurbishment	0	50,000	0	(30,000)	(30,000)	20,000	0	0	(20,000)	0
	190,000	84,250	0	(104,750)	(104,750)	169,500	147,132	147,132	(11,220)	(11,148)
Head of Development Management										
173 Tablets for Planning	0	0	0	0	0	0	625	625	0	625
43 CIL Capital Projects	0	0	0	0	0	63,111	63,111	63,111	0	0
	0	0	0	0	0	63,111	625	625	0	625
Totals: Strategic Planning and Environment	2,044,988	2,475,055	152,486	(2,449,473)	(2,296,987)	2,286,167	1,390,363	1,390,363	(934,926)	39,122
Totals - Fund: General Fund	20,066,988	5,564,811	287,486	(19,225,434)	(18,937,948)	7,726,962	4,728,675	4,728,675	(3,072,918)	74,632

Scheme	Original Budget	Prior Year Slippage	Adj's, Supps, Virements	Adjustments (Slip. C/F)	In-Year Adjustments	Current Budget	YTD Spend	Projected Outturn	Forecast Slippage	Projected Over / (Under)
Housing Revenue Account										
Housing and Community										
Head of Housing Property										
188 Planned Fixed Expenditure	7,942,600	1,358,640	0	(600,000)	(600,000)	8,701,240	8,275,603	8,275,603	(449,598)	23,961
189 Pain/Gain Share (Planned Fixed Expenditure)	0	0	0	0	0	0	(23,961)	(23,961)	0	(23,961)
190 M&E Contracted Works	1,200,000	0	0	0	0	1,200,000	1,637,303	1,637,303	437,303	0
191 Communal Gas & Heating	2,500,000	213,275	0	0	0	2,713,275	2,321,555	2,321,555	(391,720)	0
192 DBC Commissioned Capital Works	6,423,400	3,086,293	0	(3,394,436)	(3,394,436)	6,115,257	4,484,811	4,484,811	(1,630,446)	0
193 Special Projects	0	513,021	0	0	0	513,021	0	0	(513,021)	0
	18,066,000	5,171,229	0	(3,994,436)	(3,994,436)	19,242,793	16,695,311	16,695,311	(2,547,482)	(0)
Head of Development										
197 New Build - General Expenditure	184,000	(184,000)	0	0	0	0	4,239	4,239	0	4,239
198 Martindale	0	0	0	0	0	0	5,068	5,068	0	5,068
199 Bulbourne	1,317,354	901,594	0	(2,210,742)	(2,210,742)	8,206	9,806	9,806	1,600	0
200 Coniston Road	283,000	306,730	0	(187,415)	(187,415)	402,315	369,585	369,585	(32,730)	0
201 Eastwick Row	2,952,080	4,822,263	0	(3,531,291)	(3,531,291)	4,243,052	3,607,487	3,607,487	(635,565)	0
202 St Margaret's Way	1,032,741	216,916	0	(379,401)	(379,401)	870,256	1,239,970	1,239,970	369,714	0
203 Paradise Fields	10,739,486	1,949,209	0	(8,220,386)	(8,220,386)	4,468,309	3,313,722	3,313,722	(1,154,587)	0
204 Randalls Ride	3,169,961	1,069,885	0	(3,026,199)	(3,026,199)	1,213,647	1,318,162	1,318,162	104,515	0
205 Garage Sites - New Build Developments	2,763,580	2,239,042	0	(2,963,771)	(2,963,771)	2,038,851	3,900,483	3,900,483	1,861,632	0
206 Wilstone	1,026,897	659,593	0	(241,836)	(241,836)	1,444,654	1,420,233	1,420,233	(24,421)	0
207 Marchmont Fields	4,054,000	2,923,395	0	(3,392,712)	(3,392,712)	3,584,683	278,502	278,502	(3,306,181)	0
208 Paradise Depot	1,031,000	1,578,483	0	134,176	134,176	2,743,659	2,529,559	2,529,559	(214,100)	0
209 Cherry Bounce	(127,690)	367,643	0	(232,816)	(232,816)	7,137	16,973	16,973	9,836	0
210 Stoneycroft and Great Sturgess	0	0	0	289,236	289,236	289,236	91,652	91,652	(197,585)	0
211 Garage Sites B	0	0	0	59,064	59,064	59,064	39,064	39,064	(20,000)	0
212 Great Sturgess Road	0	0	0	0	0	0	43,323	43,323	43,323	0
213 RTB Buy-Backs	0	0	0	0	0	0	1,090	1,090	1,090	0
	28,426,409	16,850,753	0	(23,904,093)	(23,904,093)	21,373,069	18,188,917	18,188,917	(3,193,459)	9,307
Totals: Housing and Community	46,492,409	22,021,982	0	(27,898,529)	(27,898,529)	40,615,862	34,884,228	34,884,228	(5,740,941)	9,307
Totals - Fund: Housing Revenue Account	46,492,409	22,021,982	0	(27,898,529)	(27,898,529)	40,615,862	34,884,228	34,884,228	(5,740,941)	9,307
Totals	66,559,397	27,586,793	287,486	(47,123,963)	(46,836,477)	48,342,824	39,612,903	39,612,903	(8,813,859)	83,938

General Fund Reserves Summary 31 March 2023	Balance as at 31/03/2022 £'000	Transfers from reserve 2022/23 £'000	Transfers to reserve 2022/23 £'000	Balance as at 31/03/2023 £'000
Civic Buildings Major Repairs Reserve	60	0	0	60
Capital Development Reserve	300	(300)	0	0
Earmarked Grants Reserve	44	0	0	44
Management of Change Reserve	257	(707)	1,175	725
Technology Reserve	752	(11)	0	741
Savings Efficiencies Reserve	907	(517)	491	882
On Street Car Parking Reserve	109	0	40	149
Local Development Framework Reserve	477	0	70	547
Dacorum Development Reserve	2,707	(1,028)	1,678	3,357
Climate Change and Sustainability Reserve	212	(45)	0	167
Litigation Reserve	317	0	0	317
Vehicle Replacement Reserve	0	(350)	350	0
Invest to Save Reserve	62	(20)	0	42
Youth Provision Reserve	44	0	0	44
Election Reserve	80	(39)	40	81
Uninsured Loss Reserve	360	0	0	360
Training & Development Reserve	133	(79)	0	54
Housing Conditions Survey Reserve	76	0	15	91
Dacorum Rent Aid - Guarantee Scheme	15	(15)	0	0
Rent Guarantee Scheme Reserve	15	(15)	0	0
Funding Equalisation Reserve	10,048	(7,967)	5,118	7,199
Pensions Reserve	2,573	(719)	200	2,054
Maylands Plus Reserve	46	0	0	46
Covid 19 Hardship Fund	133	0	0	133
Economic Recovery Reserve	2,807	(1,725)	0	1,082
Leisure Reserve	0	0	330	330
Suitable Alternative Natural Greenspace Reserve	0	0	153	153
Inflationary Pressures Reserve	565	(267)	0	298
Total Earmarked Reserves	22,533	(13,805)	9,660	18,954
Working Balance	2,502	0	0	2,502
Total General Fund Reserves	25,035	(13,805)	9,660	21,456



Audit Committee

Report for:	Audit Committee
Title of report:	Statement of Accounts 2022/23
Date:	20 th September 2023
Report on behalf of:	CLlr Sally Symington, Portfolio Holder for Corporate & Commercial Services
Part:	I
If Part II, reason:	N/A
Appendices:	
Background papers:	None.
Glossary of acronyms and any other abbreviations used in this report:	CIPFA-The Chartered Institute of Public Finance and Accountancy

Report Author

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Responsible Officer

Nigel Howcutt , Chief Finance Officer



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Corporate Priorities	<ul style="list-style-type: none"> 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
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	Climate and ecological emergency
Wards affected	All
Purpose of the report:	1. To present the audited Statement of Accounts 2022/23 for Members' approval.
Recommendation (s) to the decision maker (s):	<ol style="list-style-type: none"> 1. Review the Statement of Accounts 2022/23 (Appendix A) and raise any matters on which assurance is sought in order to approve the Statements on behalf of the Council; 2. 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; 3. Subject to a) and b) above, approve the Statement of Accounts for 2022/23. 4. Delegate to the Chair of the Audit Committee to sign the final accounts upon receiving the final audit opinion.
Period for post policy/project review:	Not applicable.

1 Background:

1.1 The Account and Audit Regulations requires local authorities to approve their financial statements for 2022/23 by 30th September 2023. 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.

1.2 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.

1.3 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 20th September 2023.

1.4 The Statement of Accounts were prepared in accordance with the Code of Practice on Local Authority Accounting 2022/23 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

2 Statement of Accounts:

- 2.1 The role of the Chief Finance is to present the Council's annual Statement of Accounts to this Committee for formal approval.
- 2.2 The published accounts of the Council are an essential means by which it demonstrates stewardship of its resources and its financial performance in using those resources.
- 2.3 The Chief Finance Officer is required to:
- ensure the regularity of transactions, by putting in place systems of internal control to ensure 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.
- 2.4 The Statement of Accounts includes:
- 2.5 A **Narrative Report** which provides a user friendly guide to the most significant matters reported in the accounts and an overview of the Council's financial performance for the year.
- 2.6 The **Expenditure and Funding Analysis** showing 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 committees.
- 2.7 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. The **Comprehensive Income and Expenditure Statement (CIES)** for 2022/23 reflects a net surplus of £155m and consists of the following:
- a. Deficit on the Provision of Services of £17.1m (2021/22 deficit of £6.8m);
 - b. Other Comprehensive Income of £172.2m (2021/22 expenditure of £109.5m) consisting of £102.8m surplus on the revaluation of property and £69.4m actuarial gains on the Pension Fund.
- 2.8 The increase in the deficit on the Provision of Services of £10.3m between years is due to:
- a. A decrease in the Total Cost of Services of £12.4m;
 - b. An overall increase in Other Operating income of £0.5m;
 - c. A decrease in Financing and Investment net Expenditure of £2.9m;
 - d. A decrease in taxation and Non Specific Grant Income of £1.3m.
- 2.9 The **Balance Sheet** is fundamental to understanding the Council's financial position at year end. It shows the balances, reserves, the long term indebtedness and the fixed and net current assets employed in its operations.

- 2.10 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'.
- 2.11 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.
- 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.
 - The **Collection Fund** 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.
- 2.12 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.
- 2.13 **Balance Sheet:** The Council's net worth was £1.259bn as at 31 March 2023, which represents an increase of £155.1m 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 Income and Expenditure.
- 2.14 The **HRA Statement** shows a deficit of £12.441m for 2022/23. This is an increase of £9.4m on the deficit reported in 2021/22, which was £3.026m.

Changes to the Draft Accounts Approved by the Chief Finance Officer:

- 2.15 The Council published its draft Statement of Accounts on 26th May 2023, in line with the statutory deadline of the 31st May 2023. Since its publication, Council officers have agreed the following changes:
- Balance Sheet: a £1m reduction to Pension Liability (note 36) and the Pension Reserve (note 36) as a revised Pensions actuarial valuation report was received. This also changed the actuarial (gains)/losses on the Pension Asset/Liabilities line in the Comprehensive Income and Expenditure Statement.
 - Balance Sheet: a £0.25m increase in short term debtors (note 22) and Earmarked Reserves (note 12). This also increased the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
 - Property, Plant and Equipment (note 25): An update to this disclosure note to reflect the value of assets categorised as 'Other Land and Buildings' and 'Surplus assets' to reflect the value of these assets revalued in year.
- 2.16 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 20th September 2023.

3 Financial and value for money implications:

3.1 The published accounts are an essential means by which the Council demonstrates its stewardship of the resources and accounts for its financial performance.

4 Legal Implications:

4.1 The Council has a statutory obligation to publish its audited accounts by 30th September 2023 under the Accounts and Audit Regulations.

5 Risk implications

5.1 The production of the Statement of Accounts and the associated external audit process are some of the key controls in place to mitigate the risk of the weakening of the Council's finance resilience. The Council's audit certificate is dependent on our auditors receiving the audit letter from the Hertfordshire Pension Fund auditors. This is expected in late September/October.

6 Equalities, Community Impact and Human Rights:

6.1A Community Impact Assessment is not required. There are no Human Rights Implications.

7 Sustainability implications (including climate change, health and wellbeing, community safety)

7.1 None arising directly from the report.

8 Council infrastructure (including Health and Safety, HR/OD, assets and other resources)

8.1 None arising directly from the report.

7 Conclusions:

7.1 The Statement of Accounts represents a detailed picture of the Council's financial activity for 2022/23. 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
2022/23**

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Introduction – Leader of the Council

Welcome to Dacorum Borough Council's annual Statement of Accounts for the financial year 2022/23.

These accounts show you how we managed our finances in 2022/23 whilst delivering against key Council priorities below:

- 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 cost of living crisis has made this year a challenging one for our residents and businesses and affects us all. The Council's priority during this time has been to ensure everyone who needs help is supported, especially the most vulnerable. The Council has worked to ensure the most vulnerable members of society are protected and that essential Council services continue to be provided.

During 2022/23, the Council has:

- Launched a Climate and Ecological Emergency strategy and an Electric Vehicle strategy.
- Provided more funding to community projects via the Green Community Grant scheme.
- Completed a number of refurbishment projects, including the transformation of Northridge Way basketball court, Canal Fields playground in Berkhamsted and Tring Skate Park.
- Hosted community events including the Platinum Party in the Park and the Queen's Baton Relay.
- Invested in new affordable homes in the borough via the Council's new build housing programme and via grant funding to other providers of affordable housing.
- Continued work with partner authorities on a new residential and commercial neighbourhood for Hemel Hempstead, known as Hemel Garden Communities, delivering more than 11,000 new homes and 10,000 new jobs by 2050.
- Supported local businesses to promote growth and employment opportunities and continued to work with our partnership Economic Recovery Board on skills, local employment opportunities and inward investment.
- Continued the work of the Hemel Place Board to develop a new Place Strategy for Hemel Hempstead and the town centre to bring about regeneration and investment.

During 2023/24, Dacorum Borough Council will:

- Continue to ensure that those who need help due to the impact of the cost of living crisis are supported.
- Continue to build new Council homes for local people.
- Continue to emphasise our Climate and Ecological Emergency Strategy.
- Progress key projects for the Council, including Hemel Garden Communities and the Hemel, Berkhamsted and Tring Place Strategies.
- Develop our relationships with the Voluntary and Community Sector.

Over the next financial year, we will continue to ensure we improve the services we deliver and make them as efficient as possible. We will seek to generate more income so we can continue to deliver the best possible services to our residents and businesses and our priorities as set out in our Corporate Plan (2020-2025).

Councillor Ron Tindall, Leader of the Council

Introduction – Chief Finance Officer

As the Council's Chief Financial Officer, I have pleasure in presenting Dacorum Borough Council's Statement of Accounts for 2022/23.

The Narrative Report and the notes that follow give you a clear picture of the figures making up our Statement of Accounts and show how the money 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 recovery from the Coronavirus pandemic has presented an operational and financial challenge for the Council and will continue to do so in the medium term as people's behaviours and approaches have changed in many ways. The current economic uncertainty and cost of living pressures have made this transition to a "new normal" approach to service delivery all the more challenging. 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 are responding to the ongoing economic challenges by ensuring we regularly review our Medium Term Financial Strategy and 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 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 proper protection and stewardship of public funds is conducted efficiently and effectively. The work that the team does in collaboration with colleagues to challenge spend and to help improve and deliver value for money is critical in ensuring 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.

Nigel Howcutt
Chief Finance Officer

Borough Profile

The Borough has a population of approximately 155,000. Dacorum's population is split across 3 main urban towns of Hemel Hempstead, Tring and Berkhamsted, plus a number of large and small villages. Almost 80% of land in Dacorum is classified as rural 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 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**
- **Climate and Ecological Emergency - working to deliver net zero carbon.**

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

Political and Strategic Framework

The Council holds elections for all Members once every four years, with borough-wide elections last held in May 2023. As at 31 May 2023, the Council was made up of 28 Liberal Democrats, 18 Conservatives, 3 Labour and 2 Independent councillors.

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

During 2022/23, the Council was structured along four directorates, providing the following services:

Resident Services – includes management of the council's Housing Revenue Account (HRA) housing stock and the provision of information and service for Council tenants and leaseholders. Also includes waste management, refuse collection, management of the Council's parks and green spaces, emergency planning and environmental health.

Place – includes the Council's approach to transforming its places through new place strategies, regeneration, economic development, arts/leisure provision and engagement of the voluntary and community sector including community grant funding. The Directorate covers the statutory planning functions of development management and local planning, including planning for infrastructure.

People and Transformation – includes human resources, customer services and digital services, Climate Change work and borough- wide communications, as well as a delivery of the Council's transformation programme.

Corporate and Commercial – Includes the main corporate support functions such as Finance, Legal and democratic services as well as overseeing commercial, procurement and commissioning activity, parking and garage services. Also includes the collection of council tax and business rates and the payment of housing benefit and council tax support.

From 2023/24 the Resident Services directorate is no longer part of the Council's structure. Two new directorates- Housing and Property Services and Neighbourhood Operations are now in operation, alongside the other three directorates identified above.

Challenges and Opportunities

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

- Cost of Living- Inflationary increases arising from current economic conditions presented a significant financial challenge during 2022/23. Significant inflationary pressures were managed via the use of Council reserves. The approved budget for 2023/24 incorporates prudent assumptions around inflation. Inflationary increases represent a continued risk for the Council in 2023/24.
- The impact of the pandemic continued into 2022/23, with income from parking, business rates and commercial rents lower than that seen prior to the start of the pandemic. Pressures on Council income arising from changes in behaviour following the pandemic are expected to continue in 2023/24, particularly around parking.
- The Council has managed its financial position by the use of grant funding and also through its existing reserves. This includes the draw-down of funding from the Economic Recovery Reserve (created to manage the financial impact of the pandemic). Longer term planning to manage the financial consequences of the pandemic and inflationary increases has been addressed as part of our medium term financial strategy.
- Local Authority funding mechanisms are increasingly uncertain as the government has further delayed the proposed funding. 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 to work on a number of opportunities for the benefit of the borough:

- Continued exploration of commercial opportunities and the development of our charging strategy to generate income to support key frontline services. The introduction of green waste charging is a recent and example of this.
- Service transformation to deliver increased service efficiency and enhance customer experience.
- The continued development of proposals for Hemel Garden Communities, a new residential and commercial neighbourhood for Hemel Hempstead.
- The provision of affordable housing for the borough, via our new build program.
- Increasing prosperity of towns in the borough, through work such as the Hemel, Berkhamsted and Tring Place Strategies.
- Bringing the Dacorum community together via an ongoing growing programme of public events in the borough.

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 2022/23 against its corporate priorities. 2021/22 figures are provided in brackets, where figures have changed year on year.

A clean, safe and enjoyable environment

- Collected 4,970 tonnes of food waste (5,227)
- Maintained parks and gardens across Dacorum including 62 play areas, 5 Green Flag parks and 2 Queen Elizabeth II Fields In Trust
- Received 2,601 planning applications (3,190).

Building strong and vibrant communities

- Continued our programme of community grants.
- Managed 25 car parks, all of which have Park Mark for safety.

Ensuring economic growth and prosperity

- Provided support and advice to 425 businesses (269), via our economic development team.

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

- Continued the development of 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

- Identified £1.8m of savings as part of 2023/24 budget-setting.

Climate and Ecological Emergency - working to deliver net zero carbon

- Launched our climate and ecological emergency strategy and electric vehicle strategy.

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). As part of this reporting cycle, financial information is provided internally to senior officers of the Council and publicly 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 required by law and best practice accounting guidance. These figures include accounting adjustments to figures presented in the Council's reporting cycle, described above, as required by law.

The Council's income and expenditure are categorised across the following three accounts:

- **General Fund Revenue Account**

The General Fund incorporates all services not related to the Council's Housing Landlord function. Revenue expenditure is generally incurred on day to day items that are consumed within one year. Expenditure is financed principally from Government Grant, Taxation, and fees and charges.

- **Housing Revenue Account (HRA)**

The HRA refers to services related to the Council's Housing Landlord function. HRA expenditure must be wholly funded from Rental and Service charge income generated from Council Houses. Rental income cannot be used to fund General Fund expenditure.

- **Capital Programme**

Capital expenditure is incurred when an asset is acquired or /enhanced and a benefit is derived for a period in excess of one year. Capital expenditure is financed from capital receipts, capital reserves, government grants, revenue contributions and borrowing.

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

- **Housing and Community** (includes services such as arts and entertainment, adventure playgrounds, the management of anti- social behaviour and homelessness). This committee is also responsible for the Council's Landlord Function (the HRA), which is identified separately throughout the accounts);
- **Finance and Resources** (includes commercial development and property, 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)

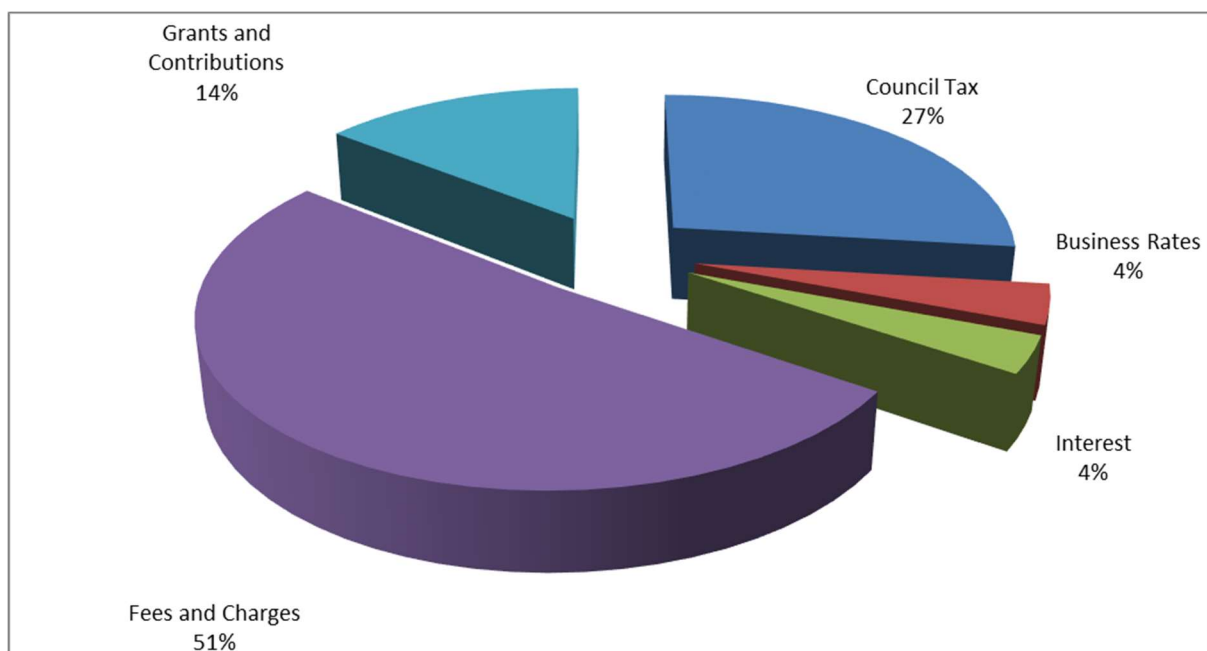
The three committees shown play an important role in guiding and examining our policies and operational and financial performance. They are involved in keeping the Council's activities under review. They scrutinise the proposals, actions and decisions of the Cabinet and Council, as well as developing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

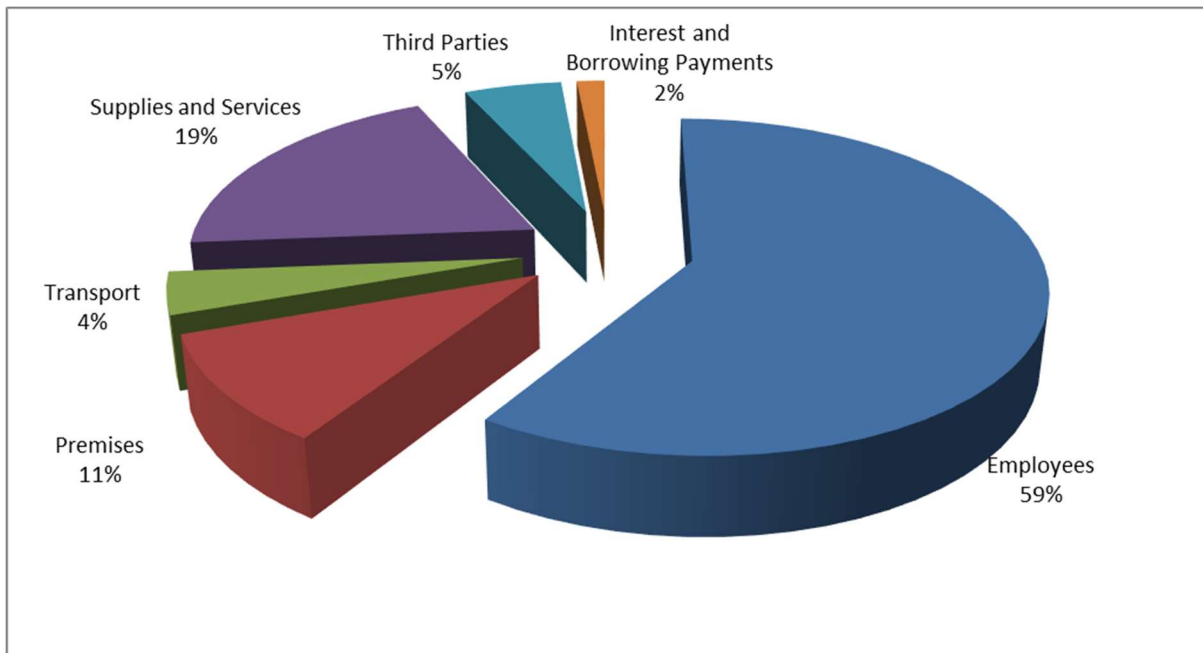
General Fund Revenue Account

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

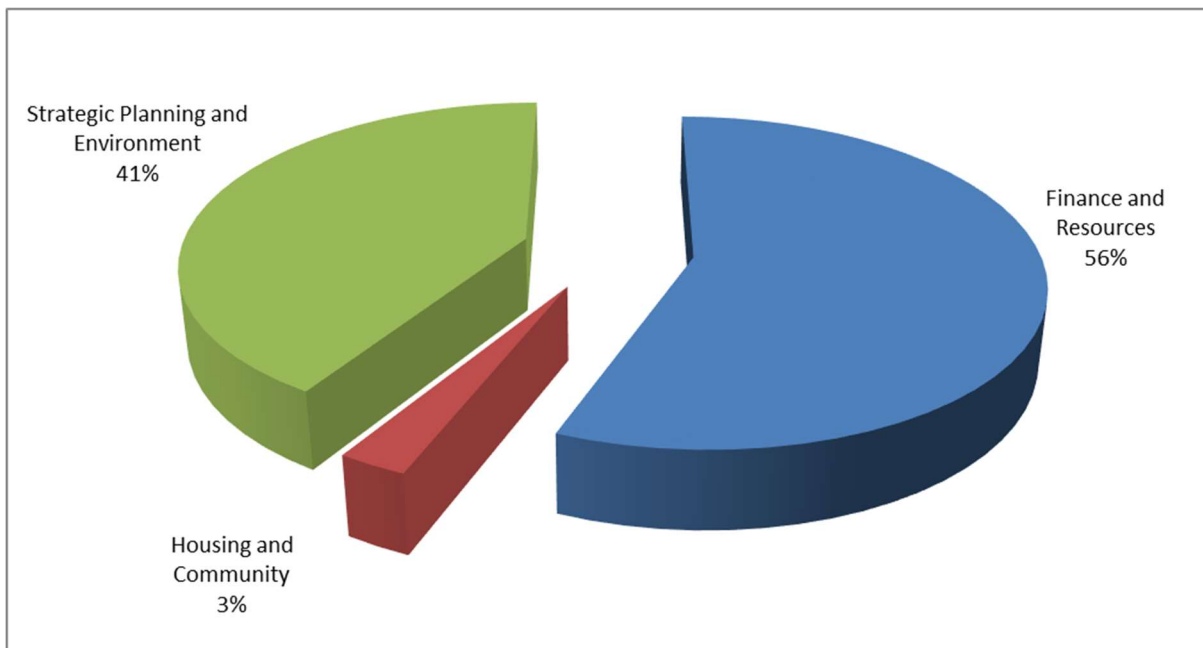


How the funding was spent¹



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



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

The table below summarises the Council's General Fund Revenue Account for 2022/23:

Table 1- General Fund Revenue Financial Performance 2022/23

	Budget	Actuals	Variance
	£000	£000	£000
Finance and Resources	14,615	15,964	1,349
Housing and Community	904	791	(113)
Strategic Planning and Environment	10,457	11,698	1,241
Net Cost of Services	25,976	28,453	2,477
Investment Property	(3,853)	(4,328)	(475)
Interest on Investment Income, Interest Payable and Minimum Revenue Provision	729	(1,280)	(2,009)
Parish Precept Payments	1,034	1,015	(19)
Government Grants	(1,638)	(6,946)	(5,308)
Council Tax	(13,466)	(13,744)	(278)
Business Rates	(1,881)	6,200	8,081
Net (Income)/ Expenditure- Other Items	(19,075)	(19,083)	(8)
(Surplus)/ Deficit on Provision of Services	6,901	9,370	2,469
Net Recharge to the HRA	(5,271)	(5,576)	(305)
Contribution To / (From) Earmarked Reserves	(1,630)	(3,794)	(2,164)
Net Movement on General Fund Working Balance	(0)	0	0

Transactions relating to asset depreciation have nil net impact on the position and are excluded from Table 1. Contributions To/ (From) Earmarked Reserves includes £350k to finance vehicle replacement as part of the Capital programme.

General Fund Services Financial Performance

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

- Housing and Community
 - An underspend associated with garage repairs and maintenance £0.3m.
- Strategic Planning and Environment
 - Costs associated with employees and vehicles required for the provision of Waste services £1.0m. Inflationary increases have impacted the service. The position has been mitigated via use of reserves in 2022/23.
- Finance and Resources
 - A shortfall against budgeted income relating to car-parking £0.5m.
 - Additional costs relating to Berkhamsted Leisure centre £0.3m.
- Investment income
 - Returns on Councils investment have performed strongly during 2022/23 generating a surplus of £2.0m over budget.

- Government grants
 - Additional grant funding received during the year. This includes £5.00m relating to business rates reliefs and an additional £0.4m of other grants.
- Business Rates
 - The Council paid a deficit of £8.0m to the Collection Fund in respect of business rates. This was offset by a draw-down from the Funding Equalisation Reserve of balances transferred to that reserve in 2021/22 specifically for this purpose.
- Reserves
 - There was a transfer of £5.2m during the year from the Funding Equalisation reserve, arising from timing differences on Collection Fund balances. The Council drew down £1.7m of additional contributions from the Economic Recovery Reserve to support pandemic- related expenditure.

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 2022/23 the returns on investments far exceed budgeted expectations due to an increase in interest rates favourably impacting investment returns.

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. During 2022/23 the Council repaid £9.9m of PWLB General Fund loans (including a discount for early repayment), saving £0.3m on expected annual interest payments in 2023/24 and beyond.

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 alongside grants to compensation for the provision of rates relief to ratepayers.

Taxation (Business Rates and Council Tax)

The Council collects business rates and council tax income on behalf of itself, central government and other local government bodies, such as Hertfordshire County Council and the Police and Crime Commissioner. 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 2022/23.

The net collectable amount of council tax in Dacorum for 2022/23 (for Dacorum Borough Council, Hertfordshire County Council and the Police and Crime Commissioner for Hertfordshire) was £118.6m (2021/22 £112.5m). The Dacorum Borough Council share of council tax (excluding the precept for parish and town councils) is £12.8m an increase from £12.4m in 2022/23.

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.

In 2020/21 the Council 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, which has been unwound in 2021/22 and 2022/23, fully reinstating the balance on the unusable pensions reserve. Further details are disclosed in note 36 Pensions.

Housing Revenue Account (HRA)

The table below summarises the financial position on the Council's HRA for 2022/23:

Table 2: HRA Revenue Financial Performance 2022/23

	Budget	Actuals	Variance
	£000	£000	£000
Dwelling Rents and Service Charges	(57,550)	(57,656)	(106)
Non Dwelling Rents	(102)	(97)	5
Charges for Services and Facilities	(1,849)	(1,905)	(56)
Interest on Investment Income	(42)	(1,084)	(1,042)
Contributions towards expenditure	(645)	(890)	(245)
Total Income	(60,188)	(61,632)	(1,444)
Repairs and Maintenance	11,471	16,713	5,242
Supervision and Management	12,425	13,401	976
Recharges	5,271	5,576	305
Depreciation	15,620	16,435	815
Revenue Contribution to Capital	3,284	0	(3,284)
Interest Payable	11,302	11,302	0
Other Expenditure	815	471	(344)
Total Expenditure	60,188	63,898	3,710
(Surplus)/ Deficit prior to reserve movements	0	2,266	2,266
Contribution To / (From) Reserves	0	(2,266)	(2,266)
HRA Deficit / (Surplus)	0	0	0
Working Balance Brought Forward	(2,894)	(2,894)	0
Working Balance Carried Forward	(2,894)	(2,894)	0

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. Inflationary increases have impacted repairs and maintenance costs in particular, with expenditure in this area being higher than seen in previous years.

The Council has invested in a service transformation project for its Housing Landlord function– the Housing Transformation Improvement Project. This work is expected to continue into 2023/24.

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 draw down from HRA reserves to support in year investment in the HRA. A detailed breakdown of the movements to and from reserves can be seen in Note 12 to the Accounts.

The Working Balance for the Housing Revenue Account is £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:

- £15.7m on the Council's housing stock.
- £15.7m on housing development.
- £0.4m to support the development of affordable housing in the borough outside the Council's own new build programme
- £0.5m on replacing the Council's fleet vehicles.

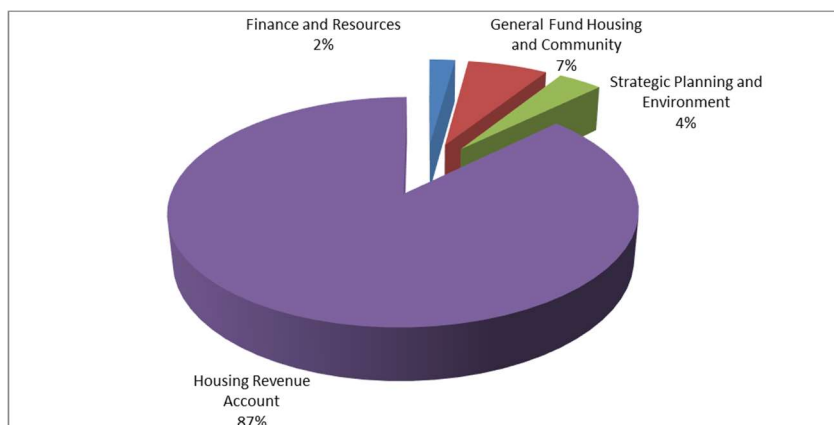
Key new housing investment in the borough includes the completion of the site at Coniston Road. Other projects include completion of new move- on accommodation and the Council's garages and investment in play spaces in the borough.

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

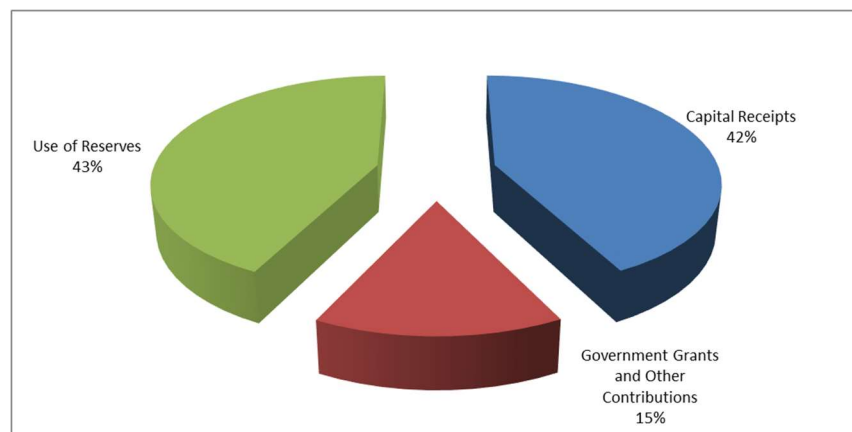
There has been some slippage of the capital programme into future years, resulting in part from rising prices requiring project review and dependency on third parties.

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

Areas of capital investment 2022/23



Sources of capital financing 2022/23



The Council's Financial Outlook

The Council's budget for 2023/24 and Medium- Term Financial Forecast were approved by Full Council in February 2023. The Council anticipates significant inflationary increases in 2023/24. This has been reflected in the 2023/24 budget and the medium- term forecasts. The national and global economic position will determine the extent to which these pressures continue to affect the Council's funding into the medium-term. Inflationary increases represent a further challenge for the local government sector and are a key financial risk for the Council.

The Council will continue to monitor and report on its financial position in 2023/24. This is both as part of the Council's own internal reporting requirements and the external requirements placed on the Council 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 will be monitored and reported on to senior officers and members.

The Council's Medium Term Financial Strategy will be updated during 2023/24. Within this update, the Council 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.

The Council's MTFS preparations are becoming more difficult year on year. The Local Government sector has been impacted by several ongoing difficulties;

- Awaiting a long list of outstanding reforms pending since 2019,
- Impacted by increased complexity around central government intervention,
- Awaiting planned funding changes on the horizon,
- Impacted significantly by the current macro-economic uncertainty.

Structure of the Statement of Accounts

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 2022/23 (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Chief Finance Officer 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 2022/23, and the financial position of the Council as at 31 March 2023. 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 2023 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 2022/23, 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 Chief Finance Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.
- Approve the Statement of Accounts by 30th September 2023. Approval of the Statement of Accounts has been delegated to the Audit Committee.

In accordance with the requirements of Accounts and Audit Regulations 2015 and amendments, I confirm that the Statement of Accounts for the year ended 31 March 2023 was approved by resolution of the Audit committee of Dacorum Borough Council on 20th September 2023.

Councillor Stewart
Audit Committee Chairman

The Chief Finance Officer responsibilities

The Chief Finance Officer 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 Chief Finance Officer 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 Chief Finance Officer 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 2023, and its income and expenditure for the year ending 31 March 2023.

Nigel Howcutt
Chief Finance Officer

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. 2021/22 was the first year for compliance with the CIPFA Financial Management (FM) Code 2019 and an assessment of how the Council's financial management is compliant 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 and 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 effective. No significant weaknesses in governance arrangements were identified during 2022/23. The Council's financial management arrangements are considered compliant with the FM Code 2019 requirements.

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 the priorities and objectives of the corporate plan, and ensure that there are effective controls and risk management as it delivers these.

Whatever the successes in the past, the Council makes no assumptions about the future. In a fast-changing world, it remains alert to the need to maintain high standards of governance.

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 management of risk;
- developing the capacity and capability of members and officers to be effective;
- involving local people and other stakeholders to ensure strong public accountability.

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

Scope of responsibility

Dacorum Borough Council is responsible for ensuring its business is conducted in accordance with the law and proper standards; and that public money is safeguarded, 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 2022/23 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 priorities and objectives, as set out in the Corporate Plan.
- Reviewing these priorities and objectives and their 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 Council's 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
- Climate and ecological emergency- working to deliver net zero carbon

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 local people need. . The Council has an online consultation group of around 900 residents and sends all consultations to this group. The Council communicates with service users through its printed residents' magazine 'Dacorum Life', weekly e-newsletter, its website, customer services surveys, the corporate complaints procedure and social media such as Facebook, Twitter and LinkedIn.

To support its overall vision and aims, the Council has continued to review its Medium Term Financial Strategy and 5 year Capital Programme during 2022/23 and as part of the budget preparation for 2023/24. For the Capital Programme, this included aligning resources to priorities through the appraisal of new schemes based on the Council's key priorities.

The organisation has a robust framework for project management. All project proposals follow a standard approval and review process. Every project is defined and resourced with named individuals responsible for project and programme delivery assigned to them.

Reviewing the Corporate Plan priorities and objectives and their 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 Strategic Leadership Team (SLT) review performance indicators. All objectives included in Service plans are aligned to the vision and priorities and are reviewed corporately by SLT and other senior managers to test completeness and consistency.

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 receives updates on the work and recommendations of Corporate Officer working groups including:

- Commercial Board
- Place Board
- People & Transformation Board
- Health and Safety Board
- Climate Change and Ecological Emergency 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 operates an annual service planning process which supports the delivery of corporate objectives. Key performance indicators are identified for Council services and performance against

these indicators are regularly reported to SLT and to Members. Services are expected to make good use of data and benchmarking to support the delivery of value for money services. Satisfaction surveys are also undertaken by key services to assess customer satisfaction.

External Audit's Audit Findings report for 2021/22, the most recent undertaken, concluded the Council had demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources. No indications of potential significant weaknesses in this area were identified.

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

The Council ensures that roles and responsibilities for governance are defined and allocated so that accountability for decisions and actions taken is clear. These are included in the Council's Constitution.

After every election or by-election, members are subject to an effective induction programme to help them understand their role.

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 Strategic Leadership 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 Section 151 Officer/Chief Finance 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 Section 151 Officer is the lead officer for Audit Committee. There is a Deputy S151 to act in the Chief Finance Officer's absence.

During 2022/23, the Assistant Director, Legal and Democratic Services, as the Council's Monitoring Officer, had overall responsibility for legal compliance. The Head of Legal and Democratic Services acted as the Deputy Monitoring Officer for the majority of 22/23, when the post holder departed. The Council commissioned back-up support from Hertfordshire County Council for a period of time prior to the permanent appointment of a new internal deputy Monitoring Officer now being the responsibility of the Principal Property Lawyer post. All Legal Services staff work closely with departments to advise on legal requirements. The Assistant Director, Legal and Democratic 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. In February 2022, the Council adopted a new Code of Conduct for Councillors, which followed, in part, the Local Government Association Model Code of Conduct but retained the Council's existing provisions relating to registration and declaration of interests.

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 Councillors. 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.

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 2022/23 so the Constitution remains fit for purpose. It was not necessary to make more substantial changes.

The Financial Regulations were updated during 2022/23 and the changes approved by Cabinet in July 2022. 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 so there is clear process for authorisation. The Policy was updated following the UK withdrawal from the European Union in April 2022 to ensure the current orders were in line with World Trade Organisation requirements. This was approved by the Monitoring Officer.

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 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 pre-decision scrutiny, policy development work and performance monitoring. The Audit Committee oversees effectiveness of strategic risk management, and has reviewed the Strategic Risks in 2022/23.

Procedures governing the Council's operations include Financial Regulations, Commissioning & Procurement Standing Orders and the Risk Management Strategy (Refreshed in 2022/23). 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. During 2022/23, the Council published a refreshed Customer Strategy and a new Commercial Strategy.

The Corporate Business Continuity Plan was updated in July 2022. Service-specific business continuity plans are reviewed regularly.

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. The terms of reference have also been reviewed in 2022/23 for accuracy and completeness.

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 or their deputies. All key executive decisions taken by officers under delegated powers are required to be recorded on an executive decision sheet, which must include Section 151 officer and Monitoring Officer comments.

All Cabinet draft reports are made available for the Statutory Officers to review and comment. Any legal or financial issues are 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 Priorities;
- Financial and Value for Money, Legal, Risk, Equalities, Human Rights, Sustainability (including climate change, health and wellbeing, community safety), Council Infrastructure (Health and Safety, Human Resources, assets and other resources) implications and community impact assessment.
- Monitoring Officer and S151 Comments;
- Consultees;
- Background papers.

Statutory Officers, Strategic Directors (formerly 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 2022/23, 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)

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, Legal and Democratic Services is the Council's designated Senior Information Risk Officer (SIRO). The SIRO is responsible for managing information risk on behalf of the Chief

Annual Governance Statement

Executive and the Strategic Leadership Team and has adopted the ICO's reporting template for potential breaches.

Data Protection Act and Information Security training is mandatory and provided regularly 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 Council 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 Code of Conduct for Councillors are subject to a separate complaints process 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 2019 borough elections, mandatory training was introduced for members. Non-attendance is reported to Heads of Service and continuous non-attendance can be reported to the Standards committee. Details of member training is below:

Course	Date
Mandatory Planning Training	April 2022
Enforcement Training	May 2022
CIL Training	May 2022
LGA Code of Conduct	June 2022
Private Rented Sector Briefing	June 2022
JSP Member Briefing	June 2022
Risk	June 2022
Role of the Audit Committee	July 2022
Domestic Abuse Policy	October 2022
Cultural Awareness	November 2022
Health and Safety	December 2022
Housing Development	January 2023

Annual Staff Performance Appraisals are carried out to identify competencies and training needs and set 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. This includes Town and Parish consultation, engagement with the Tenant and Leaseholder Committee, Citizens Panel and resident associations.

Incorporating good governance arrangements in respect of Partnerships

The Council participates in partnerships aimed at improving services to the community including the Hemel Garden Communities, Hemel Place Board 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 systems of internal control. The review is informed by the work of the senior managers within the Council who have responsibility for the development and maintenance of governance systems, the Internal Audit Annual Report, and recommendations and comments made by the External Auditors and other review agencies and inspectorates.

In 2022/23, 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 fundamental to the systems concerned and upon which immediate action is to be taken. In the 2022/23 Statement of Accounts, no priority 1 recommendations were identified.

The key elements of the Governance and internal controls process are summarised in this 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"> • Minimum 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 on issues arising from the audit of the accounts

Annual Governance Statement

<p>Overview & Scrutiny Committees: Housing & Community Strategic Planning & Environment Finance & Resources</p>	<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 Strategic Leadership Team
Monitoring Officer (Assistant Director Legal and Democratic 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 Provide advice and contribute to corporate management as a member of the Corporate Leadership Team
Section 151 Officer (Chief Finance Officer)	<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 the Corporate Leadership 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
Strategic 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 the Strategic Leadership Team
Strategic 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
Corporate Working Groups	<ul style="list-style-type: none"> Cross Council Officer groups overseeing activity, performance and risks within remit 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 Heads of Service(Corporate Leadership Team)	<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 Corporate 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

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 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

2022/23 has presented challenges in respect of medium-term financial planning, arising from short term government financial settlement, economic uncertainty including inflationary pressures and the ongoing recovery from the implications of the Covid -19 pandemic. The Council has addressed this by updating its medium term financial strategy 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 prudent assumptions in our medium- term financial planning.

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 is in place.

The Council's Internal Audit service, is delivered by TIAA Ltd. The programme of works for 2022/23 included 17 internal audits. 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 2022/23, the internal audit reports have currently resulted in 1 limited assurance, 10 reasonable assurances and 6 substantial assurances.

Internal audit reports provide recommendations for improvements. In total 58 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 2022/23 Annual Report was presented to Audit Committee in June 2023.

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.

Annual Governance Statement

We give our assurance that 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 Ron Tindall - Leader of the Council)

Date:

Signed
(Claire Hamilton - Chief Executive)

Date:

Comprehensive Income and Expenditure Statement

	Note	2022/23			2021/22		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£'000	£'000	£'000	£'000	£'000	£'000
Finance and Resources (GRF)		58,051	(38,346)	19,705	60,735	(39,777)	20,958
Housing and Community (GRF)		9,969	(6,893)	3,075	10,525	(6,501)	4,023
Strategic Planning & Environment (GRF)		22,069	(6,462)	15,607	25,288	(12,065)	13,223
Housing and Community (HRA)		63,897	(60,549)	3,348	49,832	(58,717)	(8,884)
Total Cost of Services		153,986	(112,251)	41,735	146,380	(117,060)	29,320
Other Operating Expenditure	8			(2,328)			(1,793)
Financing and Investment Income and Expenditure	9			5,254			8,153
Taxation and Non Specific Grant Income	10			(27,570)			(28,872)
(Surplus)/Deficit on Provision of Services				17,090			6,807
(Surplus)/ Deficit on Revaluation of Property Plant, Equipment	30			(102,750)			(80,360)
Actuarial (Gains)/Losses on Pension Asset / Liabilities	36			(69,436)			(29,132)
Other Comprehensive Income and Expenditure				(172,186)			(109,492)
Total Comprehensive Income and Expenditure				(155,096)			(102,685)

-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	Earmarked Reserves General Fund	Housing Revenue Account	Earmarked Reserves HRA	Major Repairs Reserve	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
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	
Movement in Reserves During 2021/22:											
Surplus or (Deficit) on Provision of Services	(3,782)	0	(3,026)	0	0	0	0	(6,807)	0	(6,807)	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	109,492	109,492	
Total Comprehensive Income and Expenditure	(3,782)	0	(3,026)	0	0	0	0	(6,807)	109,492	102,685	
Adjustments Between Accounting Basis and Funding Basis Under Regulations:	11	(2,100)	0	3,046	0	4,632	4,966	951	11,496	(11,496)	0
Net Increase/(Decrease) Before Transfers to Earmarked Reserves	(5,882)	0	20	0	4,632	4,966	951	4,689	97,996	102,685	
Transfer (to)/from Earmarked Reserves	12	5,882	(5,882)	(20)	20	0	0	0	0	0	
Balance at 31 March 2022	2,502	23,098	2,892	6,997	4,804	18,429	47,131	105,855	998,090	1,103,945	
Movement in Reserves During 2022/23:											
Surplus or (Deficit) on Provision of Services	(4,650)	0	(12,440)	0	0	0	0	(17,090)	0	(17,090)	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	172,186	172,186	
Total Comprehensive Income and Expenditure	(4,650)	0	(12,440)	0	0	0	0	(17,090)	172,186	155,096	
Adjustments Between Accounting Basis and Funding Basis Under Regulations:	11	505	0	10,174	0	(400)	1,964	(6,737)	5,506	(5,506)	0
Net Increase/(Decrease) Before Transfers to Earmarked Reserves	(4,145)	0	(2,266)	0	(400)	1,964	(6,737)	(11,584)	166,680	155,096	
Transfer (to)/from Earmarked Reserves	12	4,144	(4,144)	2,266	(2,266)	0	0	0	0	0	
Balance at 31 March 2023	2,501	18,954	2,892	4,731	4,404	20,393	40,395	94,270	1,164,770	1,259,041	

Balance Sheet

	Note	31 March 2022 £'000	31 March 2023 £'000
Long-term Assets			
Property, Plant & Equipment	25	1,340,976	1,437,565
Investment Property	27	66,454	65,265
Heritage Assets	33	8,823	8,957
Intangible Assets	28	448	571
Long-term Debtors	21	384	6,241
Total Long Term Assets		1,417,085	1,518,600
Current Assets			
Short-term Investments	34	100,549	93,528
Assets Held for Sale	29	0	0
Inventories		207	299
Short-term Debtors	22	20,216	22,889
Cash and Cash Equivalents	34	39,399	11,693
Total Current Assets		160,372	128,409
Current Liabilities			
Short-term Creditors	20	(33,926)	(30,875)
Short-term Borrowing	34	(1,829)	(2,762)
Revenue Grants and Contributions	18	(15,144)	(4,100)
Capital Grants and Contributions	18	(1,424)	(2,421)
Short-term Provisions	24	(7,971)	(8,955)
Total Current Liabilities		(60,294)	(49,112)
Long-term Liabilities			
Long-term Creditors	19	(258)	(257)
Long-term Borrowing	34	(347,974)	(334,808)
Net Pension Liability	36	(64,986)	(3,791)
Total Long-term Liabilities		(413,218)	(338,856)
Net Assets (Assets Less Liabilities)		1,103,945	1,259,040
Usable Reserves			
General Fund	11	2,500	2,500
Earmarked Reserves – General Fund	12	23,098	18,954
Housing Revenue Account (HRA)	11	2,894	2,893
Earmarked Reserves – HRA	12	6,997	4,731
Major Repairs Reserve	11	4,805	4,405
Capital Grants Unapplied Account	11	18,429	20,392
Capital Receipts Reserve	11	47,131	40,394
Total Usable Reserves		105,853	94,269
Unusable Reserves			
Revaluation Reserve	30	640,658	731,846
Capital Adjustment Account	31	431,051	437,173
Deferred Capital Receipts		0	0
Collection Fund Adjustment Account		(6,357)	(719)
Financial Instruments Adjustment Account		0	546
Pension Reserve	36	(66,981)	(3,791)
Accumulated Absences Account		(279)	(283)
Total Unusable Reserves		998,092	1,164,772
Total Reserves		1,103,945	1,259,040

Cashflow Statement

	2022/23 £'000	2021/22 £'000
Net Surplus/(Deficit) on Provision of Services	(17,090)	(6,807)
Operating Activities		
Adjustments to surplus/deficit for non cash movements		
Depreciation & Impairment & Valuations to the CIES for Property	36,539	31,669
Amortisation of Intangible Assets	118	144
Disposal of Assets	5,631	6,990
Changes in Inventory	(91)	(42)
Changes in Debtors	(4,270)	2,140
Changes in Creditors	(17,110)	5,989
Changes in Net Pension Liability	8,241	8,895
Other non-cash Movements	665	(348)
	29,723	55,436
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	(8,974)	(11,387)
Any other items for which the cash effects are investing or financing cash flows	(7,442)	(8,442)
	(16,415)	(19,829)
Net Cash Flows from Operating Activities	(3,782)	28,800
Cash Flows from Investing Activities		
Purchase of Property, Plant & Equipment, Investment Property and Intangibles	(33,087)	(27,682)
Net Changes in Short-term and Long-term Investments	7,750	(33,000)
Other payments for investing activities	(6,000)	0
Proceeds from the Disposal of Property, Plant and Equipment	9,083	11,363
Other receipts from investing activities	8,575	10,544
Net Cash Flows from Investing Activities	(13,679)	(38,775)
Cash Flows from Financing Activities		
Repayments of borrowing	(12,233)	(3,823)
Other payments for financing activities	1,988	7,398
Net Cash Flows from Financing Activities	(10,245)	3,575
Net Increase/(Decrease) in Cash and Cash Equivalents	(27,707)	(6,400)
Cash and Cash Equivalents at the Beginning of the Period	39,400	45,800
Cash and Cash Equivalents at the End of the Period	11,693	39,400
The cash flows for operating activities include the following items:		
Interest Receivable and Similar Income	2,783	138
Interest Payable and Other Similar Charges	(11,771)	(11,963)

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 2022/23 (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 are debited with the following to record the cost of holding non-current assets during the year:

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

Fair Value

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

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

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

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

Level 3 – unobservable inputs for the asset or liability.

Property, Plant and Equipment

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

Initial and Subsequent expenditure on Property, Plant and Equipment is capitalised on at cost on an accruals basis when it will bring future economic benefits or service potential to the Council for more than one reporting period and the costs can be reliably measured, subject to a de-minimis

capitalisation threshold of £10,000 per scheme. Items below this limit are charged to revenue. The Council does not capitalise borrowing costs incurred whilst assets are under construction. The carrying amount of any replaced part is derecognised. All other repairs and maintenance are charged to the Comprehensive Income and Expenditure Statement during the financial period they are incurred.

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

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

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

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

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

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

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

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007, the date of its implementation. Gains 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 & Infrastructure Assets	Shorter of remaining life or up to 60 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 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 2023/24 Code and where disclosures are required in the 2022/23 financial statements are:

1. Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
2. Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
3. Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021- only applicable to Councils with group accounts, so not applicable to Dacorum Borough Council.
4. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

These changes are not expected to have a material effect on the Council's 2023/24 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 (over £2.5m) are valued yearly and Council Dwellings are also valued at least once a year. The remaining assets not being valued yearly are not material.

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 £62.234m in the Balance Sheet and change the annual depreciation charge by £1.037m 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 £7.246m. A 5% change in value of Council assets categorised as Investment properties would affect the carrying value of these assets by £3.263m.

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 £17.9m, of which the Councils share is £7.16m. An increase in the success rate by 5% would change the required provision by £0.895m, affecting the surplus/deficit on the Collection Fund distributed to the preceptors and Central Government.

Measurement of Pension Liability

The present value of the pension liability depends on a number of factors determined on an actuarial basis and the value of the underlying assets. The estimated effects of changes in key individual assumptions would increase the Council's pension liability at 31 March 2023 as follows:

	2022/23 £'000
0.1% decrease in the real discount rate	4,053
1 year increase in member life expectancy	9,434
0.1% increase in salary increase rate	392
0.1% increase in the pension increase rate (CPI)	3,723

The table presents the changes in isolation; however the assumptions interact in complex ways. See note 36 for information on the pension liability.

5. Events After the Balance Sheet Date

The draft Statement of Accounts were authorised for issue by the Chief Finance Officer on 25th May 2023. 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 2023.

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

	2022/23			2021/22		
	Net Expenditure Chargeable to the General Fund & HRA Balances £'000	Adjustments Between the Funding & Accounting Basis (Note 7) £'000	Net Expenditure in the Comprehensive Income & Expenditure Statement £'000	Net Expenditure Chargeable to the General Fund & HRA Balances £'000	Adjustments Between the Funding & Accounting Basis (Note 7) £'000	Net Expenditure in the Comprehensive Income & Expenditure Statement £'000
Finance and Resources (GRF)	15,964	3,742	19,705	14,902	6,056	20,958
Housing and Community (GRF)	791	2,285	3,075	1,179	2,844	4,023
Strategic Planning & Environment (GRF)	11,698	3,909	15,607	9,889	3,334	13,223
Housing and Community (HRA)	(13,527)	16,875	3,348	(20,995)	12,110	(8,884)
Net Cost of Services	14,925	26,810	41,735	4,976	24,344	29,320
Other Income and Expenditure	(8,514)	(16,131)	(24,645)	887	(23,400)	(22,513)
(Surplus)/Deficit on Provision of Services	6,411	10,679	17,090	5,863	945	6,807
			2022/23 £'000			2021/22 £'000
Opening Balance: General Fund, Earmarked Reserves & HRA Balance			(35,488)			(41,351)
Less Surplus/Deficit on Provision of Services			6,411			5,863
Closing Balance on General Fund, Earmarked Reserves and HRA Balance			(29,077)			(35,488)

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
2022/23	£'000	£'000	£'000	£'000
Finance and Resources (GRF)	3,291	453	(2)	3,742
Housing and Community (GRF)	1,433	852	0	2,285
Strategic Planning & Environment (GRF)	1,721	2,178	10	3,909
Housing and Community (HRA)	15,955	924	(4)	16,875
Net Cost of Services	22,399	4,407	4	26,810
Other Income and Expenditure	(1,000)	1,839	(16,970)	(16,131)
(Surplus)/Deficit on Provision of Services	21,398	6,246	(16,965)	10,679

	Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Adjustments	Total Adjustments Between Funding & Accounting Basis
2021/22	£'000	£'000	£'000	£'000
Finance and Resources (GRF)	5,449	668	(62)	6,056
Housing and Community (GRF)	1,895	969	(20)	2,844
Strategic Planning & Environment (GRF)	965	2,452	(84)	3,334
Housing and Community (HRA)	11,065	1,094	(49)	12,110
Net Cost of Services	19,374	5,184	(214)	24,344
Other Income and Expenditure	(7,389)	1,773	(17,784)	(23,400)
(Surplus)/Deficit on Provision of Services	11,985	6,957	(17,998)	945

7. Expenditure and Income Analysed by Nature

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

	2022/23	2021/22
	£'000	£'000
Expenditure		
Employees (including pension adjustments)	46,857	43,111
Premises	20,518	15,463
Transport	2,208	1,811
Supplies & Services	16,089	19,740
Third Party & Transfer Payments	33,912	35,798
Capital Charges/Revaluations	38,544	33,760
Parish Precepts	1,015	1,000
Interest Payments	11,771	11,962
Non Current assets written off as part of disposal gain	5,631	6,990
Payments to the Housing Receipts Pool	0	1,604
Total Expenditure	176,545	171,238
Income		
Fees, Charges and Other Service Income	(83,185)	(80,854)
Interest & Investment Income	(3,709)	(162)
Income from Council Tax	(13,907)	(13,430)
Income from Business Rates	(718)	9
Government Grants & Other Contributions	(48,961)	(58,605)
Sale proceeds on asset disposal and lease amortisation	(8,974)	(11,388)
Total Income	(159,455)	(164,431)
(Surplus) or Deficit on the Provision of Services	17,090	6,807

8. Other Operating Expenditure

	2022/23	2021/22
	£'000	£'000
Parish Council Precepts	1,015	1,000
Payments to the Government Housing Capital Receipts Pool	0	1,604
(Gains)/Losses on the Disposal of Non Current Assets	(3,343)	(4,397)
Total	(2,328)	(1,793)

9. Financing and Investment Income & Expenditure

	2022/23	2021/22
	£'000	£'000
Interest Payable and Other Similar Charges	11,771	11,962
Interest Receivable and Similar Income	(3,709)	(162)
Net Interest on the Net Defined Benefit Liability/Asset	1,839	1,773
Rental Income from Investment Property	(5,117)	(5,194)
Direct Operating Expenses Arising from Investment Property	788	947
Changes In Fair Value of Investment Property	(318)	(1,173)
Total	5,254	8,153

10. Taxation and Non-Specific Grant Income

	2022/23	2021/22
	£'000	£'000
Council Tax Income	(13,907)	(13,430)
Non Domestic Rates Income & Expenditure	1,115	1,764
Non-ring-fenced Government Grants	(7,337)	(8,764)
Capital Grants and Contributions	(7,441)	(8,442)
Total	(27,570)	(28,872)

11. Usable Reserves

This note details adjustments 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.

2022/23	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	(1,733)	0	(3,724)	(20)	0	5,478
Amortisation of Intangible Assets	118	0	0	0	0	(118)
Non Current Asset Depreciation & revaluation	4,121	0	(815)	0	0	(3,306)
HRA impairment reversal	0	0	16,769	0	0	(16,769)
Movements Investment Property fair value	(319)	0	0	0	0	319
Non-current assets written off as part of disposal gain	115	0	5,515	0	0	(5,631)
<u>Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement (CIES):</u>						
Minimum Revenue Provision/HRA debt repayment	(332)	0	(1,370)	0	0	1,702
Revenue Expenditure Funded From Capital Under Statute	2,206	0	0	0	0	(2,206)
Capital expenditure funded by Reserves	(350)	0	0	0	0	350
Adjustments involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited to CIES as part of the gain/loss on disposal	(93)	0	(8,881)	0	8,974	0
Repayment of Capital Loans	0	0	0	0	50	(50)
Use of Capital Receipts to finance capital expenditure	0	0	0	0	(15,760)	15,760
Adjustments involving the Major Repairs Reserve:						
HRA Depreciation	0	16,465	0	0	0	(16,465)
Loan Repayment Funded by the MRR	0	(1,370)	1,370	0	0	0
Use of MRR to Finance Capital Expenditure	0	(15,495)	0	0	0	15,495
Adjustments involving the Capital Grant Unapplied Account						
Capital Grants and Contributions unapplied credited to the CIES	(1,984)	0	0	1,984	0	0
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	10,014	0	2,694	0	0	(12,708)
Employer's pension contributions to pension fund payable in the year	(5,082)	0	(1,380)	0	0	6,462
Adjustments involving the Financial Instruments Adjustment Account:						
Discounts incurred and charged to the CIES	(546)	0	0	0	0	546
Adjustments involving the Collection Fund Adjustment Account:						
Amount council tax & business rates credited to the CIES differs from that calculated under statutory requirements	(5,639)	0	0	0	0	5,639
Adjustments involving the Accumulated Absences Reserve:						
Absences Accrual transferred to the Accumulated Absences Account	8	0	(4)	0	0	(4)
Adjustments Between Accounting Basis & Funding Basis Under Regulations	505	(400)	10,174	1,964	(6,737)	(5,506)

Notes to the Accounts

2021/22	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	(3,094)	0	(382)	0	0	(3,476)
Amortisation of Intangible Assets	144	0	0	0	0	144
Non Current Asset Depreciation & revaluation	6,219	0	(1,524)	0	0	4,694
HRA impairment reversal	0	0	12,589	0	0	12,589
Movements Investment Property fair value	(1,173)	0	0	0	0	(1,173)
Non-current assets written off as part of disposal gain	36	0	6,954	0	0	6,990
<u>Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement (CIES):</u>						
Minimum Revenue Provision/HRA debt repayment	(332)	0	(3,480)	0	0	(3,812)
Revenue Expenditure Funded From Capital Under Statute	1,947	0	0	0	0	1,947
Capital expenditure charged to General Fund or HRA	(350)	0	(4,735)	0	0	(5,085)
Capital expenditure funded by Reserves	(800)	0	0	0	0	(800)
Adjustments involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited to CIES as part of the gain/loss on disposal	(103)	0	(11,283)	0	11,387	0
Repayment of Capital Loans	0	0	0	0	10	10
Use of Capital Receipts to finance capital expenditure	0	0	0	0	(8,842)	(8,842)
Housing Capital Receipts Pooling Payment	1,604	0	0	0	(1,604)	0
Adjustments involving the Major Repairs Reserve:						
HRA Depreciation	0	15,559	0	0	0	15,559
Loan Repayment Funded by the MRR	0	(3,480)	3,480	0	0	0
Use of MRR to Finance Capital Expenditure	0	(7,446)	0	0	0	(7,446)
Adjustments involving the Capital Grant Unapplied Account						
Capital Grants and Contributions unapplied credited to the CIES	(4,966)	0	0	4,966	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	10,235	0	2,812	0	0	13,047
Employer's pension contributions to pension fund payable in the year	(4,755)	0	(1,335)	0	0	(6,090)
Adjustments involving the Collection Fund Adjustment Account:						
Amount council tax & business rates credited to the CIES differs from that calculated under statutory requirements	(6,547)	0	0	0	0	(6,547)
Adjustments involving the Accumulated Absences Reserve:						
Absences Accrual transferred to the Accumulated Absences Account	(165)	0	(49)	0	0	(214)
Adjustments Between Accounting Basis & Funding Basis Under Regulations	(2,100)	4,632	3,046	4,966	951	11,496

12. Earmarked Reserves

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

	Balance 31/03/2022	Transfers Out 2022/23	Transfers in 2022/23	Balance 31/03/2023
	£'000	£'000	£'000	£'000
General Fund Reserves:				
Management of Change	258	(707)	1,175	726
Local Development Framework	477	0	70	547
Funding Equalisation	10,047	(7,967)	5,118	7,198
Economic Recovery	2,807	(1,725)	0	1,082
Capital Development	300	(300)	0	0
Uninsured Loss	360	0	0	360
Litigation Reserve	317	0	0	317
Pensions Reserve	2,573	(719)	200	2,054
Dacorum Development	2,707	(1,028)	1,678	3,358
Savings Efficiency	907	(517)	491	881
Technology Reserve	752	(11)	0	741
Covid Hardship Fund	133	0	0	133
Leisure Reserve	0	0	330	330
Inflationary Pressure Reserve	565	(267)	0	298
Other Under £250k	895	(563)	598	930
Total General Fund Reserves	23,098	(13,805)	9,660	18,954
Housing Revenue Account Reserves:				
Strategic Acquisition	4,041	0	0	4,041
Revenue Commitments	2,439	(2,289)	0	150
Other HRA (Under £300k)	517	0	22	540
Total HRA Reserves	6,997	(2,289)	22	4,731
Total Earmarked Reserves	30,096	(16,093)	9,683	23,685

13. Members' Allowances

The following amounts were due to Members:

	2022/23 £'000	2021/22 £'000
Salaries (Basic & Special allowances)	443	426
Allowances (Broadband)	1	2
Expenses (Travel & Subsistence)	1	0
Total	445	428

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	2022/23	2021/22
£50,000 - £54,999	32	27
£55,000 - £59,999	9	8
£60,000 - £64,999	9	1
£65,000 - £69,999	4	3
£70,000 - £74,999	1	10
£75,000 - £79,999	5	3
£80,000 - £84,999	4	0
£100,000 - £104,999	1	0
Total	65	52

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

2022/23	Salary including Fees & Allowances £	Pension Contributions £	Total £
Chief Executive	147,595	27,305	174,900
Deputy Chief Executive (01/08/2022-31/01/2023)	116,948	11,683	128,631
Strategic Director Place	100,432	18,578	119,010
Assistant Director Legal & Democratic Services	96,360	17,827	114,187
Chief Finance Officer	96,360	17,827	114,187
Strategic Director People & Transformation- started 06/06/2022	84,784	15,685	100,469
Strategic Director Corporate & Commercial Services- started 01/08/2022	79,127	14,638	93,765
Chief Housing Officer (started 23/01/2023)	18,682	3,456	22,138

2021/22	Salary including Fees & Allowances £	Pension Contributions £	Total £
Mark Gaynor, Corporate Director (Housing & Regeneration) to 23/11/2021.	156,193	13,529	169,722
Chief Executive	143,147	26,482	169,629
Corporate Director (Finance & Operations) to 31/10/2021.	144,462	12,194	156,656
Assistant Director (Performance & People & Innovation) to 28/02/2022.	98,322	14,524	112,846
Strategic Director (Place) from 29/11/2021, prior to this Assistant Director (Planning, Development & Regeneration)	90,979	16,831	107,811
Chief Finance Officer from 1st November 2021, Assistant Director (Finance & Resources) until 31/10/2021.	89,470	16,728	106,198
Monitoring Officer	87,621	16,210	103,831
Assistant Director (Housing)	87,144	16,122	103,266
Assistant Director (Neighbourhood Delivery)- from 7/06/2021.	68,536	12,679	81,216

There were no benefits in kind received by Senior Officers in 2021/22 or 2022/23.

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	
	22/23	21/22	22/23	21/22	22/23	21/22	22/23	21/22
£0 - £20,000	0	1	1	0	1	1	10	20
£20,001 - £40,000	0	0	1	0	1	0	25	0
£40,001 - £60,000	0	0	2	0	2	0	100	0
£60,001 - £80,000	0	1	0	0	0	1	0	80
£80,001 - £100,000	0	1	0	0	0	1	0	84
Total	0	3	4	0	4	3	135	184

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. By disclosing these transactions, readers can 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.

Herts Building Control Limited

In December 2019, the Council joined Herts Building Control Limited. Herts Building Control Limited 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 Strategic Director Place is a director on behalf of the Council. The Chief Executive is a shareholder. During 19/20, a £107K loan was provided, which is included within long term debtors and attracts 4% interest per annum. During 22/23, there was expenditure of £32k. There were no material amounts due to from the Council and Herts Building Control as at 31st March 2023. 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.

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 2022/23 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

Notes to the Accounts

voluntary organisations, public authorities and various other bodies. It is available on the Council's website.

Transactions in 2022/23 are disclosed below. Transactions with community and voluntary groups of less than £5k have been excluded. Further details of these transactions can be provided on request.

Organisation	Name	Expenditure 2022/23	Income 2022/23	Amount owed by/(to) the Council 31/03/2023	Nature of Transaction
		£'000	£'000	£'000	
Jarvis Group Ltd & Jarvis Contracting Ltd	Fiona Jump (Head of Financial Services)	4,092	(0)	0	Construction
Community Action Dacorum	Cllrs Birnie, Griffiths & Symington	188	(0)	0	Grants
Hemel Business Improvement District	James Doe-Strategic Director Place	138	0	15	Grants
West Herts Crematorium Committee	Cllr Douris	0	(75)	(25)	Licence fee and contribution
Hemel Hempstead Day Centre (Centre in the Park)	Cllrs Sutton & Anderson	10	(0)	0	CIL funding
Chilterns Conservation Board	Cllr Symington	8	0	0	Grant
PATROL (Parking and Traffic Regulations outside London) Committee	Cllr Douris	3	0	0	Membership
St Francis Hospice	Cllr Symington	2	(11)	0	Commercial Waste and Rent
Tring Market Auctions	Cllr Hearn	0	(1)	0	Licence
Stage Two Ltd	Cllr Douris	0	(1.2)	0	Rent
POS Enterprises	James Doe-Strategic Director Place	5	0	0	Participation Fee

In addition to the above, during 2022/23, the Council provided an interest bearing loan of £6m to the other 4 local authority members of the West Herts Crematorium committee (£1.5m per authority) for the purpose of building a new crematorium.

Cllr Graeme Elliot and his wife and Cllr Margaret Griffiths' son 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.

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 UK LLP.

	2022/23 £'000	2021/22 £'000
External audit services carried out by the appointed auditor for the year	64	59
External audit services carried out by the appointed auditor for prior years	45	33
Certification of grant claims and returns for previous years	(2)	6
Certification of grant claims and returns for the year	23	23
Total	130	120

Audit fees are subject to review by the Public Sector Audit Appointments (PSAA). In 2022/23, the Council received £28k grant relating to the Redmond Review (£29.1k in 2021/22).

17. Revenue Grant Income

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

	2022/23 £'000	2021/22 £'000
Non Specific Grant Income		
New Homes Bonus	(1,294)	(1,103)
Covid-19 Local Authority Support Grant	0	(697)
Covid-19 Sales, Fees and Charges Income Compensation Scheme	0	(221)
Business Rates Relief	(5,345)	(5,996)
Lower Tier Services Grant	(138)	0
Services Grant	(208)	0
Other	(352)	(747)
Total	(7,337)	(8,764)
Grants Credited to Services		
Benefits Subsidy and Administration	(31,197)	(33,198)
Covid-19 Business Support Grants - Council acting as principal	(120)	(5,001)
Other	(2,829)	(3,305)
Total	(34,146)	(41,504)

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 have not been satisfied at the Balance Sheet date. In year movements are:

	2022/23 £'000	2021/22 £'000
Revenue Grants and Other Contributions		
As of the Beginning of the Period	(15,143)	(12,788)
Receipts	(4,221)	(22,346)
Conditions Satisfied	15,265	19,990
Closing Balance	(4,099)	(15,143)

Notes to the Accounts

The balances of the revenue grants are as follows:

	2022/23	2021/22
	£'000	£'000
Revenue Grants Yet to be Recognised as Income		
Homelessness Support Grant	(469)	(472)
Strategic & Planning Delivery Grants	(1,772)	(1,372)
Public Health	(10)	(11)
Refugee Grant	(573)	(448)
Test and Trace Support Grant	(97)	(132)
Council Tax- Energy Rebate Scheme - acting as principal	(7)	(289)
Other	(415)	(207)
Covid- 19 Business Support Grants acting as principal	(3)	(123)
Total	(3,346)	(3,053)

In addition, within the Revenue Grants and Contributions Current liabilities line in the Balance Sheet, the council is holding £0.026m (£5.479m in 2021/22) relating to Covid Business Support Grants and £0.729m (£6.611m in 2021/22) for the Council tax energy rebate scheme, both of which the Council is acting as agent.

Capital Grants and Contributions yet to be recognised as income	2022/23	2021/22
	£'000	£'000
As of the Beginning of the Period	1,424	484
Receipts	5,096	2,072
Conditions Satisfied	(4,099)	(1,133)
Closing Balance	2,421	1,424

Breakdown of Capital Grants and Contributions yet to be recognised as income	2022/23	2021/22
	£'000	£'000
Disabled Facilities Grant	(1,083)	766
Other	(1,338)	658
Total	(2,421)	1,424

19. Long Term Creditors

	2022/23	2021/22
	£'000	£'000
Other Entities and Individuals (2 leases)	257	258
Total Long-term Creditors	257	258

20. Short-term Creditors

	2022/23	2021/22
	£'000	£'000
Central Government Bodies	12,086	15,163
Other Local Authorities	2,596	1,122
Other Entities and Individuals	16,193	17,641
Total Short-term Creditors	30,875	33,926

21. Long-term Debtors

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

	2022/23	2021/22
	£'000	£'000
Other Local Authorities	6,000	0
Other Entities and Individuals	241	384
Total Long-term Debtors	6,241	384

This includes a bad debt provision of £35k 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.

	2022/23	2021/22
	£'000	£'000
Central Government Bodies	5,091	1,237
Other Local Authorities	4,705	5,171
Other Entities and Individuals	13,093	13,808
Total Short-term Debtors	22,889	20,216

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

Bad Debt Impairment Allowances	2022/23	2021/22
	£'000	£'000
Sundry Debtors	2,385	2,706
Housing Rents and Garages	2,126	2,077
Council Tax/Summons Fees	307	342
Business Rates/Summons Fees	1,797	1,854
Benefits Overpayments	1,379	1,437
Total Bad Debt Provisions	7,993	8,417

23. Contingent Liabilities

The council has no material contingent liabilities.

24. Provisions

The Council maintains the following provisions:

	Balance as at 31 March 2022 £'000	Contribution to Provision £'000	Use of Provision £'000	Amounts Reversed Unused £'000	Balance as at 31 March 2023 £'000
General Fund Provisions					
Insurance- General Fund	569	67	(42)	(102)	492
Business Rates Appeals	6,092	1,069	0	0	7,161
Total General Fund	6,661	1,137	(42)	(102)	7,653
Water Charges- HRA ^(a)	902	0	(3)	0	900
Insurance-HRA	408	393	(276)	(122)	402
Total HRA	1,310	393	(279)	(122)	1,302
Total Short-term Provisions	7,971	1,530	(321)	(224)	8,955
	Balance as at 31 March 2021 £'000	Contribution to Provision £'000	Use of Provision £'000	Amounts Reversed Unused £'000	Balance as at 31 March 2022 £'000
General Fund Provisions					
Insurance- General Fund	504	152	(42)	(45)	569
Business Rates Appeals	6,691	0	(617)	18	6,092
Total General Fund	7,195	152	(659)	(27)	6,661
Water Charges- HRA	888	27	(13)	0	902
Insurance-HRA	236	483	(237)	(74)	408
Total HRA	1,124	510	(250)	(74)	1,310
Total Short-term Provisions	8,319	662	(909)	(101)	7,971

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.

25. Property, Plant & Equipment

2022/23	Council	Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure	Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost / Valuation at the beginning of the year	1,165,808	137,361	20,127	5,562	6,877	15,715			1,351,450
Depreciation written out to Gross Carrying Amount on Revaluation	(16,451)	(1,704)	(37)	0	0	0			(18,192)
Revaluation increases recognised in the Revaluation Reserve	100,015	7,258	149	0	150	0			107,572
Revaluation decreases recognised in the Revaluation Reserve	(1,711)	(1,877)	0	0	(1,235)	0			(4,823)
Revaluation increases/(decreases) recognised in the(Surplus)/Deficit on Provision of Services	815	(35)	0	0	(325)	0			455
Additions	17,104	1,090	1,027	30	0	15,233			34,484
Impairment recognised in the(Surplus)/Deficit on Provision of Services	(16,768)	0	0	0	0	0			(16,768)
Reclassifications	1,408	3,564	0	0	1,425	(4,906)			1,491
Assets reclassified (to)/from Assets Held for Sale	0	0	0	0	0	0			0
Disposals	(5,545)	(110)	(682)	0	0	0			(6,337)
Cost / Valuation at the end of the year	1,244,675	145,547	20,584	5,592	6,892	26,042			1,449,332
Accumulated Depreciation at the beginning of the year	0	(682)	(9,479)	(309)	0	0			(10,470)
Depreciation Charge	(16,481)	(1,642)	(1,836)	(237)	0	0			(20,196)
Reclassifications	0	0	0	0	0	0			0
Depreciation written out to Gross Carrying Amount on Revaluation	16,451	1,704	37	0	0	0			18,192
Assets reclassified to Assets Held for Sale	0	0	0	0	0	0			0
Disposals	30	1	676	0	0	0			707
Accumulated Depreciation at the end of the year	0	(619)	(10,602)	(546)	0	0			(11,767)
Net Book Value At 31 March 2023 (all owned, no finance leases)	1,244,675	144,928	9,982	5,046	6,892	26,042			1,437,565

Notes to the Accounts

2021/22	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost / Valuation at the beginning of the current year	1,101,666	143,443	22,448	3,970	6,472	10,509	1,288,508
Depreciation written out to Gross Carrying Amount on Revaluation	(15,534)	(1,417)	0	0	0	0	(16,951)
Revaluation increases recognised in the Revaluation Reserve	82,988	5,239	0	0	405	0	88,632
Revaluation decreases recognised in the Revaluation Reserve	0	(8,272)	0	0	0	0	(8,272)
Revaluation increases/(decreases) recognised in the(Surplus)/Deficit on Provision of Services	1,525	(2,286)	0	0	0	0	(761)
Additions	12,755	1,261	2,461	1,257	0	5,818	23,552
Impairment recognised in the(Surplus)/Deficit on Provision of Services	(12,589)	0	0	0	0	0	(12,589)
Reclassifications	9	(6)	0	335	0	(612)	(274)
Assets reclassified (to)/from Assets Held for Sale	0	0	0	0	0	0	0
Disposals	(5,012)	(601)	(4,782)	0	0	0	(10,395)
Cost / Valuation at the end of the current year	1,165,808	137,361	20,127	5,562	6,877	15,715	1,351,450
Accumulated Depreciation at the beginning of the current year	0	(436)	(12,040)	(251)	0	0	(12,727)
Depreciation Charge	(15,573)	(1,674)	(2,185)	(58)	0	0	(19,490)
Reclassifications	0	1	0	0	0	0	1
Depreciation written out to Gross Carrying Amount on Revaluation	15,534	1,417	0	0	0	0	16,951
Assets reclassified to Assets Held for Sale	0	0	0	0	0	0	0
Disposals	39	10	4,746	0	0	0	4,795
Accumulated Depreciation at the end of the current year	0	(682)	(9,479)	(309)	0	0	(10,470)
Net Book Value At 31 March 2022 (all owned, no finance leases)	1,165,808	136,679	10,648	5,253	6,877	15,715	1,340,980

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 (over £2.5m) are valued annually. The valuation date is 31st January 2023, with the exception of dwellings which are the 31st March 2023. The remaining assets are valued on a five year cycle. Within other Land and Buildings the Council revalued £125.441m 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. £6.892m of surplus assets were revalued in year. 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. A review is carried out at the balance sheet date for other land and buildings to determine if asset value movements since the last valuation or review are material. This review determined indexation was required for depreciated replacement cost assets and a few non specialised office and industrial assets.

26. 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 2023 are:

Contract	Contractor	Estimated Value £'000
Total Asset Management	Osborne Property Services Ltd	34,272
Development of Residential Accommodation at Paradise Fields	Bugler Developments Ltd	15,439
Development of Residential Accommodation at St Margarets Way	Helix Construct Ltd	12,020
Development of Residential Accommodation on 6 Former Garage Sites	Bugler Developments Ltd	4,720
Randall's Ride - Design & construction of 30 apartments	Bugler Developments Ltd	4,037
Supply of Refuse Vehicles	Geesinknorba Ltd	1,987
Project Management & Full Design Team Services for Berkhamsted Leisure Centre Redevelopment	Faithful+Gould Ltd	1,065
Supply of Compact Sweepers	Aebi Schmidt UK Ltd	898
Replacement, repair and maintenance services of boilers	Sun Realm Heating company Ltd	652

The capital commitment at the 31 March 2022 was £24,662k.

27. Investment Property

	2022/23 £'000	2021/22 £'000
Investment Properties as per Balance Sheet		
As at the beginning of the year	66,454	64,982
Additions (Purchases/construction)	219	95
Reclassifications	(1,727)	204
Disposals	0	0
Net gains/(losses) from fair value movements	319	1,173
As at the end of the year	65,265	66,454

Investment properties were valued at the 31st January 2023 by an independent external valuer using level 2 observable inputs to estimate their fair value. In determining the highest and best use valuation, the valuer has considered the current use (rental value) compared with the potential redevelopment of the land value for the site. Significant observable level 2 inputs were recent sales prices, market rental, size, location, current market conditions and other relevant information for similar assets in the locality. See note 9 for transactions relating to Investment Properties in the Comprehensive Income and Expenditure Statement. A review is carried out at the balance sheet date to determine if asset value movements since the last valuation are material. This review determined movements were not material.

28. Intangible Assets

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

	2022/23 £'000	2021/22 £'000
Intangible Assets		
As of the beginning of the year		
Gross Carrying Amounts	802	2,139
Accumulated Amortisation	(354)	(1,671)
Net Carrying Amount as of the Beginning of the year	448	468
Reclassifications	230	70
Purchases	12	54
Amortisation for the Period	(118)	(144)
Net Carrying Amount as of the End of the year	572	448
Comprising:		
Gross Carry Amounts	924	802
Accumulated Amortisation	(352)	(354)
Net Carrying Amount as of the End of the year	572	448

29. Assets Held For Sale

	2022/23 £'000	2021/22 £'000
Opening Balance	0	1,389
Sold to other entities and individuals	0	(1,389)
Closing Balance	0	0

30. Revaluation Reserve

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

	2022/23	2021/22
	£'000	£'000
Opening Balance	640,658	571,556
Upward revaluation of assets	107,573	88,632
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(4,823)	(8,273)
Difference between fair value depreciation and historical cost depreciation	(8,865)	(7,805)
Amount written off to the Comprehensive Income and Expenditure Statement	(2,697)	(3,452)
Closing Balance	731,846	640,658

31. 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.

	2022/23	2021/22
	£'000	£'000
Balance as of beginning of the period	431,051	431,093
Capital grants and contributions applied	5,478	3,476
Amortisation of intangible assets	(118)	(144)
Charges for depreciation and Revaluation losses on property, plant and equipment	(3,306)	(4,694)
Repayment of Loans for Capital	(50)	(10)
HRA impairment reversal	(16,769)	(12,589)
Difference between fair value depreciation and historical cost depreciation	8,865	7,805
HRA depreciation	(16,465)	(15,558)
Non-current assets written off to CIES on sale as part of the gain on disposal	(5,631)	(6,990)
Transfer from the Revaluation Reserve on disposal of assets	2,697	3,452
Revenue expenditure funded from capital under statute	(2,206)	(1,947)
Movements in market value of Investment Properties	319	1,173
Capital receipts applied to capital expenditure	15,760	8,842
Revenue contribution to capital	0	5,084
Use of reserves to finance capital expenditure	350	800
Use of Major Repairs Reserve to finance capital expenditure	15,495	7,446
Minimum Revenue Provision (MRP)	332	332
HRA Debt Repayment	1,370	3,480
Closing Balance	437,173	431,051

32. 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.

	2022/23	2021/22
	£'000	£'000
Capital Financing Requirement		
Opening Capital Financing Requirement	345,051	348,873
Capital Investment:		
Property, Plant and Equipment	34,484	23,552
Assets held for Sale	0	0
Loans treated as capital expenditure	6,000	0
Heritage Assets	162	0
Investment Property	219	95
Intangible Assets	12	54
Revenue Expenditure Funded from Capital under Statute	2,206	1,947
Total Expenditure	43,083	25,648
Sources of Finance:		
Capital Receipts	(15,760)	(8,842)
Government Grants and Other Contributions	(5,478)	(3,476)
Use of Reserves (including Major Repairs Reserve)	(15,845)	(8,245)
Revenue Contributions (including statutory provision for repayment of debt)	(1,702)	(8,907)
Total Financing	(38,785)	(29,470)
Closing Capital Financing Requirement	349,349	345,051
	2022/23	2021/22
	£'000	£'000
Increase/(Decrease) in underlying need to borrow (unsupported by government financial assistance).	4,298	(3,822)
Assets Acquired Under Finance Lease		
Increase/(Decrease) in Capital Financing Requirement	4,298	(3,822)

33. Heritage Assets

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

	2022/23	2021/22
	£'000	£'000
Land	6,839	6,705
Sculptures/Artwork	1,819	1,819
Assets managed by Dacorum Heritage Trust	3	3
Civic Regalia and Treasuries	296	296
Total	8,957	8,823

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 cultural and historical assets and are constantly accessible to the public. A qualified external valuer using 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 very important post war urban landscape. A restoration project to conserve and enhance the original design 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. Around 2,900 of the 100,000 objects at Museum

Store 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

34. Financial Instruments

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

Financial Assets – All carried at Amortised Cost	2022/23	2021/22
	£'000	£'000
Cash Equivalents: Investments with Original Maturities of 3 Months or Less	10,956	38,604
Cash held by the Council	1	1
Cash: Bank Account Balance/(Overdraft)	736	795
Short-term Debtors	12,129	13,363
Long-term Debtors	6,241	384
Short-term Investments	93,528	100,549
Long-term Investments	0	0
Total	123,592	153,696

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	2022/23	2021/22
	£'000	£'000
Short-term Creditors	13,788	15,645
Long-term Creditors	188	188
Short-term Borrowings	2,762	1,829
Long-term Borrowings	334,808	347,974
Total	351,546	365,637

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:

Notes to the Accounts

- 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	2022/23	2021/22
	£'000	£'000
Short-term Creditors	13,788	15,645
Long-term Creditors	188	188
Short-term Borrowings	2,709	1,840
Long-term Borrowings	296,508	383,338
Total	313,194	401,011

The exit price fair value of £313m 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. £6.4m of the borrowing relates to financing of the General Fund Capital Programme, with repayments and interest costs factored into the Council's Medium Term Financial Strategy. The following table sets out the maturity analysis of financial liabilities held by the Council:

	2022/23	2021/22
	£'000	£'000
Less than 1 Year	2,761	1,829
Between 1 and 2 Years	3,661	2,638
Between 2 and 5 Years	16,222	14,419
Between 5 and 10 years	48,193	40,701
More than 10 Years	266,732	290,217
Total	337,569	349,803

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 2023 is:

Credit Risk Rating	Gross carrying amount 2022/23 £'000	Default Rate	12 month expected credit loss £'000
AA-	8,849	between 0.002% and 0.003%	0.0
A+	10,118	between 0.003% and 0.006%	0.5
A	40,396	between 0.001% and 0.030%	5.5
A-	34,165	between 0.002% and 0.021%	3.8
Total	93,528		9.7

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. Long-term debtors comprise of loans to Herts Building Control, other local authorities and parish councils and Community Infrastructure debtors on payment plans due after the 31st March 2024. See note 22 for the impairment allowance. Local authorities and 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.

35. 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 2022/23 or 2021/22.

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

	2022/23 £'000	2021/22 £'000
Operating Lease Commitments (DBC as Lessee)		
Not later than one year	50	52
Later than one year but not later than five years	48	98
Later than five years	28	28
Total Commitments under Operating Leases	126	178

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:

	2022/23	2021/22
	£'000	£'000
Operating Lease Income (DBC as Lessor)		
Not later than one year	3,943	4,004
Later than one year but not later than five years	12,239	12,848
Later than five years	51,840	54,649
Total Minimum Lease Income under Operating Leases	68,022	71,501

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 2022/23 contingent rents of £1.261m were receivable by the Council (£1.291m in 2021/22).

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:

	2022/23	2021/22
	£'000	£'000
Finance Lease Assets (Council as Lessee)	537	523

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:

	2022/23	2021/22
	£'000	£'000
Finance Lease Minimum Payments		
Current	0	0
Non-current	188	188
Finance Costs Payable in Future Years	1,532	1,552
Minimum Lease Payments	1,720	1,740

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

	2022/23	2021/22
	£'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	1,620	1,640
Total Commitments Under Finance Leases	1,720	1,740

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 £30k (2021/22 £28k).The

Council has sub-let these properties. At 31 March 2023 the minimum payments expected to be received under non-cancellable agreements was £140k (£193k at 31 March 2022).

36. 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 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:

Comprehensive Income & Expenditure Statement	2022/23 £'000	2021/22 £'000
Cost of Services:		
Current Service Cost	10,869	11,274
Past Service Cost/(Gain) – Including Curtailments	0	0
Financing and Investment Income and Expenditure:		
Net Interest Expense	1,839	1,773
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	12,708	13,047
Other Comprehensive Income & Expenditure:		
Return on Plan Assets (excluding amounts included in net interest expense)	23,305	(5,112)
Actuarial (Gains) & Losses Arising on Changes in Demographic Assumptions	(4,245)	(1,843)
Actuarial Gains & Losses Arising on Changes in Financial Assumptions	(120,995)	(22,852)
Other	32,499	675
Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	(69,436)	(29,132)

Notes to the Accounts

	2022/23	2021/22
	£'000	£'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	(12,708)	(13,047)
Employer's Contributions Payable to the Pension Scheme	4,467	4,107
Total	(8,241)	(8,940)
Pension Assets & Liabilities Recognised in the Balance Sheet		
	2022/23	2021/22
	£'000	£'000
Present value of the defined benefit obligation	(235,860)	(315,177)
Fair value of plan assets	232,069	250,191
Sub-total	(3,791)	(64,986)
Reconciliation of Present Value of Scheme Liabilities		
	2022/23	2021/22
	£'000	£'000
Liabilities as of the Beginning of the Period	(315,177)	(327,624)
Current Service Cost	(10,869)	(11,274)
Interest Cost	(8,557)	(6,597)
Contributions by Scheme Participants	(1,660)	(1,551)
Actuarial (Losses)/Gains	91,843	24,020
Losses on Curtailments	0	0
Benefits Paid	8,560	7,849
Past Service Costs	0	0
Liabilities as at 31 March	(235,860)	(315,177)
Reconciliation of Fair Value of Scheme Assets		
	2022/23	2021/22
	£'000	£'000
Assets as of the Beginning of the Period	250,191	242,446
Expected Rate of Return	6,718	4,824
Actuarial Gains/(Losses)	(22,407)	5,112
Employer Contributions	4,467	4,107
Contributions by Scheme Participants	1,660	1,551
Benefits Paid	(8,560)	(7,849)
Closing Fair Value of Scheme Assets	232,069	250,191

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.

	2022/23	2021/22
	£'000	£'000
Fair Value of Employer's Assets		
Quoted Prices in Active Markets		
<u>Equity Securities</u>		
Consumer	3,568	3,567
Manufacturing	1,956	1,184
Financial Institutions	1,332	1,374
Health and Care	1,943	2,162
Information Technology	4,305	4,551
<u>Debt Securities</u>	9,681	18,357
<u>Investment Funds and Unit Trusts</u>		

Notes to the Accounts

Equities	87,449	91,962
Bonds	32,520	37,115
Other	2,019	2,113
<u>Cash and Cash Equivalents</u>		
All	15,597	14,639
Total of Assets with Prices Quoted in Active Markets	160,371	177,023
Quoted Prices not in Active Markets		
<u>Debt Securities</u>		
Other	6,231	6,555
<u>Private Equity</u>		
All	20,550	18,282
<u>Real Estate</u>		
UK Property	17,165	19,423
Overseas Property	13,261	14,007
<u>Investment Funds and Unit Trusts</u>		
Infrastructure	267	153
Other	13,883	14,878
<u>Derivatives</u>		
Foreign Exchange	342	(130)
Total of Assets with Prices Quoted not in Active Markets	71,698	73,168
Total Fair Value of Employers Assets	232,069	250,191

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 2022. The principal assumptions used are:

	2022/23	2021/22
Principal Assumptions	%	%
Rate of increase in salaries	3.5	3.6
Rate of increase in pensions	3.0	3.2
Rate of discounting scheme liabilities	4.8	2.7
Allowance for future retirees to elect to take additional tax-free cash up to HMRC limits pre April 2008 Service	45	50
Allowance for future retirees to elect to take additional tax-free cash up to HMRC limits post April 2008 Service	45	75
	2022/23	2021/22
Mortality Assumptions	Age	Age
Longevity at 65 for current pensioners		
Men	21.5	21.9
Women	24.4	24.4
Longevity at 65 for future pensioners		
Men	22.2	22.9
Women	26.1	26

Impact on the Council's Cash Flow

The liabilities show the underlying commitments the Council has to pay retirement benefits. The total liability of £3.791m 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 2025 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 be by the Council in 2023/24 is £5.961m.

The weighted average duration of liabilities for scheme members is 17 years, based on the last triennial valuation of the fund as at 31 March 2022.

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:

	2022/23	2021/22
	£'000	£'000
Surplus /(Deficit) as of Beginning of the Period	(66,981)	(89,156)
Actuarial Gains/(Losses) on Pension Assets and Liabilities	69,436	29,132
Reversal of Items Relating to Retirement Benefits Debited or Credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(12,708)	(13,047)
Employer's Pension Contributions	6,462	6,090
Surplus/(Deficit) as of End of the Period	(3,791)	(66,981)

The council elected to make upfront secondary employer contributions for 2021/22 & 2022/23 amounting to £3.978m (£1.983m for 2021/22 and £1.995m for 2022/23) which has been adjusted for 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. The Pension Fund also deployed an equity protection strategy in 2020 to protect the fund against large negative equity market movements (protection between -10% to -30%).
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.

	2022/23 £'000	2021/22 £'000
Income		
Dwelling Rents (Gross)	(57,656)	(55,474)
Non Dwelling Rents (Gross)	(97)	(99)
Charges for Services & Facilities	(1,905)	(1,836)
Contributions towards Expenditure	(890)	(1,308)
Total Income	(60,549)	(58,717)
Expenditure		
Repairs and Maintenance	16,713	11,676
Supervision and Management	14,324	11,001
Rents, Rates, Taxes and Other Charges	192	185
Increase in Allowance for Bad and Doubtful Debts	280	375
Depreciation and Impairment of Non Current Assets	32,388	26,595
Total Expenditure	63,897	49,832
Net Expenditure/(Income) of HRA Services as Included in the Comprehensive Income & Expenditure Statement (CIES)	3,348	(8,884)
HRA Share of Corporate and Democratic Core	382	233
Other recharges to the HRA	5,193	4,665
Total recharge to HRA	5,576	4,898
HRA Share of Operating Income & Expenditure Included in the Comprehensive Income & Expenditure Account		
(Gain)/Loss on Disposal of Non-Current Assets	(3,365)	(4,330)
Interest and Investment Income	(1,084)	(47)
Interest Payments	11,302	11,389
Net Interest on the Net Defined Benefit Liability	390	382
Capital Grants and Contributions Received	(3,724)	(382)
(Surplus)/Deficit for the Year on HRA Services	12,441	3,026

Housing Revenue Account

Statement of Movement on the Housing Revenue Account

	2022/23 £'000	2021/22 £'000
Balance as at 1 April	2,892	2,892
Movement in Reserves:		
Surplus/(Deficit) on Provision of Services	(12,441)	(3,026)
Adjustments Between Accounting Basis & Funding Basis Under Regulations:		
Capital Grants and Contributions Applied	(3,724)	(382)
Reversal of Employee Leave Accrual	(4)	(49)
Reversal Revaluation & Impairment (Gains)/Losses on Property	15,954	11,065
Amounts of non-current assets written off on sale as part of the gain on disposal to the CIES	5,515	6,954
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	(8,881)	(11,283)
Revenue Contribution to Capital	0	(4,735)
Debt Repayment Provision	(1,370)	(3,480)
Loan Repayment from Major Repairs Reserve	1,370	3,480
Reversal of retirement benefits items debited or credited to the CIES	2,694	2,812
Employer's Pension Contributions to Pension Fund Payable in the year	(1,380)	(1,335)
Total Adjustments Between Accounting Basis and Funding Basis Under Regulations	10,174	3,046
Net Increase/(Decrease) Before Transfers to Earmarked Reserves	(2,267)	20
Transfer (to)/from Earmarked Reserves	2,266	(20)
Balance as at 31 March	2,891	2,892

Notes to the Housing Revenue Account

1. Value of HRA Property, Plant and Equipment

	2022/23 £'000	2021/22 £'000
Council Dwellings	1,240,265	1,161,720
Other Land & Building	1,304	1,153
Vehicles, Plant, Furniture and Equipment and intangibles	154	185
Assets Under Construction	25,083	11,871
Net Book Value as at 31 March	1,266,806	1,174,929

Council dwellings had an existing use assuming vacant possession valuation of £3,293 million as at 31st March 2023. 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

	31/03/2023	31/03/2022
Flats	3,774	3,792
Houses	6,256	6,276
Hostel	21	21
Total Dwellings	10,051	10,089

3. Rent Arrears

	2022/23 £'000	2021/22 £'000
Rent - Current Arrears	2,192	2,547
Rent - Former Arrears	529	488
Supporting People and Other	514	311
Total Arrears:	3,234	3,346
Provision for Bad and doubtful Debts	(2,089)	(2,027)
Total Rent Arrears:	1,145	1,319

4. Capital Financing

	2022/23 £'000	2021/22 £'000
Total Capital Expenditure	34,884	17,400
Financed by:		
Capital Receipts	(15,665)	(2,880)
Major Repairs Reserve	(15,495)	(7,446)
Capital Grants & Contributions	(3,724)	(2,340)
Revenue Contributions	0	(4,734)
Total Financing	(34,884)	(17,400)

5. Capital Receipts from the sale of HRA assets:

	2022/23 £'000	2021/22 £'000
Easement Granted- Deed of Release, Variation, Covenants	166	148
Sale of HRA Dwellings	8,662	11,116
Discount Repaid	52	19
Total Capital receipts	8,881	11,283

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.

	2022/23	2021/22
	£'000	£'000
Depreciation on Council Dwellings	16,423	15,520
Revaluation on Council Dwellings	(815)	(1,524)
Impairment	16,768	12,589
Depreciation on Vehicle, Plant and Equipment	30	29
Depreciation on Other Land and Building	8	8
Total Depreciation and Impairment	32,414	26,622

Collection Fund Income and Expenditure Account 2022/23

	Council Tax £'000	Business Rates £'000	Total £'000
Income:			
Council Tax Receivable	118,628	0	118,628
Business Rates Receivable	0	59,365	59,365
Council Tax Discounts funded by Dacorum	(8)	0	(8)
Total Income	118,620	59,365	177,985
Expenditure			
<u>Precepts, Demands and Shares</u>			
Hertfordshire County Council	90,731	6,051	96,782
Hertfordshire Police & Crime Commissioner	13,230	0	13,230
Dacorum Borough Council	13,851	24,203	38,054
Central Government (Business Rates Only)	0	30,254	30,254
<u>Charges to Collection Fund</u>			
Transitional Payment Protection	0	129	129
Costs of collection	0	200	200
Increase/(decrease) allowances for impairment	396	147	543
Increase/(decrease) provision for appeals	0	2,674	2,674
Enterprise Zone & Renewable Energy Growth	0	1,105	1,105
<u>Contribution towards previous year surplus/deficit</u>			
Hertfordshire County Council	(740)	(1,992)	(2,732)
Hertfordshire Police & Crime Commissioner	(107)	0	(107)
Dacorum Borough Council	(115)	(7,967)	(8,082)
Central Government (Business Rates Only)	0	(9,959)	(9,959)
Total Expenditure	117,246	44,845	162,092
Movement on fund balance	(1,373)	(14,520)	(15,893)
Balance at beginning of year	804	15,622	16,426
Balance at end of year	(569)	1,102	533
Shares of balance			
Hertfordshire County Council	(438)	110	(328)
Hertfordshire Police & Crime Commissioner	(64)	0	(64)
Dacorum Borough Council	(67)	441	374
Central Government (Business Rates Only)	0	551	551
	(569)	1,102	533

In addition, the Council has £335k in the Collection Fund Adjustment Account on the Balance Sheet relating to designated area growth and renewable energy and £10k relating to NNDR cost of collection.

Collection Fund Income and Expenditure Account 2021/22

	Council Tax £'000	Business Rates £'000	Total £'000
Income:			
Council Tax Receivable	112,474	0	112,474
Business Rates Receivable	0	57,729	57,729
Council Tax Discounts funded by Dacorum	448	0	448
Total Income	112,922	57,729	170,650
Expenditure			
<u>Precepts, Demands and Shares</u>			
Hertfordshire County Council	86,317	6,732	93,049
Hertfordshire Police & Crime Commissioner	12,502	0	12,502
Dacorum Borough Council	13,405	26,929	40,334
Central Government (Business Rates Only)	0	33,661	33,661
<u>Charges to Collection Fund</u>			
Transitional Payment Protection	0	191	191
Costs of collection	0	202	202
Increase/(decrease) allowances for impairment	488	1,643	2,132
Increase/(decrease) provision for appeals	0	(1,498)	(1,498)
Enterprise Zone & Renewable Energy Growth	0	1,416	1,416
<u>Contribution towards previous year surplus/deficit</u>			
Hertfordshire County Council	50	(3,685)	(3,635)
Hertfordshire Police & Crime Commissioner	7	0	7
Dacorum Borough Council	8	(11,450)	(11,442)
Central Government (Business Rates Only)	0	(13,819)	(13,819)
Total Expenditure	112,777	40,322	153,099
Movement on fund balance	(145)	(17,406)	(17,551)
Balance at beginning of year	949	33,028	33,977
Balance at end of year	804	15,622	16,426
Shares of balance			
Hertfordshire County Council	618	1,562	2,181
Hertfordshire Police & Crime Commissioner	89	0	89
Dacorum Borough Council	96	6,249	6,345
Central Government (Business Rates Only)	0	7,811	7,811
	804	15,622	16,426

In addition, the Council has £12k 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 specified an amount of 49.9p for small businesses; 51.2p for other rateable businesses in 2021/22 and 2022/23 and, subject to the effects of transitional arrangements, local businesses pay NNDR calculated by multiplying their rateable value by that amount. NNDR income was £59.365m in 2022/23 (£57.7m in 2021/22). The rateable value for the Council's area was £159.6m at 31 March 2023 (2021/22: £160.6m).

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 2022/23 was calculated as 59,328.3 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	1,013.25	6/9	675.5
B	6,745.25	7/9	5,246.3
C	17,944.00	8/9	15,950.2
D	14,816.56	9/9	14,816.6
E	8,559.75	11/9	10,461.9
F	5,381.50	13/9	7,773.3
G	4,839.50	15/9	8,065.8
H	754.50	18/9	1,509.0
Totals	60,055.31		64,499.10
Council Tax Support			(4,812.7)
Adjustment for collection rate and contributions in lieu (0.6%)			(358.1)
Council Tax Base 2022/23			59,328.3
Council Tax Base 2021/22			58,693.7

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
Our Ref NH/22-23
Direct Line 01442 228662

Email Nigel.howcutt@dacorum.gov.uk



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Dear Grant Thornton UK LLP

Dacorum Borough Council
Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of Dacorum Borough Council for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the Council's financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 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 2022/23 ("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 the 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 include 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. 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.
- vii. 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.
- viii. 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.
- ix. 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.
- x. The financial statements are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We have updated our going concern assessment. 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 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
- xiv. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.
- xv. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

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 from whom you determined it necessary to obtain audit evidence.
- xvii. We have communicated to you all deficiencies in internal control of which management is aware.
- xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

- xix. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework, and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 20th September 2023

Yours faithfully

Name Nigel Howcutt

Position Chief Finance Officer (s151)

Date 20th September 2023

Name Councillor Robert Stewart

Position Chair of Audit Committee

Date 20th September 2023

Signed on behalf of the Council



Report for:	Audit Committee
Title of report:	2022-23 Audit Findings Report
Date:	20 th September 2023
Report on behalf of:	Councillor Sally Symington, Portfolio Holder for Corporate and Commercial Services
Part:	I
If Part II, reason:	N/A
Appendices:	Appendix A- Audit Findings Report for Dacorum Borough Council 2022-23.
Background papers:	None
Glossary of acronyms and any other abbreviations used in this report:	None

Report Author / Responsible Officer

Fiona Jump, Head of Financial Services



Fiona.jump@dacorum.gov.uk / 01442 228162 (ext. 2162)

Corporate Priorities	Ensuring efficient, effective and modern service delivery
Wards affected	All
Purpose of the report:	1. To provide Audit Committee with the external auditor's Audit Findings Report for 2022-23
Recommendation to the decision maker:	1. To note the contents of the Audit Findings Report for 2022-23.

Period for post policy/project review:	An update on progress against the approved Internal Audit programme is brought to committee on a regular basis.
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1 Background

The Audit Findings Report (Appendix A) is produced by the Council’s external auditors Grant Thornton. The report presents the observations arising from the audit of the Council 2022-23 published accounts to those charged with governance to oversee the financial reporting process. Audit Committee holds this responsibility for Dacorum Borough Council.

2 Audit Findings Report

The report covers the following areas:

- Headline findings
- Observations on the financial statements
- Value for Money arrangements
- Independence and ethical considerations relating to the external auditor
- Details of fees charged by the external auditor
- Auditing developments

The audit of the Council’s 2022-23 accounts is considered substantially complete by the external auditor. Items remaining for review are identified within the report.

Grant Thornton will attend Audit Committee on 20th September 2023 to present the report at Appendix A.

3 Financial and value for money implications:

The published accounts are an essential means by which the Council demonstrates its stewardship of the resources and accounts for its financial performance. The Audit Findings Report provides the external auditors observations on these accounts.

4 Legal Implications

None arising directly from the report. The Council has a statutory obligation to publish its audited accounts by 30th September 2023 under the Accounts and Audit Regulations.

5 Risk implications:

Set out at in Appendix A to this report.

6 Equalities, Community Impact and Human Rights

None arising directly from the report.

7 Sustainability implications (including climate change, health and wellbeing, community safety)

None arising directly from the report.

8 Council infrastructure (including Health and Safety, HR/OD, assets and other resources)

None arising directly from the report.

9 Conclusion

The external auditor's Audit Findings Report sets out their key findings arising from the audit of the Council's 2022-23 accounts. Members are asked note the report.

-

The Audit Findings for Dacorum Borough Council

Year ended 31 March 2023

September 2023

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Contents



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Section

1. [Headlines](#)
2. [Financial statements](#)
3. [Value for money arrangements](#)
4. [Independence and ethics](#)

Appendices

- A. [Communication of audit matters to those charged with governance](#)
- B. [Fees and non-audit services](#)
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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.

This Audit Findings 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. Its contents have been discussed with management and the Audit Committee.

Name: Paul Cuttle

For Grant Thornton UK LLP

Date: 05 September 2023

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Dacorum Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2023 for the attention of 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 its 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), Narrative Report) is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Our audit work was completed during July-September. Our findings are summarised on pages 7 to 12. We have not identified any material adjustments to the financial statements that have resulted in adjustments to the Council's Comprehensive Income and Expenditure Statements to date. Audit adjustments are detailed in Appendix D.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters;

- Housing benefit expenditure
- Debtors (bad debt provision)
- Gains/Loss on Disposals Review
- 1 Bank Confirmation (Nationwide)
- assessment of valuation of assets not revalued by council's valuer
- assessment of valuation of council dwelling as at March 2023
- assessment of impact of use of RAAC in council's assets if any
- Pension fund assurance letters from County auditors
- Receipt of management representation letter; and
- Review of the final set of financial statements

Our anticipated financial statements audit opinion will be unmodified.

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 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. An audit letter explaining the reasons for the delay is issued separately. We expect to issue our Auditor's Annual Report within 3 month of signing the audit opinion. This is in line with the National Audit Office's revised deadline.

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. We did not identify any significant risk of weakness. Our work on VFM is underway and an update is set out in the value for money arrangements section of this report (Section 3).

1. Headlines

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 expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report.

Significant matters

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

National context – audit backlog

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Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](#)

We would like to thank everyone at the Council for their support in working with us to get to completion by this point. The council has resolved audit queries without any delay and constructively worked with the audit team. The completion of our audit will however be dependent on receipt of pension assurances from the auditors of the County Pension Fund.

National context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. Long-term borrowing for the council for 2022-23 is £337.56m which went down since last year (£349.8m). These are from PWLB (337m) with the annual interest payment of £11m for 22/23 which is manageable. The council has a short-term investments of £93.5m and cash balance of £11.69m with the current macro environment these provide a steady income stream such as interest and gives stability to balance sheet. Council's investment property portfolio is worth £65.265m which has reduced from previous year (£66.454m). We did not identify any governance issue as of date, more detailed commentary will be provided in our Auditors Annual Report. The Council has not undertaken any borrowing to fund investment properties. The majority of the borrowing the Council has relates to HRA self-financing in 2012. HRA self-financing was a national scheme which the council had no option but to participate in. HRA dwellings are not investment properties (£332M at 31/03/2023) The only General Fund borrowing was undertaken in 2015, which was taken out to, in case it was needed to fund the Forum (main Council offices) building works. This borrowing applies to operational land and building. At the 31/03/2023 there was £6.4m of General Fund borrowing (not including accrued interest. We did not identify any governance issue as of date, more detailed commentary will be provided in our Auditors Annual Report

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 and the Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

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

- 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; we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 20 September 2023 subject to the completion of the following outstanding items referred to in page 4.

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 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 on July 2023.

We set out in this table our determination of materiality for Dacorum Borough Council.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	3,500,000	This benchmark is determined as a percentage of statements the Council's Total Expenditure in year, which has remained at approximately 2%.
Performance materiality	2,62,500	Performance Materiality is based on a percentage of the overall materiality.
Trivial matters	175,000	This balance is set at 5% of overall 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

Management override of control

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. You face external scrutiny of your spending, and this could potentially place management under undue pressure in terms of how they report performance.

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement. Improve the financial results.

To address this risk, we:

- Evaluated the design effectiveness of management controls over journals;
- Analysed the journals listing and determine the criteria for selecting high-risk unusual journals;
- Tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;
- Gained an understanding of the accounting estimates and critical Judgements applied by management and considered their reasonableness regarding corroborative evidence;
- Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

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

Fraudulent revenue recognition

Under ISA 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Having considered the risk factors set out in ISA240 and nature of the revenue streams at Dacorum Borough Council, we have determined that the risk of fraud arising from revenue recognition on the remaining revenue streams can be rebutted, because:

- There is little incentive to manipulate revenue recognition
- Opportunities to manipulate revenue recognition are very limited

Having considered the risk factors set out in ISA240 and nature of the revenue streams at Dacorum Borough Council, we have determined that the risk of fraud arising from revenue recognition on the remaining revenue streams can be rebutted.

Our audit work has not identified any issues to change our strategy towards revenue recognition.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of land & buildings and Investment Properties

Dacorum revalue investment properties and high-value land & buildings (over £1m) to a full valuation, along with some of the L&B under £1m as part of the 5-year valuation programme.

The properties on the 5-year rota have a full valuation the year they come up for valuation, in all years they are considered as part of the market review.

This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in your financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.

We therefore identify the valuation of land and buildings, particularly revaluations and impairments, as a significant risk. Should changes arise to the Code following the consultation we will consider whether this impacts on our assessment of this risk.

To address this risk, we;

- evaluated management's processes and assumptions for the calculation of the estimate, including the
- evaluated the competence, capabilities and objectivity of the external valuer;
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the valuer's report and the assumptions that underpin the valuation;
- 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;
- evaluated how management concluded that the carrying value of assets not revalued was not materially misstated.

We are satisfied the assessments made by the Council are appropriate. We have completed the work on the valuation of land and buildings, investment properties and council dwellings and found no issues.

Risk of fraud related to expenditure recognition PAF Practice Note 10

We have also considered the risk of material misstatement due to the fraudulent recognition of expenditure. We have considered each material expenditure area, and the control environment for accounting recognition. We were satisfied the control environment around expenditure recognition [understood through our documented risk assessment understanding of your business processes] is strong. We have not found significant issues, errors or fraud in expenditure recognition in the prior our recent prior years audits.

Significant risk rebutted

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Valuation of pension fund net liability

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (3.791m in the Council's balance sheet for 22-23 and £64.986 in 21-22) and the sensitivity of the estimate to changes in key assumptions.

We therefore identified the valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.

Commentary

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 evaluate the design of the associated controls;
- Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- Assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;
- Assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;
- Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and
- 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 awaiting 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.

Our work to date has not found any issues.

2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building (£144.928m)	<p>Other land and buildings comprises £144.928m assets, the council has few (£48.385m) specialised assets such as sports centre, civic centre, town hall etc which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision and reminder are assets (£87.7m) that are required to be valued at existing use in value (EUV) at year end. The Council has engaged WH&E to complete the valuation of properties as at 31 03 23 on a five yearly cyclical basis.</p>	<p>We considered and completed the following in the course of our testing:</p> <ul style="list-style-type: none"> assessment of management's expert; completeness and accuracy of the underlying information used to determine the estimate and impact of any changes to valuation method; consistency of estimate against our internal value's market report and adequacy of disclosure of estimate in the financial statements; and assessment of management's review of valuation movements between the valuation date of 31 January 2023 and the balance sheet date of 31 March 2023 and the decision to index or not index different types of assets. <p>To date we have not identified any issues we wish to bring to your attention.</p>	<p>● [Light Purple]</p>
Investment properties (£65,265) valuations	<p>The Council has engaged WH&E to complete the valuation of properties as at 31 03 23 .</p> <p>The total year end valuation of investment property was £66.265m, a net decrease of £1.18m from 2021/22 (£66.464m).</p>	<p>We considered and completed the following in the course of our testing:</p> <ul style="list-style-type: none"> assessment of management's expert; completeness and accuracy of the underlying information used to determine the estimate and impact of any changes to valuation method; consistency of estimate against our internal value's market report and adequacy of disclosure of estimate in the financial statements; and assessment of management's review of valuation movements between the valuation date of 31 January 2023 and the balance sheet date of 31 March 2023 and the decision to index or not index different types of assets. <p>We have not identified any issues we wish to bring to your attention.</p>	<p>● [Light Purple]</p>

Assessment

- [Dark 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
Land and Buildings – Council Housing - £1,437.565m	The Council owns £1,437.565m dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. Council dwellings are valued annually. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The year end valuation of Council Housing had a net increase of £96.5m from 2021/22 (£1,340.967m).	<p>We considered and completed the following in the course of our testing:</p> <ul style="list-style-type: none"> • assessment of management's expert; • completeness and accuracy of the underlying information used to determine the estimate and • impact of any changes to valuation method; • consistency of estimate against our internal value's market report and adequacy of disclosure of estimate in the financial statements; and • assessment of management's review of valuation movements between the valuation date of 31 January 2023 and the balance sheet date of 31 March 2023 and the decision to index or not index different types of assets. <p>We have not identified any issues we wish to bring to your attention.</p>	<p>● [Light Purple]</p>

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																							
<p>Net pension liability –</p> <p>LGPS £3.791m</p> <p>(2021/22 £64.986m)</p>	<p>The Council recognises and discloses the retirement benefit obligation in accordance with the measurement and presentation requirement of IAS 19 'Employee Benefits'.</p> <p>At 31st March 2023 the Council has a net pension liability of £3.791m (2021/2022 £64.986m) relating to the local Government Pension Scheme as administered by Hertfordshire County Council.</p> <p>Dacorum Borough Council uses as an external actuary Hyman 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.</p> <p>The latest full actuarial valuation was completed in 2021/22. 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.</p> <p>Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p>	<ul style="list-style-type: none"> We assessed management's actuarial expert and concluded they are competent, capable and objective in producing the estimate; We carried out analytical procedures to conclude on whether the Council's share of LGPS pension assets and liabilities are reasonable. We are awaiting 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. We engaged an auditor's expert to challenge the reasonableness of the estimation method used and the approach taken by the actuary to verify the completeness and accuracy of information used. We were satisfied that the actuary was provided with complete and accurate information about the workforce, and that the method applied was reasonable. The auditor's expert provided us with indicative ranges for assumption by which we have assessed the assumptions made by management's expert. As out below, all assumptions were within the expected range and were therefore considered: <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>4.75%</td> <td>4.75%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.95%</td> <td>Adjusted: 2.95% - 3.00%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>3.45%</td> <td>2.95% - 3.95%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45/65</td> <td>Current: 21.5 Future: 22.2</td> <td rowspan="2">The potential difference in range can be around 8-10 years at the extremes of individual employer level life expectancies.</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45/65</td> <td>Current: 24.4 Future: 26.1</td> <td>●</td> </tr> </tbody> </table>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	4.75%	4.75%	●	Pension increase rate	2.95%	Adjusted: 2.95% - 3.00%	●	Salary growth	3.45%	2.95% - 3.95%	●	Life expectancy – Males currently aged 45/65	Current: 21.5 Future: 22.2	The potential difference in range can be around 8-10 years at the extremes of individual employer level life expectancies.	●	Life expectancy – Females currently aged 45/65	Current: 24.4 Future: 26.1	●	<p>● [Light Purple]</p>
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2. Financial Statements: other communication requirements

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 the management. We have not been made aware of any significant incidents in the period and 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.
Audit evidence and explanations	All information and explanations requested from management were provided
Confirmation requests from third parties	We requested from management permission to send confirmation requests to Banks and Financial Institutions This permission was granted, and the requests were sent. All these requests sent except one (Nationwide Investments) were returned with positive confirmation, we have followed this up and is due to be received.
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.

2. Financial Statements: other communication requirements



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 ongoing 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.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
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, Narrative Report and Pension Fund Financial Statements , is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified.</p>
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. • 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 VFM is yet 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>Note that work is not required as the Council does not exceed the threshold</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2022/23 audit of Dacorum Borough Council in the audit report due to VFM work not being complete.</p>



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

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Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

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 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 and consider that an objective reasonable and informed third party would take the same view. 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 F.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).

5. Independence and ethics

Audit and non-audit services

For the purposes of our audit, we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified :

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim	£32,400	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 £32,400 in comparison to the total fee for the audit of £82,331 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	£7,500	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 £7,500 in comparison to the total fee for the audit of £82,331 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, the materiality of the amounts involved to our opinion and the 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.

5. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Company that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Company or investments in the Company held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Company as a director or in a senior management role covering financial, accounting or control-related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Company
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Company's board, senior management or staff that would exceed the threshold set in the Ethical Standard.

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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 and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Appendices

- A. Communication of audit matters to those charged with governance
- B. Fees and non-audit services
- C. Auditing developments
- D. Audit Adjustments

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

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ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), 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.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Fees and non-audit services

We confirm below our final fees charged for the audit:

	Actual Fee 2021/22	Proposed fee 2022/23
Council Audit	£81,580	£82,331
		Proposed fee 2022/23
Scale fee published by PSAA		£63,981
Fee variation for 2022/23 in respect of ISA 315, IAS540, journals testing, collection fund relief testing and additional payroll testing (£3,000, £2,100, £3,000, £750 and £500)		£14,350
Value for Money work		£9,000
Total audit fees (excluding VAT)*		£82,331

Non-audit services undertaken for the Council are set out in the Independence and ethics section on page 20.

C. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures the identification and extent of work effort needed for indirect and direct controls in the system of internal control the controls for which design and implementation needs to be assess and how that impacts sampling the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> increased emphasis on the exercise of professional judgement and professional scepticism an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence increased guidance on management and auditor bias additional focus on the authenticity of information used as audit evidence a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. <ul style="list-style-type: none"> Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> clarification of the requirements relating to understanding fraud risk factors additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

D. 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

There were no adjusted misstatements with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023 which were above our triviality threshold .

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements. Other than following there were minor presentational disclosure and rounding error . None were above trivial.

Disclosure	Auditor recommendations	Adjusted
Note 25 Property Plant and Equipment Upon reviewing the working paper for note 25, we noted that the total amount of land and building valued by the valuer is £125.44 million as opposed to £154.49 million disclosed in the accounts The Council has agreed to amend the note to the accounts to £125.44million	PPE Note 25 should be adjusted by £29.05 million to reflect the correct value. Management response Agreed to amend.	Yes

Impact of un-adjusted misstatements

There were no un-adjusted misstatements with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023 which were above our triviality threshold .



Audit Committee

Report for:	Audit Committee
Title of report:	Treasury Management Outturn and Performance Indicators 2022/23
Date:	20 th September 2023
Report on behalf of:	CLlr Sally Symington, Portfolio Holder for Corporate & Commercial Services
Part:	I
If Part II, reason:	N/A
Appendices:	None
Background papers:	Cabinet 15th February 2022 – Treasury Management Strategy (Appendix K to Budget 2022/23 Report)
Glossary of acronyms and any other abbreviations used in this report:	CIPFA-The Chartered Institute of Public Finance and Accountancy CFR- Capital Financing Requirement CPI- Consumer Price Index

Report Author / Responsible Officer

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Responsible Officer

Nigel Howcutt , Chief Finance Officer



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Corporate Priorities	Ensuring efficient, effective and modern service delivery
Wards affected	All
Purpose of the report:	1. To report upon the outturn performance for treasury management in 2022/23.

Recommendation (s) to the decision maker (s):	1. Note the contents of the report on Treasury Management performance and the Prudential Indicators for 2022/23.
Period for post policy/project review:	Not applicable.

1 Introduction/Background:

The Council is required by the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2022/23. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management in the Public Services (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities.

For 2022/23 the minimum reporting requirements were that Full Council should receive:

- an annual Treasury Management Strategy Statement in advance of the year;
- a mid-year Treasury Management update report;
- an annual review following the end of the year describing the activity compared to the strategy (this report).

This report provides the outturn position for the Council's treasury activities and highlights compliance with the Treasury Management Strategy previously approved by Members in February 2022.

After presentation at Audit Committee this report will be presented at Cabinet for approval.

2 Key Issues/proposals/main body of the report:

The Economy and Interest Rates

- 2.1 2022/23 has seen inflationary pressures, easing of pandemic restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies.
- 2.2 The Bank of England increased interest rates steadily throughout 2022/23, starting at 0.75% and finishing at 4.25% to try to manage inflation.
- 2.3 The CPI measure of inflation peaked at 11.1% in October 2022, due to gas and electricity prices and supply-side factors impacting food prices.

Treasury Position as at 31 March 2023

- 2.4 The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend.
- 2.5 The Council's CFR was £349.3m at the end of the year. This includes the borrowing from the Public Works Loan Board following the introduction of HRA Self-financing and borrowing taken in 2015/16 for General Fund capital expenditure. HRA self-financing involved the transfer of national housing debt from central government to local authorities with HRA responsibilities. No new loans were undertaken during 2022/23.
- 2.6 The table below shows a decrease in balances available for investment as at 31st March 2023 compared to as at 31st March 2022 due to the Council having lower unspent grant balances,

repaying loans early for a discount, using reserves and providing a £6m interest bearing loan to a local authority body.

	31-Mar-22	Rate/ Return	Average Life	31-Mar-23	Rate/ Return	Average Life
HRA and GF COMBINED	£m	%	Years	£m	%	Years
Capital Financing Requirement	345.1			349.3		
Total external debt*	349.9			337.6		
Total investments	139.1	0.11	0.41	103.7	2.03	0.46
Net external debt	210.8			234.0		

*including finance lease obligations

General Fund

2.7 The General Fund CFR (its need to borrow) was £18.3m at 31 March 2023. This has increased due to providing a £6m capital loan to other local authorities. This is interest bearing and will provide a revenue income stream for 20 years.

2.8 The General Fund is under borrowed by £11.7m. This means the Council is utilising its own cash balances to fund past capital expenditure rather than borrowing externally. This is usually cheaper.

	31-Mar-22	Rate/ Return	Average Life	31-Mar-23	Rate/ Return	Average Life
GENERAL FUND (GF)	£m	%	Years	£m	%	Years
Total external debt	17.2	3.16%	21	6.4	3.04%	10
Finance leases	0.2			0.2		
Capital Financing Requirement	12.6			18.3		
Over / (under) borrowing	4.8			-11.7		

Housing Revenue Account

2.9 The HRA's CFR and external borrowing is £331.1m at 31 March 2023. During 2022/23 £1.37m of external borrowing was repaid in year.

HOUSING REVENUE ACCOUNT (HRA)	31-Mar-22	Rate/ Return	Average Life	31-Mar-23	Rate/ Return	Average Life
	£m	%	Years	£m	%	Years
Total external debt	332.4	3.40%		331.1	3.40%	
Capital Financing Requirement	332.4			331.1		
Over / (under) borrowing	0.0			0		

Investment Outturn

2.10 The Council's 2022/23 investment policy (contained in its Treasury Management Strategy) sets out the approach for choosing investment counterparties. It is based on a system of credit ratings provided by the three main credit rating agencies, and supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.) provided by Link Asset Services, the Council's treasury management advisors.

2.11 The Council maintained an average balance of £131.3m of internally managed funds throughout 2022/23, earning an average rate of return of 2.03% compared with the previous year of 0.11%. The increase in return between years is attributable to interest rate rises described in 2.2.

2.12 Investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

Prudential and Treasury Indicators

2.13 During 2022/23, the Council complied with its legislative and regulatory requirements set out in the Treasury Management Strategy. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Actual prudential and treasury indicators	2021/22	2022/23	2022/23
	Actual	Original Budget Estimate	Actual
	£'000	£'000	£'000
<u>Capital expenditure</u>			
· General Fund	8,248	22,854	8,199
· HRA	17,400	67,920	34,884
· Total	25,648	90,774	43,083
<u>Capital Financing Requirement:</u>			
· General Fund	12,603	19,260	18,272
· HRA	332,448	341,280	331,077
· Total	345,051	360,540	349,349
External debt excluding finance leases	349,680	347,975	337,446
<u>Investments- balance at year end</u>			
· Longer than 1 year	0	0	0
· Under 1 year	139,090	41,761	103,668
· Total	139,090	41,761	103,668

2.14 To ensure borrowing levels are prudent over the medium term, Local Authority external borrowing can only be for capital purposes, i.e. it cannot be used to support revenue expenditure. Gross borrowing should not, except in the short term, exceed its CFR i.e. the Council's need to borrow. The Council complies with this indicator.

2.15 The **Authorised Limit** - the authorised limit is the "affordable borrowing limit" required by the Local Government Act 2003. The Council does not have the power to borrow above this level. During 2022/23 the Council maintained gross borrowing within its authorised limit.

2.16 The **Operational Boundary** – the operational boundary reflects the current borrowing position with an allowance for additional borrowing for cash flow purposes during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

	2022/23
Authorised limit	£410.00m
Operational boundary	£350.868m

2.17 **Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

Ratio of financing costs to net revenue stream	31-Mar-22 Actual	2022/23 Original Limits	31-Mar-23 Actual
General Fund	0.83%	0.98%	-2.11%
HRA	19.32%	18.77%	19.14%

2.18 Due to higher interest rates the general fund's interest received was higher than interest paid and minimum revenue provision costs. This produces a negative percentage for the indicator in the table at 2.18.

2.19 The following table shows the **net debt position for the Council**. Net debt has increased by £24m due to a decrease in investments held as at 31 March 2023. Cash balances were lower at this date than at 31 March 2022 due to having lower unspent grant balances, using reserves to fund revenue expenditure, repaying loans early for a discount and providing a £6m interest bearing loan to a local authority body.

	31 March 2022	Rate/Return	Average Life	31 March 2023	Rate/Return	Average Life
	£m	%	Years	£m	%	Years
Fixed rate funding:						
PWLB and Finance Leases	349.9	3.39%	15	337.6	3.40%	14
Total external debt	349.9	3.39%	15	337.6	3.40%	14
CFR	345.1			349.3		
Over/ (under) borrowing	4.8			-11.7		
Total investments	139.1	0.11	0.41	103.7	2.03	0.46
Net debt	210.8			234.0		

2.20 The following table shows the **maturity structure of the debt portfolio**:

	31-Mar-22 actual	31-Mar-23 actual
Under 12 months	1.8	2.8
12 months and within 24 months	2.6	3.7
24 months and within 5 years	14.4	16.2
5 years and within 10 years	40.7	48.2
10 years and above	290.2	266.7

3 Options and alternatives considered

3.1 None. An annual treasury management review is a statutory requirement.

4 Consultation

4.1 The council liaise with Link Asset Services, our Treasury advisors.

5 Financial and value for money implications:

5.1 In accordance with the CIPFA Treasury Management in the Public Services Code of Practice, the order of the Council's investment priorities is 1. Security; 2. Liquidity; and, 3. Return. This may result in the Council achieving a lower rate of return than an organisation operating a more aggressive investment strategy in a less regulated sector.

6 Legal Implications:

6.1 There are no direct legal implications arising from this report.

7 Risk implications:

7.1 A prudent approach to investment is required to minimise the risk to the Council of investment losses, as outlined in the Council's Treasury Management Strategy 2022/23. This report provides an update on the delivery of that strategy.

8 Equalities, Community Impact and Human Rights:

8.1 A Community Impact Assessment is not required. There are no Human Rights Implications.

9 Sustainability implications (including climate change, health and wellbeing, community safety):

9.1 None arising directly from the report.

10 Council infrastructure (including Health and Safety, HR/OD, assets and other resources): Not applicable

10.1 None arising directly from the report.

11 Conclusion:

11.1 The Annual Treasury Management Outturn Report for 2022-23 provides the outturn position for the Council's 2022-23 treasury activities and highlights compliance with policies previously approved by Members. Its approval is required for the Council to meet its statutory obligations in respect of Treasury Management activities.

MEETING DATE	REPORT DEADLINE	STANDING ITEMS	ADDITIONAL ITEMS
22/11/23	14/11/23	Apologies for absence Declarations of Interest Minutes Actions Public Participation Work Programme AOB	Treasury Management 2023-24 mid-year update and performance Statement of Internal Control Assurance report Strategic Risk Register Q2 2023-24 update
14/02/24	06/02/24	Apologies for absence Declarations of Interest Minutes Actions Public Participation Work Programme AOB	Treasury Management Q3 2023-24 update and performance Statement of Internal Control Assurance report Strategic Risk Register Q3 2023-24 update Internal Audit Plan 2024-25
20/03/24	12/03/24	Apologies for absence Declarations of Interest Minutes Actions Public Participation Work Programme AOB	External Audit Plan 2023-24 Statement of Internal Control Assurance report