



AUDIT AGENDA

**WEDNESDAY 12 FEBRUARY 2025 AT 7.30 PM
CONFERENCE ROOM 2 - THE FORUM**

Membership

Councillor Robert Stewart (Chair)	Councillor Terry Douris
Councillor Rick Freedman (Vice-Chair, in the Chair)	Councillor Graeme Elliot
Councillor Michela Capozzi	Councillor Goverdhan Silwal PhD

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 - 4)

To confirm the minutes of the previous meeting.

There were no action points from the previous meeting.

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 HOMES ENGLAND COMPLIANCE REPORT (Pages 5 - 11)

6 EXTERNAL AUDITOR'S DRAFT ANNUAL REPORT 2023/24 (Pages 12 - 156)

7 SUMMARY INTERNAL CONTROLS ASSURANCE (SICA) REPORT (Pages 157 - 168)

8 ASSURANCE REVIEW OF PRIVATE SECTOR HOUSING (Pages 169 - 179)

9 INDICATIVE AUDIT STRATEGY 2024/27 AND ANNUAL PLAN 2025/26 (Pages 180 - 195)

10 TREASURY MANAGEMENT STRATEGY 2025/26 AND Q3 2024/25 PRUDENTIAL INDICATORS (Pages 196 - 238)

DACORUM BOROUGH COUNCIL

AUDIT COMMITTEE MINUTES

27 NOVEMBER 2024

Present:

Councillors: Freedman (Vice Chair, in the Chair)
Elliot
Douris
Silwal
England

Officers: F Jump Head of Financial Services
C Dempsey Financial and Regulatory Accounting Manager
J Mootealoo Head of Environmental Services
T Angel Democratic Support Officer

Others: Philip Lazenby (TIAA)
Cllr William Allen (Portfolio Holder for Corporate and Commercial)

The meeting began at 7.30 pm.

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Stewart and Capozzi.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES AND ACTIONS

The minutes of the previous meeting were agreed by the members present and then signed by the Chair.

The actions from the previous meeting had been completed and circulated to members.

4. PUBLIC PARTICIPATION

There was no public participation.

5. SUMMARY INTERNAL CONTROLS ASSURANCE (SICA) REPORT

P Lazenby introduced the report and provided the committee with a progress update against the annual internal audit plan.

Please refer to the video minutes for full discussion.

Outcome

1. The committee noted the final internal audit reports issued for following Council activities:
 - Capital Programme
 - Community Engagement
 - Key Financial Controls
 - Fleet Management Strategy
 - Business Continuity
2. The Committee noted the content of the SICA and progress against the annual internal audit plan.

6. STRATEGIC RISK REGISTER QUARTER 2 2024/25

F Jump introduced the report and provided the committee with an update against the risks identified in the Council's Strategic Risk Register as at Q2 2024/25.

Please refer to the video minutes for full discussion.

Outcome

The committee noted the Q2 2024/25 update on the Strategic Risk Register.

7. TREASURY MANAGEMENT 2024/25 MID-YEAR PERFORMANCE REPORT

C Dempsey introduced the report on the Treasury Management performance for 2024/25.

Please refer to the video minutes for full discussion.

Outcome

The Committee reviewed and noted the 2024/25 Treasury Management performance report.

8. WORK PROGRAMME

It was agreed that the meeting scheduled for Wednesday 11 December would be cancelled.

The meeting ended at 8.37 pm.



Audit Committee

Report for:	Audit Committee
Title of report:	Homes England Compliance Audit Report
Date:	12/02/2025
Report on behalf of:	Councillor Simy Dhyani, Portfolio Holder for Housing
Part:	I
If Part II, reason:	N/A
Appendices:	Appendix A Compliance Audit Report
Background papers:	None
Glossary of acronyms and any other abbreviations used in this report:	None

Report Author / Responsible Officer

David Barrett, Assistant Director Strategic Housing & Delivery

Charles Coleman, Strategic Housing, Investment, and Regeneration Officer



Corporate Priorities	<p>Community engagement: Engage with residents and partners to have a real say on our services and the borough</p> <p>Service improvement and delivery: Running the Council efficiently and putting residents at the heart of everything we do</p> <p>Vibrant communities: Foster arts, culture and leisure opportunities</p>
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	<p>Sustainable future: Take action on the Climate and Ecological Emergency</p> <p>Clean, safe and green: Provide a clean, safe and green-focussed environment</p> <p>Homes to be proud of: Enable well-maintained and affordable homes, where people want to live</p> <p>Proud and thriving borough: Realise our potential as a great place to live and work with a thriving business community</p>
Wards affected	Highfield
Purpose of the report:	1. To report on the outcome of a Homes England Compliance Audit.
Recommendation (s) to the decision maker (s):	1. To acknowledge the Compliance Audit Report and its recommendation.
Period for post policy/project review:	The project will be subject to a lessons learnt exercise during the defects period and carried out over the next six months.

1 Introduction/Background:

Homes England provide grant funding for the construction of affordable housing through their Affordable Homes Programme. Over the last 3 years The Council have been allocated £20,004,268 from Homes England to support our development programme. The funding received has been for the following group of projects.

Sites	New homes	Funding Received
5 Garage Sites (Beechfield, Housewood, Dione Rd, Sempill & Sleddale)	25	£2,539,399.00
Randalls Ride	30	£1,998,739.00
St Margaret's Way	46	£4,559,954.00
Marchmont	32	£3,793,600.00
Paradise Depot	56	£7,112,576.00
Total	189	£20,004,268.00

2 Homes England Audit Compliance

Audit and Process

Homes England conduct an annual audit programme for projects receiving their funding. The process ensures that providers of affordable housing receiving grant funding have complied with Homes England's requirements and funding conditions and have properly exercised their responsibilities as set out in Homes England's Capital Funding Guide.

The Council were selected for an audit to be undertaken on a garage site in Dione Road, Hemel Hempstead where four new houses had been constructed.

To conduct the audit The Council were required to appoint an Independent Auditor. Following the Independent Auditor completing their report Homes England undertake a review to identify any breaches and provide a grade that is either **RED, AMBER OR GREEN**. The audit process and timeline is set out below:

1. Homes England notified The Council on the 8th July 2024 that they will be audited.
2. The Council had to appoint an Independent Auditor.
3. Independent Auditor (Saffer Cooper Consultancy) completes a checklist and submits their findings within 5 weeks.
4. The Council's Housing Development Team had 10 working days to review and comment on the findings of the Independent Auditor.
5. Homes England assess the Independent Auditors report between October to December 2024.
6. Homes England issued report to The Council on the 17th January 2025.
7. The Councils Audit Committee are required to acknowledge the report and confirm agreed recommendations all within 3 months of receiving report.

Outcome

The Compliance Audit Report can be seen in Appendix A and confirms a GREEN rating.

3 Financial and value for money implications:

Grant funding from Homes England is utilised to finance the delivery of new build housing for the Housing Revenue Account, the Council's housing landlord function. The assignment of a 'Green' grade for this audit provides assurance to Committee and to Homes England that grant funding received by the Council has been properly applied. The receipt and application of Homes England funding is monitored and managed closely by the Council's Investment and Delivery service and Financial Services.

4 Legal Implications

There are no legal implications arising from the report.

5 Risk implications:

Any RED rating or failure to comply with the audit outcome may impact future availability of funding from Homes England.

6 Equalities, Community Impact and Human Rights:

There are no Equalities, Community Impact or Human Rights Implications arising from this report.

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

There are no sustainability implications arising from the report.

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

There are no Council infrastructure implications arising from the report.

9 Conclusions:

The Council received a **GREEN** rating for the Dione Road development as a result of the Homes England Compliance Audit. In order to complete the audit and ensure compliance, the report and its recommendation must be acknowledged by the Audit Committee.

10 Recommendation

The audit report and its recommendation are acknowledged and signed off by Audit Committee and confirmation of this acknowledgement is recorded in the Homes England Investment Management System.



Compliance Audit Report – 2024/25

26UC – Dacorum Borough Council

Final Grade	Green - Meets requirements
Independent Auditor Organisation	Saffer Cooper
Independent Auditor Name	Sean Stafford

Report Purpose and Objectives

The purpose of the Compliance Audit report is to confirm that grant recipients have met Homes England's funding conditions and contractual requirements and have properly exercised their responsibilities as set out in the Capital Funding Guide.

We use the audit findings (which are confidential between Homes England and the grant recipient) to inform our future investment decisions and to reassure the Homes England Chief Accounting Officer that public funds have been properly used.

Where findings have been determined as breaches they are then used as the basis for recommendations and final grades for Providers. Grades of green, amber or red are awarded; definitions are provided at the end of this report. Where applicable the Provider is to use the recommendations to prevent similar breaches from reoccurring in the future and to aid good governance for complying with Homes England's policies, procedures and funding conditions.

Information about the audit process and guidance is available at:
<https://www.gov.uk/guidance/compliance-audit>

Compliance Audit Grade and Judgement Summary

Final Grade	Green - Meets requirements
Judgement Summary	On review of the evidence provided, the outcome of the audit has shown the provider has complied with all the programme requirements and guidance. A GREEN grade has been assigned and no breaches were identified.



Scheme/Completions details

Scheme ID/ Completion ID	Address/Site ID	Scheme type
1083050	Dione Rd - Garage site Dione Road, HP2 5PD	Rent

Audit Results

Number of Schemes/Completions Audited	1
Number of Breaches Assigned	0
Number of High Severity Breaches	0
Number of Medium Severity Breaches	0
Number of Low Severity Breaches	0

Provider's Acknowledgement of Report

The contents of this report including all recommendations must be acknowledged by your Board's Chair or equivalent. Confirmation of this acknowledgement must be recorded in the IMS Compliance Audit System by your Compliance Audit Lead no later than **three calendar months** of the report email notification being sent.

Report acknowledged by:

Date:

Confidentiality

The information contained within this report has been compiled purely to assist Homes England in its statutory duty relating to the payment of grant to the Provider. Homes England accepts no liability for the accuracy or completeness of any information contained within this report. This report is confidential between Homes England and the Provider and no third party can place any reliance upon it.

Compliance Audit Grade Definitions

Green Grade	No high or medium severity breaches identified, although there may be low breaches identified. The Homes England audit report shows that the provider
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	has a satisfactory overall performance but may identify areas where minor improvements are required.
Amber Grade	One or more medium severity breaches identified. The Homes England audit report will show that the provider has failed to meet some requirements but has not misapplied public money. The provider will be expected to correct identified problem(s) in future schemes and current developments.
Red Grade	One or more high level severity breaches identified, the Homes England audit report shows that the provider has failed to meet some requirements and there has been a risk of misapplication of public funds.



Audit Committee

Report for:	Audit Committee
Title of report:	External Auditor's Draft Annual Report 2023/24
Date:	12 th February 2025
Report on behalf of:	Councillor William Allen, Portfolio Holder for Corporate and Commercial Services
Part:	I
If Part II, reason:	N/A
Appendices:	Appendix A Draft External Auditor's Annual Report 2023/24 Appendix B Draft Year End Report to Audit Committee 2023/24 Appendix C Letter of Representation Appendix D Statement of Accounts 2023/24
Background papers:	None.
Glossary of acronyms and any other abbreviations used in this report:	None.

Report Author / Responsible Officer

Clare Dempsey, Head of Financial Services



Clare.dempsey@dacorum.gov.uk / 01442 228264 (ext. 2264)

Corporate Priorities	<ul style="list-style-type: none"> • Community engagement • Service improvement and delivery • Vibrant communities • Sustainable future • Clean, safe and green • Homes to be proud of • Proud and thriving borough
Wards affected	All

Purpose of the report:	1. To present the External Auditor’s Annual Report for 2023/24
Recommendation (s) to the decision maker (s):	<p>1. To accept the External Auditor’s Draft Annual Report 2023/24, noting the recommendations within the report.</p> <p>2. Approve the Letter of Representation (Appendix C) and the Statement of Accounts (Appendix D) in the capacity of those charged with Governance</p>
Period for post policy/project review:	The Council’s External Auditor issues their report on an annual basis.

1 Background:

The Council’s External Auditor for 2023/24 is KPMG LLP.

The Council’s External Auditor is required to satisfy themselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in the use of its resources. External Audit are required to report their findings in the area to the Council on an annual basis.

Appendix A and B sets out the External Auditor’s Draft Annual Report and the Draft Year End report to Audit Committee on the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources. KPMG will attend Audit Committee to present this report.

KPMG LLP are expected to issue an unqualified opinion ahead of the audit deadline of 28th February 2025.

As part of the report KPMG found 3 items of non-material misstatements within the accounts:

- Valuation of one asset outside the expected range
- Pension – the return on planned assets
- Pension – the effect of the minimum funding contribution

The impact of these 3 misstatements

Uncorrected audit differences (£'000s)			
No.	Detail	CIES Dr/(cr)	Balance Sheet Dr/(cr)
1	Dr Net Pension Liability	£0	£1,019
	Cr Actuarial (Gains)/Losses on Pension Asset / Liabilities	(£1,019)	(£0)
2	Dr Actuarial (gains)/losses on Pension Asset/Liabilities	£1,605	£0
	Cr Effect of the asset ceiling on net Asset/Liabilities	(£0)	(£1,605)
3	Dr Investment Property	£0	£1,754
	Cr Financing and Investment Income	(£1,754)	(£0)
Total		(£1,168)	£1,168

Audit Committee agreed the statement of accounts and the letter of representation in September 2024 and gave delegated approval for the accounts and letter of representation to be given to the Deputy chair of the audit committee and the Chief Financial Officer.

The revised letter of representation is included in Appendix C for approval. This has been updated to take account revised acts as part of the audit process.

Since the letter of representation and the Statement of Accounts were agreed there has been some minor changes.

There has been a minor change to the statement of accounts relating to a disclosure around the pension scheme. The disclosure is in relation to Dacorum sports Trust's membership and our guarantee regarding the staff included under the TUPE agreement.

The additional disclosure within the statement of accounts is as follows:

Under the terms of the admission agreement, DST like most other admitted bodies, are responsible for paying all ongoing employer contributions to the fund and pension strain costs, and have undertaken this responsibility for 13 years. Participation in the pension scheme going forward is on a closed basis. The Council acts as guarantor to DST's liabilities in the Fund. Upon DST no longer operating the golf club, DST's pension assets and liabilities will be subsumed with that of the Council's pension fund. DST are required as part of these arrangements to have a pension bond in place to mitigate future potential liabilities.

On 25 July 2024, the Court of Appeal dismissed the appeal in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others. The appeal was brought by Virgin Media Ltd against aspects of the High Court's ruling handed down in June 2023 relating to the validity of certain historical pension changes due to the lack of actuarial confirmation required by law. The Court of Appeal upheld the High Court's ruling. The ruling may have implications for other UK defined benefit plans. It is understood this would apply to the Local Government Pension Scheme and HM Treasury is currently assessing the implications for all public service pension schemes. No further information is available at this stage.

2 Financial and value for money implications:

Appendix A sets out the External Auditor's view on the Council's Value for Money arrangements.

3 Legal Implications

There are no direct legal implications arising from this report.

4 Risk implications:

External audit review is one of the key assurance mechanisms concerning the Council's financial resilience and value for money arrangements.

5 Equalities, Community Impact and Human Rights

A Community Impact Assessment is not required for this report. There are no Human Rights Implications arising from this report.

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

There are no direct sustainability implications arising from this report.

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

There are no direct Council infrastructure implications arising from this report

8 Conclusion

The External Auditor's Interim Annual Report 2023/24 has found no significant weaknesses in the Council's arrangements in the areas of financial sustainability, governance and value for money.



Auditor's Annual Report for Dacorum Borough Council

DRAFT

Year-ended 31 March 2024

February 2025

Contents



Key Contacts

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This report is addressed to Dacorum Borough Council (the Council). We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

	Page
01 Executive Summary	3
02 Audit of the Financial Statements	6
03 Value for Money	12
a) Financial Sustainability	
b) Governance	
c) Improving economy, efficiency and effectiveness	

01

Executive Summary



Executive Summary



Purpose of the Auditor's Annual Report

This Auditor's Annual Report provides a summary of the findings and key issues arising from our 2023-24 audit of Dacorum Borough Council (the 'Council'). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office and is required to be published by the Council alongside the annual report and accounts.

Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. In line with this we provide conclusions on the following matters:



Accounts - We provide an opinion as to whether the accounts give a true and fair view of the financial position of the Council and of its income and expenditure during the year. We confirm whether the accounts have been prepared in line with the CIPFA/LASSAC Code of Practice in Local Authority Accounting ('the Code').



Narrative report - We assess whether the narrative report is consistent with our knowledge of the Council.



Value for money - We assess the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the Council's use of resources and provide a summary of our findings in the commentary in this report. We are required to report if we have identified any significant weaknesses as a result of this work.



Other powers - We may exercise other powers we have under Local Audit and Accountability Act. These include issuing a Public Interest Report, issuing statutory recommendations, issuing an Advisory Notice, applying for a judicial review, or applying to the courts to have an item of expenditure declared unlawful.

In addition to the above, we respond to valid objections received from electors.

Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities.

Accounts	We expect to issue an unqualified opinion on the Council accounts. This means that we believe the accounts give a true and fair view of the financial performance and position of the Council. We have provided further details of the key risks we identified and our response on pages 6 – 11.
Narrative report	We did not identify any significant inconsistencies between the content of the narrative report and our knowledge of the Council.
Value for money	We are required to give an opinion as to whether the Council has appropriate arrangements in place to secure economy, efficiency, and effectiveness in the use of resources.
Other powers	See overleaf.

Executive Summary



There are several actions we can take as part of our wider powers under the Local Audit and Accountability Act:

Public interest reports

We may issue a Public Interest Report if we believe there are matters that should be brought to the attention of the public.

If we issue a Public Interest Report, the Council is required to consider it and to bring it to the attention of the public.

We have not issued a Public Interest Report this year

Judicial review / Declaration by the courts

We may apply to the courts for a judicial review in relation to an action the Council is taking. We may also apply to the courts for a declaration that an item of expenditure the Council has incurred is unlawful.

We have not applied to the courts this year.

Recommendations

We can make recommendations to the Council. These fall into two categories:

1. We can make a statutory recommendation under Schedule 7 of the Local Audit and Accountability Act. If we do this, the Council must consider the matter at a general meeting and notify us of the action it intends to take (if any). We also send a copy of this recommendation to the relevant Secretary of State.
2. We can also make other recommendations. If we do this, the Council does not need to take any action, however should the Council provide us with a response, we will include it within this report.

We made no recommendations under Schedule 7 of the Local Audit and Accountability Act

Advisory notice

We may issue an advisory notice if we believe that the Council has, or is about to, incur an unlawful item of expenditure or has, or is about to, take a course of action which may result in a significant loss or deficiency.

If we issue an advisory notice, the Council is required to stop the course of action for 21 days, consider the notice at a general meeting, and then notify us of the action it intends to take and why.

We have not issued an advisory notice this year.

02

Audit of the financial statements

Audit of the financial statements



KPMG provides an independent opinion on whether the Council's financial statements:

- Give a true and fair view of the financial position of the Council as at 31 March 2024 and of the Council's income and expenditure for the year then ended; and
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

We conduct our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. We also fulfil our ethical responsibilities under, and ensure we are independent of the Council in accordance with, UK ethical requirements including the FRC Ethical Standard. We are required to ensure that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Our audit opinion on the financial statements

We expect to issue an unqualified opinion on the Council financial statements.

The full audit report will be included in the Council's Annual Report and Accounts for 2023/24 which can be obtained from the Council's website.

Further information on our audit of the financial statements is set out overleaf.

Audit of the financial statements



The table below summarises the key financial statement audit risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Significant financial statement audit risk	Procedures undertaken	Findings
<p>Valuation of land and buildings</p> <p>The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. The last full revaluation was performed as at 31st January 2020.</p> <p>This creates a risk that the carrying value of assets not revalued in year differs materially from the year end fair value.</p> <p>The value of the Council's Land & Buildings at 31 March 2024 was £145.8m.</p> <p>The Council undertakes an annual valuation of the housing properties within the HRA. The value of Council Dwellings at 31 March 2024 was £1,191m.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> We critically assessed the independence, objectivity and expertise of Wilks Head & Eve, the valuers used in developing the valuation of the Council's properties at 31 March 2024. We inspected the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code. We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information. We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used. We challenged the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We challenged key assumptions within the valuation as part of our judgement. We agreed the calculations performed of the movements in value of land and buildings and verified that these have been accurately accounted for in line with the requirements of the CIPFA Code. Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation. 	<p>We identified no material misstatements</p> <p>We considered the estimate to be balanced.</p>

Audit of the financial statements



The table below summarises the key financial statement audit risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Significant financial statement audit risk	Procedures undertaken	Findings
<p>Valuation of investment properties</p> <p>The Code defines an investment property as one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property. At 31 March 2024 the Council had investment property with a total value of £64.1m. While the majority of the properties are individually not material in value, there is significant estimation uncertainty within the reported balance.</p> <p>There is a risk that investment properties are not being held at fair value, as is required by the Code. At each reporting period, the valuation of the investment property must reflect market conditions. Significant judgement is required to assess fair value and management experts are often engaged to undertake the valuations.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> • We critically assessed the independence, objectivity and expertise of Wilks Head & Eve, the valuers used in developing the valuation of the Council's investment property at 31 March 2024. • We inspected the instructions issued to the valuers to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code. • We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information. • We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used. • We challenged the appropriateness of the valuation; including any material movements from the previous revaluations. We challenge key assumptions within the valuation as part of our judgement. • We agreed the calculations performed of the movements and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code. • We utilised our own valuation specialists to review the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology used. • Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation 	<p>Our testing identified one asset where the value of the land was outside of the observed range when compared to available comparable evidence. This represented an understatement of £1,754k. We identified no further misstatements.</p> <p>Assumptions applied were found to be cautious due to the value applied to the sampled land asset being below our observed range.</p>

Audit of the financial statements



The table below summarises the key financial statement audit risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Significant financial statement audit risk	Procedures undertaken	Findings
<p>Valuation of post retirement benefit obligations</p> <p>The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year on year movements.</p> <p>We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme</p> <p>Also, recent changes to market conditions have meant that more Council are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> • Evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations; • Performed inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets; • Agreed the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation; • Challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data; • Confirmed that the accounting treatment and entries applied by the Council were in line with IFRS and the CIPFA Code of Practice; • Considered the adequacy of the Council's disclosures in respect of the sensitivity of the deficit to these assumptions; and • Where applicable, assessed the level of surplus that should be recognised by the Council. 	<p>We identified two non-material misstatements in relation to:</p> <ul style="list-style-type: none"> • The return on planned assets • The effect of the minimum funding contribution <p>Assumptions applied were found to be balanced.</p>

Audit of the financial statements



The table below summarises the key financial statement audit risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Significant financial statement audit risk	Procedures undertaken	Findings
<p>Management override of controls</p> <p>Professional standards require us to communicate the fraud risk from management override of controls as significant.</p> <p>Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We have not identified any specific additional risks of management override relating to this audit.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> • Our testing of journal entries and other adjustments meeting our high-risk criteria identified no indicators of management override of controls. • We evaluated accounting estimates, including the consideration of the valuation of land and building, investment properties and post retirement benefit obligations. We did not identify any indicators of management bias. • Our procedures did not identify any significant unusual transactions. 	<p>We have not identified any material misstatements relating to this risk.</p>

03

Value for Money

Value for Money



Introduction

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or ‘value for money’. We consider whether there are sufficient arrangements in place for the Council for the following criteria, as defined by the National Audit Office (NAO) in their Code of Audit Practice:



Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services.



Governance: How the Council ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

Approach

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor’s Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We make performance improvement observations where we identify opportunities to improve in areas where we have not identified any weaknesses.

Summary of findings

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	14	17	20
Identified risks of significant weakness?	x No	x No	x No
Actual significant weakness identified?	x No	x No	x No
2022-23 Findings	No significant weakness identified	No significant weakness identified	No significant weakness identified
Direction of travel	↔	↔	↔

Value for Money

National context

We use issues affecting Councils nationally to set the scene for our work. We assess if the issues below apply to this Council.

Financial performance

Over recent years, councils have been expected to do more with less. Central government grants have been reduced, and the nature of central government support has become more uncertain in timing and amount. This has caused councils to cut services and change the way that services are delivered in order to remain financially viable.

Some councils have initiated innovative plans to raise new funds, such as through increasing commercial activity. Examples have included purchasing commercial assets such as shops and offices with a view to generate rental income, others have set up novel joint ventures to deliver regeneration schemes. Some have questioned whether commercialisation activities open councils to excessive risk or could be a poor use of taxpayer monies.

Some councils have issued what are known as “section 114” notices, in this instance a declaration that they cannot generate sufficient resources to meet the costs they need to incur. In some instances, this has resulted in a need for exceptional financial support from central government (such as approval to sell council buildings to meet costs) and severe cutbacks to services.

Housing Revenue Account (HRA)

Councils which operate a HRA are required by law to prevent the account running into deficit, and must operate it independently of the main operations of the Council. HRAs have experienced financial pressure over the past few years on account of high inflation rates increasing the cost of operating housing, whilst central government cap rent increases at or below the rate of inflation.

Following tragic deaths in housing estates in Kensington and Rochdale, there has been increased focus on the safety of social homes. Landlords are required to take remedial action to ensure homes are compliant with fire safety legislation and new regulations to improve building safety more generally. These regulations have increased the costs faced by landlords, caused loss of income where properties were void for repairs, and increased the risk of regulatory action should improvements not be made.

Local context

The Council published unaudited financial statements on their website on 31 May 2024 in line with the statutory deadline.

The Council reported a £19.8m surplus in the Council's total comprehensive income and expenditure for the year ended 31 March 2024. The Council faced a number of financial pressures during 2023/24, including ongoing cost inflation, as well as the staff pay award. However, in the General Fund the Council delivered an overall surplus on the provision of services of £2.4m, a favourable variance against budget of £5.7m. This enabled a contribution to earmarked reserves of £8.2m while maintaining the target general fund working balance of £2.5m.

Total reserves reduced by £69m (5.5%) as at 31 March 2024 compared to 31 March 2023. The majority of this movement was in unusable reserves, relating principally to movements on the valuation of property, plant and equipment and LGPS pensions. Usable reserves reduced by a small amount (£2.0m) during the year.

Housing strategy

The Council delivered a small surplus on its Housing Revenue Account for 2023/24 of £165k. The Council's Corporate Plan commits to ensuring the delivery 400 new Council homes, let at a social rent, by 2025. The Council revised its Housing Strategy in November 2023 to support this. As at July 2024, 251 developments had been completed.

The Council may experience additional financial pressures relating to its new homes commitments in the coming years due to the New Homes Bonus scheme, in its present form, coming to an end. The Government has indicated that a replacement scheme will be established to support housing growth, however details of this are yet to be confirmed. 2025-26 payments under the scheme have been confirmed, but beyond this there is uncertainty about the level of financial support that individual Councils will receive.

No key decisions were made during 2023/24. Key decision are defined as decisions which (a) result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budget for the service or function to which the decision relates; or (b) to be significant in terms of its effects on people living or working in an area comprising two or more wards in the Borough.

Financial Sustainability



How the Council plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

- How the Council ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Council plans to bridge its funding gaps and identifies achievable savings;
- How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Council ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- How the Council identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Budget setting

The Council's budget setting process is underpinned by the overarching budgeting and budgetary control process, captured within the Council's financial regulations, included in the Council's Constitution. For the 2023/24, the Council began the budget setting process in October 2022, in sufficient time prior to the beginning of the financial year in question.

Officers presented the Council's Medium Term Financial Strategy (MTFS) to the Cabinet in October 2022; this included the Financial Planning Framework for 2023/24 and sought to set the strategy for setting a balanced budget for 2023/24, and subsequent financial years. Our review of the MTFS confirmed that it was created in conjunction with relevant stakeholders such as budget holders, Dacorum Borough Council residents and local businesses. The MTFS is produced to align with the Council's overarching Corporate Plan, which runs to 2025 and includes the Council's six strategic priorities. This ensures there is consistency between the Council's financial plans and overarching objectives surrounding workforce, housing and other operational plans.

The MTFS included a savings requirement of £1.8m for 2023/24, in line with the Council's four-year savings plan. Savings included within the MTFS were identified by budget holders through the development of Service plans, which incorporated key corporate priorities, in consultation with the Senior Leadership Team (SLT) and portfolio holders. As at October 2022 all savings for 2023/24 had been identified.

In December 2022 the Draft 2023/24 Budget Proposal was presented to the Finance and Resources Overview and Scrutiny Committee, supplementing the MTFS. The draft budget proposal included the budget requirements to achieve a balanced position in 2023/23, including key assumptions such as a 2.9% increase in council tax and an inclusion of an average pay settlement of 4%. As the budget setting process progressed, changes were made to the initial budget presented in December 2022 and a refreshed budget was presented to the Finance and Resources Overview and Scrutiny Committee in February 2023. Review of the minutes of this committee confirmed that appropriate scrutiny was exercised with respect to the budget by those charged with governance.

The final budget was presented to the Cabinet in February 2023. Minutes of this meeting confirmed that the budget was reviewed, scrutinised and approved by the Cabinet, with recommendation made to the Council for its approval. The budget was approved by the Council on the 28 February 2023, ahead of the beginning of the 2023/24 financial year.

Budget monitoring

Budget holders are initially responsible for the monitoring of their own budgets, with each budget holder being a member of the Senior or Corporate Leadership Team. Each budget holder is supported by a member of the Council's finance team in producing financial forecasts.

Financial Sustainability

Budget monitoring (continued)

These forecasts are submitted to the Senior Leadership team, the Strategic Planning and Environment Overview and Scrutiny Committee, the Finance and Resources Overview and Scrutiny Committee, Cabinet and full Council via the Quarterly Financial Performance Report, in line with the Council’s financial monitoring calendar. The calendar is created at the start of each financial year and details the timeline of each monthly budget monitoring cycle. The Council have created a template agenda for each monitoring meeting to ensure consistency in discussions across different budget areas.

The quarterly reports reviewed detailed the Council’s financial performance, including variances between the budget and forecast position by scrutiny committee areas and spend type. Additionally, the reports included an easily digestible executive summary that highlighted key additional cost pressures and any offsetting savings to enable informed decision making by those charged with governance.

In the intervening months between formal quarterly reporting, specific risk related budget reviews were presented to the SLT.

The Council has numerous risks relating to financial sustainability and financial performance within its Strategic Risk Register. These include the risk around ‘Financial Resilience’. These risks are presented to the Audit Committee on a quarterly basis via the Risk Management Progress Report. Our review of the Risk Register confirmed that sufficient information was included to enable informed decision making. We have provided commentary on the Council’s risk management processes in the following section of this risk assessment.

Budget outturn

The Council has a history of maintaining the General Fund balance at the target level of £2.5m as shown in the graph to the right. Usable reserves were bolstered during the pandemic and to date have been maintained at a similar level, helping to ensure that the Council remains financially resilient.

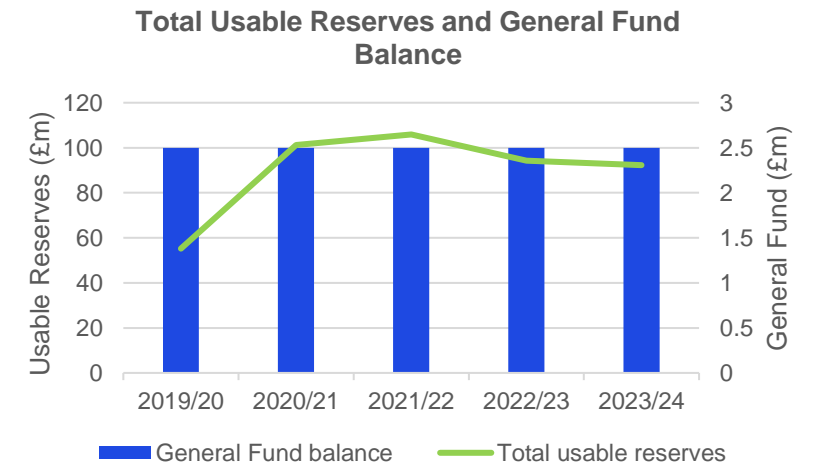
The Council planned a balanced 2023/24 budget within the final MTFS, with no in-year use of General Fund Reserves. The Council achieved its budgeted position, with no drawdowns made from the General Fund reserves.

The Council presented its 24/25 medium term financial strategy to the Cabinet in October 2024. This included a four year General Fund savings requirement of £2.5m. In addition to the savings requirement it included income assumptions should as a 2.99% annual increase in Council tax to ensure a breakeven position.

Conclusion

Based on the procedures performed we have not identified a significant risk or weakness associated with financial sustainability.

Key financial and performance metrics:	2023-24	2022-23
Actual surplus/(deficit), excluding HRA	(£4.1m)	(£13.7m)
Planned HRA surplus/(deficit)	(£0.2m)	£0
Actual HRA surplus/(deficit)	£0.1m	(£3.3m)
Usable reserves	£92.3m	£94.3m
Year-end long term borrowings	£331.1m	£334.8m
Year-end cash position	£40.6m	£11.6m



How the Council ensures that it makes informed decisions and properly manages its risks.

We have considered the following in our work:

- how the Council monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Council approaches and carries out its annual budget setting process;
- how the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.

Risk management

The Council assessed and managed risks through its Risk Management Policy and Guide to Risk Management procedures during the financial period. Strategic risks are those which may threaten the achievement of the Council's strategic priorities.

The Council has created a culture in which employees are responsible for identifying, assessing, measuring, monitoring and reporting and escalating significant risks associated with their functions or activities, which feed into directorate and strategic risks. However, operational risks are formally identified as part of the annual service planning process, at which point these operational risks will be directly linked to a strategic risk. Once risks are identified, they will be added to the Council's risk management software, InPhase.

The Council calculate risk scores by multiplying the potential impact by the potential likelihood of the risk. The Council use a 4x4 matrix scoring system, which produces a range of scores from 1 to 16. To ensure consistency across risk areas, the Council have developed a scoring methodology that underpins the calculation. This methodology also provides detailed descriptions of what would constitute each risk score.

It is the role of the Corporate Leadership Team (CLT) to review and challenge operational risks. Once confirmed, risks are added to the operational risk register, which follows the same scoring methodology and format as the strategic risk register.

Strategic risks are monitored via the Strategic Risk Register report, which is presented to the Cabinet, SLT, and Audit Committee each quarter. The risk report provides the following information against each risk to enable informed decision making: Inherent Score, Mitigated Score, Target Score, Controls and Assurances, and Evidence of the risk being managed. The Strategic Risk Register report is supplemented by exception reporting of the risk management process, which is produced from the InPhase system.

We note that the Council typically performs annual Deep Dives to specific Strategic risks, in order to highlight risk performance, controls and mitigations which are then reported to the Audit Committee. However, no deep dive took place in 2023/24.

Operational risks are monitored on a quarterly basis by portfolio holders using the Performance board, produced by the InPhase system. This reporting follows the same structure as the Strategic Risk Register report.

Budget setting and approval

The final budget was presented to the Cabinet in February 2023; minutes of this meeting confirmed that the budget was reviewed, scrutinised and approved by the Cabinet, with recommendation made to the Council for its approval. The budget was approved by the Council on the 28 February 2023, ahead of the beginning of the 2023/24 financial year. We have provided further commentary on the Council's budget setting and monitoring process in the preceding section of this report.



How the Council ensures that it makes informed decisions and properly manages its risks.

We have considered the following in our work:

- how the Council monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Council approaches and carries out its annual budget setting process;
- how the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.

Counter fraud

The Council's counter fraud and anti-corruption arrangements are underpinned by its financial regulations, '*Preventing and detecting fraud and corruption*'. This policy is supplemented by the various anti-fraud arrangements within the Council's Code of Conduct, such as details of Council employees' responsibilities surrounding whistleblowing. The Council have a dedicated antifraud hotline and email address, as well as employing a dedicated Corporate Anti-Fraud Manager.

We note that as part of their quarterly reporting, the Council's internal audit providers, TIAA, provide commentary over whether any fraud or irregularities have been brought to their attention. No such frauds or irregularities were reported by TIAA in 2023/24.

Compliance with laws and regulations and standards and behaviour

Compliance with laws and regulations and the monitoring of this is one of the functions of the Council, and is included within the Council's Constitution. The Constitution is approved by the full Council annually. Additionally, included within the Constitution is the role of the Monitoring Officer. The Monitoring Officer's role is to report to the full Council or to the Cabinet in relation to an Executive function if he or she considers that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to maladministration. No such reports were made in 2023/24. The responsibilities of the Audit Committee, within the Constitution, also highlight that it is the Committees' role to ensure the Council's compliance with relevant legislation and its own and other published policies, standards and controls.

The Council's Code of Conduct documents the responsibilities of Council employees and processes regarding conflicts of interest, gifts and hospitality. In addition to this, the Council's processes in place to monitor officer compliance are included within a separate disciplinary policy for statutory officers which works in conjunction with the Council's Code of Conduct. This document ensures officers, including the Monitoring Officer, are held to account.

Decision making process

The Council's decision making processes are derived from the Council's Financial Regulations, included within the Council's Constitution. The Financial regulations provide a framework for managing the financial affairs of the Council to support effective decision making.

Governance



Decision making process (continued)

The Council is responsible for the key decisions of the authority. Where applicable, decision making will be delegated to relevant Committees, as documented within Article 12 of the Council's constitution 'Decision Making'. The Governance arrangements implemented by the Council supports appropriate scrutiny of any key decision. For example, the role of the scrutiny committee includes but is not limited to review and/or scrutiny of decisions made or actions taken, in connection with the discharge of any of the Council's functions; and exercising the right to call-in for reconsideration decisions made but not yet implemented by the Cabinet.

The Financial Regulations are supported by the Procurement and Commissioning Standing order and Scheme of Delegation, which details the authorisation of payments to be made to staff, contractors and suppliers; the collection of income; and placing of orders including variations.

A key step in the decision making process is the preparation and review of business cases for each decision. To facilitate this, the Council has a proforma business case document. This ensures consistency in how decisions are made and includes information such as key benefits, key risks and alignment to the Council's strategic objectives.

We note that no key decisions were made by the Cabinet/Council in year, however key service level decisions were made. We reviewed the approval of the Safe Homes and Commercial Housing Contracts, a decision made by the Strategic Director of Housing and Property Service to approve the award of a contract for the Supply of Heating and Ventilation Services and Installations for Housing Assets for a 7 year period, with the option to extend for a further 3 years.

We noted that the decision was documented using the proforma 'Office Holder Decision Sheet' and included an estimated cost for the services of between £3.8m and £4.2m per annum. The Officer holder decision sheet demonstrated review by various officers, the Monitoring Officer and the S151 officer as well as the Commercial Board. This was then approved by the Strategic Director of Housing and Property Services on 15 December 2023, in line with the Scheme of Delegation.

Conclusion

Based on the procedures performed we have not identified a significant risk or weakness associated with governance

	2023-24	2022-23
Control deficiencies reported in the Annual Governance Statement	None	None
Head of Internal Audit Opinion	Reasonable assurance	Reasonable assurance
Regulator of Social Housing grading	N/A	N/A
Local Government Ombudsman findings	N/A	N/A
Housing Ombudsman findings	N/A	N/A

Improving economy, efficiency and effectiveness



How the Council uses information about its costs and performance to improve the way it manages and delivers its services

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Council evaluates the services it provides to assess performance and identify areas for improvement;
- how the Council ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the Council commissions or procures services, how it assesses whether it is realising the expected benefits.

Corporate plan and performance reporting

The Council implemented a five year Corporate Plan in 2025 to run to 2025. The plan is underpinned by the Council's strategic priorities for local residents and communities, which include 'Ensuring economic growth and prosperity' and 'Ensuring efficient, effective and modern service delivery'. Performance against the Corporate Plan is reported annually via the Council's Annual Report. This details the Council's in-year achievements against the plan and further activities for the year ahead.

Corporate plan success is supported by operational performance reporting. Operational performance is monitored by the individual Scrutiny Committees, with each have its own performance monitoring remit. For example, the Housing and Community Overview and Scrutiny Committee oversee the performance of the Council's housing strategy. Each Scrutiny Committee received performance reporting on a quarterly basis, which includes Key Performance Indicators (KPIs). The appendix includes KPI performance for all months within the quarter, and includes a 'direction of travel' indicator for each KPI. Where KPIs are not being met the measure is highlighted in red; where the council is overperforming the measure is highlighted in green. This ensures that reported performance can be quickly and easily analysed, facilitating informed decision making. Each KPI includes commentary which details the reason for KPIs not being met and any actions to remediate this.

Partnership work

To monitor working arrangement of partnership arrangement, either prospective or ongoing, the Council is an established member of a number of joint partnership committees. One such example is the Hertfordshire Climate Change and Sustainability Partnership which seeks to identify joint working programmes on environmental, climate change and wider sustainability issues.

This allows the Council to have greater oversight and influence of policy decisions within the local community.

The Council have actively explored better ways of working with partners and third sector bodies. An example of this is the Future Neighbourhoods pilot in which the Council works alongside the third sector entities within Hertfordshire to identify and support areas of deprivation and vulnerable communities.

Improving economy, efficiency and effectiveness



How the Council uses information about its costs and performance to improve the way it manages and delivers its services

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Council evaluates the services it provides to assess performance and identify areas for improvement;
- how the Council ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the Council commissions or procures services, how it assesses whether it is realising the expected benefits.

Outsourced services

The majority of key council services are delivered in-house, with the exception being Leisure services. This is provided by Everyone Active. A review of the leisure quarterly contract report confirmed that performance is appropriately reported to those charged with governance.

Conclusion

Based on the procedures performed we have not identified a significant risk or weakness associated with improving economy, efficiency and effectiveness.



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Year End Report to the Audit Committee - DRAFT

Dacorum Borough Council

Year end report for the year ended 31 March 2024

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January 2025

Important notice

This report is presented under the terms of our audit under Public Sector Audit Appointments (PSAA) contract.

The content of this report is based solely on the procedures necessary for our audit.

Purpose of this report

This Report has been prepared in connection with our audit of the financial statements of Dacorum Borough Council (the 'Council'), prepared in accordance with International Financial Reporting Standards ('IFRSs') as adapted Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, as at and for the year ended 31 March 2024.

This Report has been prepared for the Council's Audit Committee, a sub-group of those charged with governance, in order to communicate matters that are significant to the responsibility of those charged with oversight of the financial reporting process as required by ISAs (UK), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

This report summarises the key issues identified during our audit but does not repeat matters we have previously communicated to you by written communication.

Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the Council's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors.

Yours sincerely,

Christopher Paisley
Director KPMG LLP
31 January 2025

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

Status of our audit

Our audit is not yet complete and matters communicated in this Report may change pending signature of our audit report. We will provide an oral update on the status. Page 3 'Our Audit Findings' outlines the outstanding matters in relation to the audit.

Our conclusions will be discussed with you before our audit report is signed.

Restrictions on distribution

The report is provided for the information of the Audit Committee of the Council; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.

Our audit findings

Significant audit risks Pages 5 - 14

Significant audit risks	Our findings
Management override of controls	We have not identified any indicators of management override of controls
Valuation of land and buildings	We identified no material misstatements in respect of depreciated replacement cost, existing use, or housing revenue beacon valuations.
Valuation of investment property	We have identified one unadjusted audit difference regarding the valuation of investment properties. See page 10 for details.
Valuation of post retirement benefit obligations	We have identified two unadjusted audit differences in respect of the return on planned assets and the minimum funding obligation. Additionally, we have challenged the methodology behind the calculation of the 'asset ceiling' within the latest IAS19 actuarial report.

Key accounting estimates

Valuation of land and building	Assumptions were found to be neutral.
Valuation of Investment properties	We have identified a material understatement regarding on valued property. Assumptions over the remaining investment properties were found to be neutral.
Valuation of Pension Liabilities	Assumptions were found to be neutral.

Uncorrected Audit Misstatements Page 26

Understatement/ (overstatement)	£m	%
Other Comprehensive income and expenditure	(1.2)	(2.4)
Surplus/(deficit) for the year	0	0
Net assets	1.2	0.1
Total taxpayers' equity	0	0

Misstatements in respect of Disclosures Page 26

To date we have identified no misstatements in respect of disclosures

Number of Control deficiencies Page 27

Significant control deficiencies	0
Other control deficiencies	2
Prior year control deficiencies remediated	N/A

Outstanding matters

Our audit is not yet complete, our testing in ongoing for the following outstanding matters

- Final reconciliation of reserves movements throughout the year;
- Consideration of any matters arising (e.g. subsequent events) which may affect our financial statements audit opinion, up until the date of signing our opinion;
- Final review of the Council's financial statements to ensure compliance with the CIPFA code and to ensure the internal consistency and arithmetical accuracy of the financial statements; and
- Receipt of the management representation letter.

Key changes to our audit plan

We have not made any changes to our audit plan as communicated to you on 20 March 2024, other than as follows:

Risk	Risk change	Effect on audit strategy and plan
Expenditure recognition	<p>Practice Note 10 states that the risk of material misstatement due to fraudulent financial reporting may arise from the manipulation of expenditure recognition is required to be considered.</p> <p>Having considered the risk factors relevant to the Council and the nature of expenditure within the Council, we have determined that a significant risk relating to expenditure recognition is not required.</p> <p>Specifically, while the financial position of the Council remains stretched we consider that there are insufficient incentives to manipulate expenditure recognition around year-end. Our risk assessment analysis of the nature of expenditure has not identified any specific risk factors.</p>	We have performed procedures to address the risk of error surrounding expenditure recognition, we will not perform procedures to specifically address the risk of fraudulent expenditure recognition.

Significant risks and Other audit risks

We discussed the significant risks which had the greatest impact on our audit with you when we were planning our audit.

Our risk assessment draws upon our knowledge of the business, the industry and the wider economic environment in which Dacorum Borough Council operates.

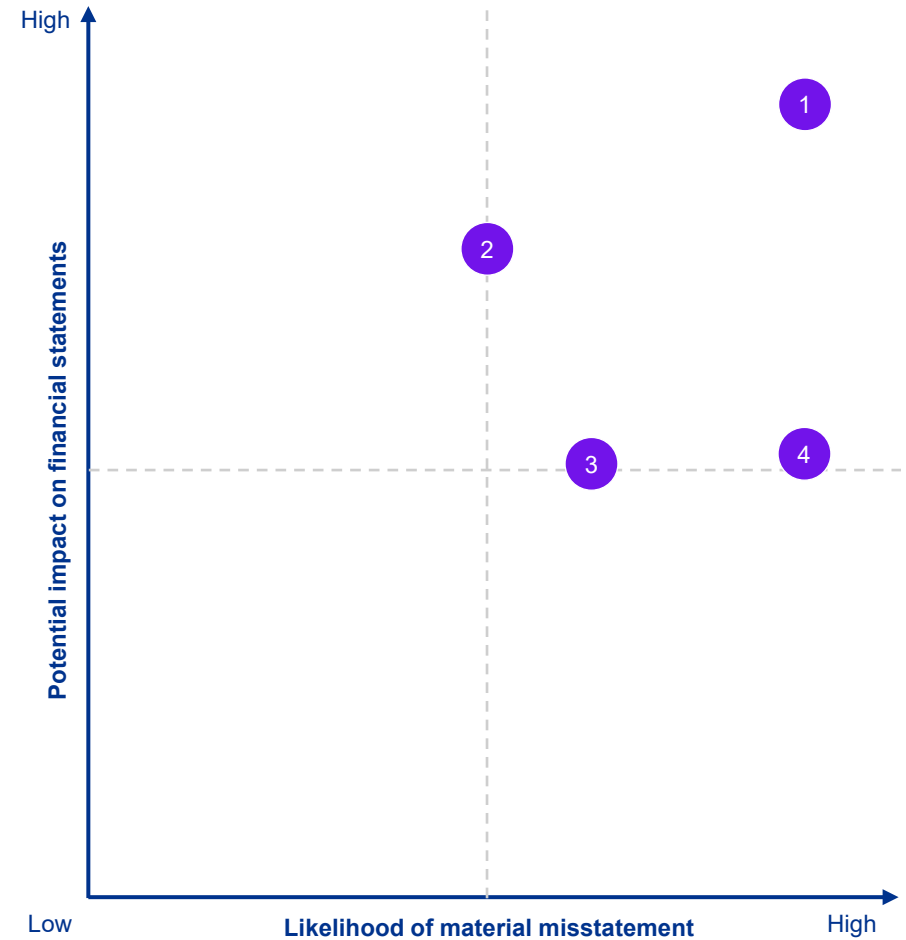
We also use our regular meetings with senior management to update our understanding and take input from local audit teams and internal audit reports.

During our audit we identified changes to our risks of material misstatement as highlighted on page 4.

Significant risks

1. Valuation of land and buildings
2. Valuation of investment property
3. Management override of controls
4. Valuation of post retirement benefit obligations

Key: # Significant financial statement audit risks



Audit risks and our audit approach

1

Valuation of land and buildings

The carrying amount of revalued Land & Buildings differs materially from the fair value



Significant audit risk

- The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. The last full revaluation was performed as at 31st January 2020.
- This creates a risk that the carrying value of assets not revalued in year differs materially from the year end fair value.
- The value of the Council's Land & Buildings at 31 March 2024 was £145.8m.
- The Council undertakes an annual valuation of the housing properties within the HRA. The value of Council Dwellings at 31 March 2024 was £1,191m.



Our response

We have performed the following procedures designed to specifically address the significant risk associated with the valuation:

- We critically assessed the independence, objectivity and expertise of Wilks Head & Eve, the valuers used in developing the valuation of the Council's properties at 31 March 2024.
- We inspected the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information.
- We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used.
- We challenged the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We challenged key assumptions within the valuation as part of our judgement.
- We agreed the calculations performed of the movements in value of land and buildings and verified that these have been accurately accounted for in line with the requirements of the CIPFA Code.
- Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Audit risks and our audit approach (cont.)

1

Valuation of land and buildings (cont.)

The carrying amount of revalued Land & Buildings differs materially from the fair value



Significant audit risk

- The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. The last full revaluation was performed as at 31st January 2020.
- This creates a risk that the carrying value of assets not revalued in year differs materially from the year end fair value.
- The value of the Council's Land & Buildings at 31 March 2024 was £145.8m.
- The Council undertakes an annual valuation of the housing properties within the HRA. The value of Council Dwellings at 31 March 2024 was £1,191m.



Our findings

- Auditing standards require us to report that the design and implementation of the management review control relating to this area remains ineffective in line with the ISA definition. The ISAs acknowledge that it is difficult for management to design controls that address subjectivity in a manner that effectively prevents, or detects and corrects, material misstatements. We also identified that the Council lacks a formal control over the valuation of land and building, including council dwellings, to ensure that relevant valuation was appropriate as the Council does not have the relevant in house valuation expertise. However we are aware that management operates a control that they are satisfied with that provides the Council with assurance over this area
- We confirmed the independence, objectivity and expertise of Wilks Head & Eve, the Council's valuation advisors.
- We confirmed that the instructions issued to the valuers for the valuation of land and buildings were appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We confirmed that management reviewed and challenged the valuation and the appropriateness of assumptions used by Wilks Head & Eve.
- We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information provided by the Council. We did not identify any information used by the valuers which was not supported by underlying Council information.
- We challenged the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We challenged key assumptions within the valuation as part of our judgement. We found the judgements applied by the valuers when considering the valuation of these assets to be neutral.

Continued overleaf

Audit risks and our audit approach (cont.)

1

Valuation of land and buildings (cont.)

The carrying amount of revalued Land & Buildings differs materially from the fair value



Significant audit risk

- The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. The last full revaluation was performed as at 31st January 2020.
- This creates a risk that the carrying value of assets not revalued in year differs materially from the year end fair value.
- The value of the Council's Land & Buildings at 31 March 2024 was £145.8m.
- The Council undertakes an annual valuation of the housing properties within the HRA. The value of Council Dwellings at 31 March 2024 was £1,191m.



Our findings

- We confirmed that management performed a review of assets not subject to valuation to ensure the value was not materially misstated, the value of assets which were not subject to valuation were £17.4m.
- We selected a sample of 25 beacon properties to confirm the appropriateness of the underlying assumption underpinning the valuation, the value of the HRA properties represented by these 25 Beacons was £927.6m. This included comparing the property prices to comparable market data. We found the judgements applied by the valuers when considering the valuation of these assets to be neutral.
- We identified no material misstatements regarding the calculation performed of the movements in value of land and buildings or the subsequent disclosures in respect of the valuation.

Audit risks and our audit approach (cont.)

2

Valuation of investment property

The carrying amount of revalued investment property differs materially from the fair value



Significant audit risk

- The Code defines an investment property as one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property. At 31 March 2024 the Council had investment property with a total value of £64.1m. While the majority of the properties are individually not material in value, there is significant estimation uncertainty within the reported balance.
- There is a risk that investment properties are not being held at fair value, as is required by the Code. At each reporting period, the valuation of the investment property must reflect market conditions. Significant judgement is required to assess fair value and management experts are often engaged to undertake the valuations.



Our response

We have performed the following procedures designed to specifically address the significant risk associated with the valuation:

- We critically assessed the independence, objectivity and expertise of Wilks Head & Eve, the valuers used in developing the valuation of the Council's investment property at 31 March 2024.
- We inspected the instructions issued to the valuers to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information.
- We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used.
- We challenged the appropriateness of the valuation; including any material movements from the previous revaluations. We challenge key assumptions within the valuation as part of our judgement.
- We agreed the calculations performed of the movements and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code.
- We utilised our own valuation specialists to review the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology used.
- Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Audit risks and our audit approach (cont.)

2

Valuation of investment property (cont.)

The carrying amount of revalued investment property differs materially from the fair value



Significant audit risk

- The Code defines an investment property as one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property. At 31 March 2024 the Council had investment property with a total value of £64.1m. While the majority of the properties are individually not material in value, there is significant estimation uncertainty within the reported balance.
- There is a risk that investment properties are not being held at fair value, as is required by the Code. At each reporting period, the valuation of the investment property must reflect market conditions. Significant judgement is required to assess fair value and management experts are often engaged to undertake the valuations.



Our findings

- Auditing standards require us to report that the design and implementation of the management review control relating to this area remains ineffective in line with the ISA definition. The ISAs acknowledge that it is difficult for management to design controls that address subjectivity in a manner that effectively prevents, or detects and corrects, material misstatements. We also identified that the Council lacks a formal control over the valuation of investment properties to ensure that relevant valuation was appropriate as the Council does not have the relevant in house valuation expertise. However we are aware that management operates a control that they are satisfied with that provides the Council with assurance over this area
- We confirmed the independence, objectivity and expertise of Wilks Head & Eve, the Council's valuation advisors.
- We confirmed that the instructions issued to the valuers for the valuation of land and buildings were appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We utilised our KPMG Real Estate Valuation specialist who selected a sample of four investment properties and one property classified as surplus Property Plant & Equipment valued under the Fair Value valuation method. These assets represented a gross value of £27.5m.
- Our testing identified one asset where the value of the land was outside of the observed range when compared to comparable transactions within the available market data. This represented an understatement of £1,754k. See page 26 for further details. We identified no further misstatements.
- We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information provided by the Council. We did not identify any information used by the valuers which was not supported by underlying Council records.
- We identified no material misstatements regarding the calculation performed of the movements in value of investment properties or the subsequent disclosures in respect of the valuation.

Audit risks and our audit approach (cont.)

3

Management override of controls^(a)

Fraud risk related to unpredictable way management override of controls may occur



Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit.



Our response

- Our audit methodology incorporates the risk of management override as a default significant risk.
- We assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias;
- We evaluated the selection and application of accounting policies;
- In line with our methodology, we evaluated the design and implementation of controls over journal entries and post closing adjustments;
- We assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates;
- We assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the Council's normal course of business, or are otherwise unusual;
- We analysed all journals through the year and focussed our testing on those with a higher risk, such as journals with unusual capital spend combinations.

Note: (a) Significant risk that professional standards require us to assess in all cases.

Audit risks and our audit approach (cont.)

3

Management override of controls^(a) (cont.)

Fraud risk related to unpredictable way management override of controls may occur



Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit.



Our findings

- Our testing of journal entries and other adjustments meeting our high-risk criteria did not identify any indicators of management override of controls.
- We evaluated accounting estimates, including the consideration of the valuation of land and building, investment properties and post retirement benefit obligations. We did not identify any indicators of management bias. See pages 7, 10 and 14 respectively for further discussion.
- Our procedures did not identify any significant unusual transactions.

Note: (a) Significant risk that professional standards require us to assess in all cases.

Audit risks and our audit approach (cont.)

4

Valuation of post retirement benefit obligations

An inappropriate amount is estimated and recorded for the defined benefit obligation



Significant audit risk

- The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.
- The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year on year movements.
- We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme
- Also, recent changes to market conditions have meant that more Council are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.



Our response

We have performed the following procedures :

- Evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Performed inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;
- Agreed the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;
- Challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;
- Confirmed that the accounting treatment and entries applied by the Council were in line with IFRS and the CIPFA Code of Practice;
- Considered the adequacy of the Council's disclosures in respect of the sensitivity of the deficit to these assumptions; and
- Where applicable, assessed the level of surplus that should be recognised by the entity.

Audit risks and our audit approach (cont.)

4

Valuation of post retirement benefit obligations (cont.)

An inappropriate amount is estimated and recorded for the defined benefit obligation



Significant audit risk

- The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.
- The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year on year movements.
- We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme
- Also, recent changes to market conditions have meant that more Council are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.



Our findings

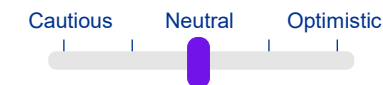
- Auditing standards require us to report that the design and implementation of the management review control relating to this area remains ineffective in line with the ISA definition. The ISAs acknowledge that it is difficult for management to design controls that address subjectivity in a manner that effectively prevents, or detects and corrects, material misstatements. We also identified that the Council lacks a formal control over the valuation of post retirement benefit obligations as the Council does not have the relevant in-house valuation expertise. However we are aware that management operates a control that they are satisfied with that provides the Council with assurance over this area.
- We confirmed the independence, objectivity and expertise of Hymans Robertson, the Council's actuarial advisors.
- We developed an expectation of the total return on planned assets and compared to the actual return on assets. We identified that the difference was immaterial but above our posting threshold; we have provided further details at page 26.
- We confirmed that the cashflow data included within the Pensions note was materially correct.
- We performed testing over the asset ceiling / minimum funding obligation calculation to determine whether the Council is able to recognise its share of the scheme surplus within the financial statements. Our review of the calculation identified that assumptions underpinning this calculation performed by the actuary were not appropriate in that they made simplistic assumptions relating to future deficit reduction contributions that we considered to be unrealistic. Assuming secondary contributions increased by 3% per annum, in line with the Council's Medium Term Financial Strategy, the impact would be an increase of £1,605k on the net liability.
- We engaged our KPMG actuaries to critically assess the underlying assumptions applied. All other assumptions were within the KPMG expected range.

Key accounting estimates and management judgements – Overview



Our view of management judgement

Our views on management judgments with respect to accounting estimates are based solely on the work performed in the context of our audit of the financial statements as a whole. We express no assurance on individual financial statement captions.



Asset/liability class	Our view of management judgement			Balance (£m)	YoY change (£m)	Our view of disclosure of judgements & estimates			Further comments
	Cautious	Neutral	Optimistic			Needs improvement	Neutral	Best practice	
Council Dwellings				1,191	(53)				Assumptions applied were found to be neutral.
Other Land and Buildings				146	0				Assumptions applied were found to be neutral.
Investment properties				64	(1)				Assumptions applied were found to be cautious when compared to our benchmark expectations. Further details can be found at page 10.
Defined benefit obligations				236	0				Assumptions applied were found to be neutral.

Other significant matters

Control deficiencies

We obtain an understanding of internal control to design appropriate audit procedures, but not to express an opinion on the effectiveness of the Council's internal control.

Control deficiencies identified through our audit can be found at page 27.

Quality and timeliness of information prepared by management

In our view, the quality of information:

- supported our ability to understand key decisions better and obtain sufficient audit evidence.
- enabled informed challenge of management decisions; and
- supported audit quality and better disclosure.

There were some areas where possible improvements were identified with respect to the quality of audit evidence provided, which will be discussed with management in debriefing the 2023/24 audit. This includes information available to support Collection Fund (Council Tax and NNDR) income, to support our audit approach in these areas.

Other matters

Annual report

We have read the contents of the 2023/24 Annual Report (including the Accountability Report, Directors Report, Performance Report and Annual Governance Statement (AGS)) and audited the relevant parts of the Remuneration Report. We have checked compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 issued by Chartered Institute of Public Finance and Accountancy (CIPFA). Based on the work performed:

- We have not identified any inconsistencies between the contents of the Accountability, Performance and Officer's Reports and the financial statements.
- We have not identified any material inconsistencies between the knowledge acquired during our audit and the director's statements. As Councillors you confirm that you consider that the annual report and accounts taken as a whole are fair, balanced and understandable and provide the information necessary for patients, regulators and other stakeholders to assess the Council's performance, business model and strategy.
- Our review of the AGS confirmed this is consistent with the financial statements and complies with relevant guidance.
- Our review of the report of the Audit Committee included in the Annual Report confirmed it includes the content expected to be disclosed as set out in the Code of Practice and is consistent with our knowledge of the work of the Committee during the year.

Independence and Objectivity

ISA 260 also requires us to make an annual declaration that we are in a position of sufficient independence and objectivity to act as your auditors, which we completed at planning and no further work or matters have arisen since then.

Audit Fees

Our PSAA prescribed 2023/24 audit scale fee for the audit was £192,000 plus VAT (£109,000 in 2022/23). As outlined in our External Audit Plan 2023/24 the fee agreed through the PSAA procurement process did not reflect the impact of ISA315 and ISA240. We stated in our plan that we expected this additional fee to be between 5 and 10% of our scale fee. We propose an additional fee of £11,500 (6% of our scale fee) in respect of this scope variation. All additional fees are subject to the fees variation process as outlined by the PSAA.

See Pages 23 and 24 for details of non-audit work performed at the Council for 2023/24. We are satisfied that this non-audit work does not have any impact on our independence as the external auditor of the Council.

Value for money risk assessment

Value for money

We are required under the Audit Code of Practice to confirm whether we have identified any significant weaknesses in the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources.

In discharging these responsibilities we include a statement within the opinion on your accounts to confirm whether we have identified any significant weaknesses. We also prepare a commentary on your arrangements that is included within our Auditor’s Annual Report, which is required to be published on your website alongside your annual report and accounts.

Commentary on arrangements

We have prepared our Auditor’s Annual Report and a copy of the report is included within the papers for the Committee alongside this report. The report is required to be published on your website alongside the publication of the annual report and accounts.

Summary of findings

We have set out in the table below the outcomes from our procedures against each of the domains of value for money:

Domain	Risk assessment	Summary of arrangements
Financial sustainability	No significant risks identified	No significant weaknesses identified
Governance	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness	No significant risks identified	No significant weaknesses identified

Further detail will be set out in our Auditor’s Annual Report.

Dacorum Borough Council Appendices

Contents	Page
Required communications	21
Fees	22
Confirmation of independence	23
Audit misstatements	26
Control deficiencies	27
ISA (UK) 240 Revised: changes embedded in our practices	28
KPMG's Audit quality framework	29

Required communications

Type	Response
Our draft management representation letter	<input checked="" type="checkbox"/> We do not expect to request any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2024
Adjusted audit differences	<input checked="" type="checkbox"/> To date, there are no adjusted audit differences
Unadjusted audit differences	<input checked="" type="checkbox"/> To date, the aggregated surplus impact of unadjusted audit differences would be £1,168k. In line with ISA 450 we request that you adjust for these items. However, they will have no effect on the opinion in the auditor's report, individually or in aggregate. See page 26 for further details.
Related parties	<input checked="" type="checkbox"/> There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit Committee	<input checked="" type="checkbox"/> There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	<input checked="" type="checkbox"/> We communicate to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit that had not previously been communicated in writing.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	<input checked="" type="checkbox"/> No actual or suspected fraud involving Council management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements identified during the audit.
Make a referral to the regulator	<input checked="" type="checkbox"/> If we identify that potential unlawful expenditure might be incurred then we are required to make a referral to your regulator. We have not identified any such matters.
Issue a report in the public interest	<input checked="" type="checkbox"/> We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters.

Type	Response
Significant difficulties	<input checked="" type="checkbox"/> No significant difficulties were encountered during the audit to date.
Modifications to auditor's report	<input checked="" type="checkbox"/> None
Disagreements with management or scope limitations	<input checked="" type="checkbox"/> The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information	<input checked="" type="checkbox"/> To date no material inconsistencies were identified related to other information in the annual report, Strategic and Directors' reports. <input checked="" type="checkbox"/> The Strategic report is fair, balanced and comprehensive, and complies with the law.
Breaches of independence	<input checked="" type="checkbox"/> No matters to report. The engagement team and others in the firm, have complied with relevant ethical requirements regarding independence.
Accounting practices	<input checked="" type="checkbox"/> Over the course of our audit, we have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
Significant matters discussed or subject to correspondence with management	<input checked="" type="checkbox"/> We identified no significant matters.
Certify the audit as complete	<input checked="" type="checkbox"/> We have not yet certified the audit as complete because our work on WGA is outstanding.

Fees

Audit fee

Our fees to date for the year ending 31 March 2024 are set out in the PSAA Scale Fees communication and are shown below.

Entity	2023/24 (£'000)	2022/23 (£'000)
Statutory audit	192	109 ^(a)
ISA315r and ISA240	12	-
Other scope variation	TBC	-
TOTAL	204	109

Note: (a) Fee charged by Grant Thornton LLP – your predecessor auditor.

As per PSAA's Scale Fees Consultation, the fees did not include new requirements of ISA315 revised (risk of material misstatement); or ISA 240 (auditor's responsibilities relating to fraud). Based on our work to date we have proposed an additional fee of c6% of the scale fee. Additional fees are subject to the fees variation process as outlined by the PSAA.

Billing arrangements

- Fees have been billed in accordance with the milestone completion phasing that has been communicated by the PSAA.

Proposed fee variations

	Recurrent?	£
New auditing standards (ISA (UK) 315 and ISA (UK) 240) not included in scale fee	Yes – built into FY25 scale fee by PSAA	11,500
Additional work related to delays in provision of information for testing of NNDR (Business Rates)	No, assuming we are able to address in 2024/25 via debrief process	Pending discussion and agreement with management
Additional work and investigations by our Pensions team around recognition of the LGPS surplus and reasonableness of minimum funding obligation calculation	Possibly, depending on complexities in the LGPS valuation for FY25	

Confirmation of Independence

We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Director and audit staff is not impaired.

To the Audit and Risk Committee members

Assessment of our objectivity and independence as auditor of Dacorum Borough Council

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners/directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values.
- Communications.
- Internal accountability.
- Risk management.
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity

Independence and objectivity considerations relating to the provision of non-audit services

Summary of non-audit services

Description of scope	Threats to independence	Safeguards applied	Value of service and basis of fee
Housing Benefit Assurance Process (HBAP) Certification	None identified	Separate teams	Fixed fee
Pooling of Housing Capital Receipts (PHCR) Certification	None identified	Separate teams	Fixed fee

Confirmation of Independence (cont.)

Disclosure	Description of scope of services	Principal threats to Independence	Safeguards Applied	Basis of fee	Value of Services Delivered in the year ended 31 March 2023 £k	Value of Services Committed but not yet delivered £k
1	Housing Benefit Assurance Process (HBAP) Certification	None identified	<ul style="list-style-type: none"> The engagement contract makes clear that we will not perform any management functions. The work is performed is not relied on during the audit Our work does not involve judgement and are statements of fact based on agreed upon procedures. 	Fixed	30	0
2	Agreed upon procedures in respect of the Pooling of Housing Capital Receipts (PHCR) Certification	None identified	<ul style="list-style-type: none"> The engagement contract makes clear that we will not perform any management functions. The work is performed is not relied on during the audit Our work does not involve judgement and are statements of fact based on agreed upon procedures. 	Fixed	5	0

Confirmation of Independence (cont.)

Summary of fees

We have considered the fees charged by us to the Group and its affiliates for professional services provided by us during the reporting period.

Fee ratio

The ratio of non-audit fees to audit fees for the year is anticipated to be below 0.5:1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

	2023/24
	£'000
Statutory audit	204
Other Assurance Services	35
Total Fees	239

Application of the FRC Ethical Standard 2019

Your previous auditors will have communicated to you the effect of the application of the FRC Ethical Standard 2019. That standard became effective for the first period commencing on or after 15 March 2020, except for the restrictions on non-audit and additional services that became effective immediately at that date, subject to grandfathering provisions.

AGN 01 states that when the auditor provides non-audit services, the total fees for such services to the audited entity and its controlled entities in any one year should not exceed 70% of the total fee for all audit work carried out in respect of the audited entity and its controlled entities for that year.

We confirm that as at 15 March 2020 we were not providing any non-audit or additional services that required to be grandfathered.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit and Risk Committee.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit and Risk Committee of the Group and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully,

KPMG LLP

Audit misstatements

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit Committee with a summary of uncorrected audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements. In line with ISA (UK) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor's report, individually or in aggregate. As communicated previously with the Audit Committee, details of all adjustments greater than £200k are shown below:

Uncorrected audit differences (£'000s)				
No.	Detail	CIES Dr/(cr)	Balance Sheet Dr/(cr)	Comments
1	Dr Net Pension Liability Cr Actuarial (Gains)/Losses on Pension Asset / Liabilities	£0 (£1,019)	£1,019 (£0)	Management included an estimated value for the return on planned assets within their draft financial statements, based on the initial report provided by the actuary. Upon receipt of the revised IAS19 report, which included the actual return on plan assets for the year, it was identified that the return on planned assets was £1,019k greater than the estimated value.
2	Dr Actuarial (gains)/losses on Pension Asset/Liabilities Cr Effect of the asset ceiling on net Asset/Liabilities	£1,605 (£0)	£0 (£1,605)	Our testing identified that the Council's actuary, Hyman Roberts, had not included the estimated increase in secondary contributions when calculating the minimum funding obligation. Inclusion of this assumption resulted in an additional £1,605 impact on the overall LGPS deficit.
3	Dr Investment Property Cr Financing and Investment Income	£0 (£1,754)	£1,754 (£0)	Our testing identified one asset where the value of the land was outside of the acceptable range when compared to comparable evidence. This represented an understatement of £1,754k
Total		(£1,168)	£1,168	

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit Committee with a summary of corrected audit differences (including disclosures) identified during the course of our audit. To date we have identified no corrected audit misstatements.

Control Deficiencies

The recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations

- 1** **Priority one:** issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.
- 2** **Priority two:** issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.
- 3** **Priority three:** issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	2	<p>Comparable evidence used by the valuer</p> <p>Our review of the fixed asset valuations identified that the Council’s independent valuer, Wilks Head and Eve, had based their valuation of land on comparable transactions from 2020/21 which had then been indexed according to observed market movements.</p> <p>Additionally, we noted that the valuer had used historical house sales as comparable evidence to support the HRA valuation. However investigation identified more contemporary comparable sales which could have been used to support the valuation.</p> <p>Note that none of the matters above resulted in material misstatements in the current year.</p> <p>We recommend that for 2024/25 additional sources of market data are obtained to identify more contemporary transactions that can be used in estimating the current value of land and buildings, including HRA beacon properties.</p>	
2	3	<p>Bad debt provision policy</p> <p>Our testing identified that the Council does not have a formal bad debt policy. The Council prepare the bad debt calculation based on professional judgement and cumulative knowledge of the individuals debtors. Whilst we confirmed that this resulted in an accurate provision in year, this approach may result in inconsistency of application of provision against debtors that share similar characteristics, for example, debtor type, age and value. Additionally, this creates exposure to human error.</p> <p>We recommend the Council introduce a formal policy to ensure consistency is applied when calculating the bad debt provision.</p>	

ISA (UK) 240 Revised: changes embedded in our practices

Ongoing impact of the revisions to ISA (UK) 240

ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) The auditor's responsibilities relating to fraud in an audit of financial statements included revisions introduced to clarify the auditor's obligations with respect to fraud and enhance the quality of audit work performed in this area. These changes are embedded into our practices and we will continue to maintain an increased focus on applying professional scepticism in our audit approach and to plan and perform the audit in a manner that is not biased towards obtaining evidence that may be corroborative, or towards excluding evidence that may be contradictory.

We will communicate, unless prohibited by law or regulation, with those charged with governance any matters related to fraud that are, in our judgment, relevant to their responsibilities. In doing so, we will consider the matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud.

Matters related to fraud that are, in our judgement, relevant to the responsibilities of Those Charged with Governance

Our assessment of the risks of material misstatement due to fraud may be found in our external audit plan presented on 20 March 2024. We also considered the following matters required by ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) *The auditor's responsibilities relating to fraud in an audit of financial statements*, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud:

- Concerns about the nature, extent and frequency of management's assessments of the controls in place to prevent and detect fraud and of the risk that the financial statements may be misstated.
- A failure by management to address appropriately the identified significant deficiencies in internal control, or to respond appropriately to an identified fraud.
- Our evaluation of the entity's control environment, including questions regarding the competence and integrity of management.
- Actions by management that may be indicative of fraudulent financial reporting, such as management's selection and application of accounting policies that may be indicative of management's effort to manage earnings in order to deceive financial statement users by influencing their perceptions as to the entity's performance and profitability.
- Concerns about the adequacy and completeness of the authorization of transactions that appear to be outside the normal course of business.

Based on our assessment, we have no matters to report to Those Charged with Governance

KPMG's Audit quality framework

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

To ensure that every engagement lead and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework. Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight Committee, and accountability is reinforced through the complete chain of command in all our teams.

■ Commitment to continuous improvement

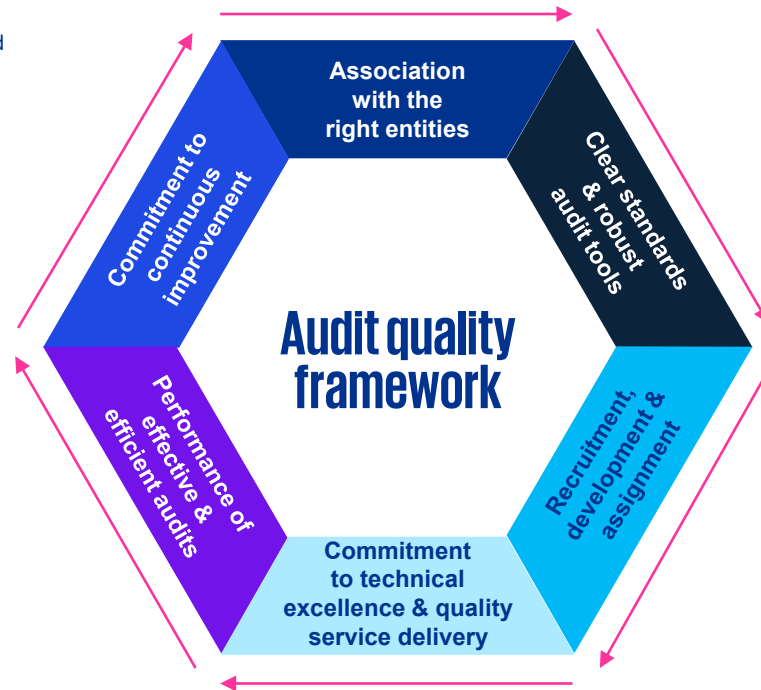
- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

■ Performance of effective & efficient audits

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

■ Commitment to technical excellence & quality service delivery

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



■ Association with the right entities

- Select clients within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

■ Clear standards & robust audit tools

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

■ Recruitment, development & assignment of appropriately qualified personnel

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members employed KPMG specialists and specific team members



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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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Dear Chris

Dacorum Borough Council
Financial Statements for the year ended 31 March 2024

This representation letter is provided in connection with your audit of the financial statements of Dacorum Borough Council ("the Authority"), for the year ended 31 March 2024, for the purpose of expressing an opinion:

- i. as to whether these give a true and fair view of the financial position of the Authority as at 31 March 2024 and of the Authority's income and expenditure for the year then ended;
- ii. whether the Authority's financial statements have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ("CIPFA/LASAAC Code").

These financial statements comprise the following: the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash Flow Statement, Collection Fund, Housing Revenue Account and the notes, comprising material accounting policies and other explanatory information and the Expenditure and Funding Analysis.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015 and the Accounts and Audit (Amendment) Regulations 2022, for the preparation of financial statements that:
 - i. give a true and fair view of the financial position of the Authority as at 31 March 2024 and of the Authority's income and expenditure for the year then ended;
 - ii. have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

The financial statements have been prepared on a going concern basis.

2. The methods, the data and the significant assumptions used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.
3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.
4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.

Information provided

5. The Authority has provided you with:
 - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from the Authority for the purpose of the audit; and
 - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. The Authority confirms the following:

The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

9. The Authority has disclosed to you all information in relation to:
 - a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
 - management;
 - members;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements; and
 - b) allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, members, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error, and we believe we have appropriately fulfilled those responsibilities.

10. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
11. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
12. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them and as defined in IAS 24 and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

13. The Authority confirms that:

- a) The financial statements disclose all of the matters that are relevant to the Authority's ability to continue as a going concern, including the key risk factors, assumptions made and uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view and to comply with IAS 1 *Presentation of Financial Statements*.
- b) No material uncertainties related to events or conditions exist that may cast significant doubt upon the ability of the Authority to continue as a going concern.

14. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 Employee Benefits.

The Authority further confirms that:

- a) all significant retirement benefits, including any arrangements that are:
 - statutory, contractual or implicit in the employer's actions;
 - arise in the UK and the Republic of Ireland or overseas;
 - funded or unfunded; and
 - approved or unapproved,have been identified and properly accounted for; and
- b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit Committee on XXXX

Yours faithfully

Name: Cllr Rick Freedman

Position: Vice-Chair of Audit Committee

Date: XXXXX

Name: Nigel Howcutt

Position: Chief Finance Officer

Date: XXXX

Signed on behalf of the Council

Appendix A to the Authority Representation Letter of Dacorum Borough Council: Definitions

Financial Statements

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period;
- A Balance Sheet as at the end of the period;
- A Movement in Reserves Statement for the period;
- A Cash Flow Statement for the period; and
- Notes, comprising a summary of significant accounting policies and other explanatory information and the Expenditure and Funding Analysis.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

A housing authority must present a Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

A pension fund administering authority must prepare Pension Fund accounts in accordance with Chapter 6.5 of the Code of Practice.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

“Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

Information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

- a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;
- b) information regarding a material item, transaction or other event is scattered throughout the financial statements;
- c) dissimilar items, transactions or other events are inappropriately aggregated;
- d) similar items, transactions or other events are inappropriately disaggregated; and
- e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

Assessing whether information could reasonably be expected to influence decisions made by the primary users of a specific reporting entity's general purpose financial statements requires an entity to consider the characteristics of those users while also considering the entity's own circumstances.

Many existing and potential investors, lenders and other creditors cannot require reporting entities to provide information directly to them and must rely on general purpose financial statements for much of the financial information they need. Consequently, they are the primary users to whom general purpose financial statements are directed. Financial statements are prepared for users who have a reasonable knowledge of business and economic activities and who review and analyse the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena.”

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity’s assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity’s financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to “management” should be read as “management and, where appropriate, those charged with governance”.

Related Party and Related Party Transaction

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the “reporting entity”).

- A person or a close member of that person’s family is related to a reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity; or
 - is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- An entity is related to a reporting entity if any of the following conditions applies:
 - The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - Both entities are joint ventures of the same third party.
 - One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - The entity is controlled, or jointly controlled by a person identified in (a).

- A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a government that has control or joint control of, or significant influence over the reporting entity; and
- another entity that is a related party because the same government has control or joint control of, or significant influence over, both the reporting entity and the other entity.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Appendix B: Schedule of unadjusted audit differences

Uncorrected audit differences (£'000s)				
No.	Detail	CIES Dr/(cr)	Balance Sheet Dr/(cr)	Comments
<u>1</u>	Dr Net Pension Liability	£0	£1,019	Management included an estimated value for the return on planned assets within their draft financial statements, based on the initial report provided by the actuary. Upon receipt of the revised IAS19 report, which included the actual return on plan assets for the year, it was identified that the return on planned assets was £1,019k greater than the estimated value.
	Cr Actuarial (Gains)/Losses on Pension Asset / Liabilities	(£1,019)	(£0)	
<u>2</u>	Dr Actuarial (gains)/losses on Pension Asset/Liabilities	£1,605	£0	Testing identified that the Council's actuary, Hyman Roberts, had not included the estimated increase in secondary contributions when calculating the minimum funding obligation. Inclusion of this assumption resulted in an additional £1,605 impact on the overall LGPS deficit.
	Cr Effect of the asset ceiling on net Asset/Liabilities	(£0)	(£1,605)	
<u>3</u>	Dr Investment Property	£0	£1,754	Testing identified one asset where the value of the land was outside of KPMG's acceptable range when compared to comparable evidence. This represented an understatement of £1,754k.
	Cr Financing and Investment Income	(£1,754)	(£0)	
Total		(£1,168)	£1,168	



Dacorum Borough Council

**Draft Statement of
Accounts
2023/24**

CONTENTS

Introduction by the Leader of the Council	2
Introduction by Chief Finance Officer	3
Audit Opinion	
Narrative Report by the Chief Finance Officer	4
Statement of Responsibilities for the Annual Statement of Accounts	15
Annual Governance Statement	16
Core Financial Statements	
Comprehensive Income and Expenditure Account	27
Movement in Reserves Statement	28
Balance Sheet	29
Cash Flow Statement	30
Notes to the Core Financial Statements	31
Supplementary Financial Statements	
Housing Revenue Account and Notes	74
Collection Fund and Notes	78
Glossary of Terms	81

Introduction – Leader of the Council

I am pleased to present Dacorum Borough Council's Annual Statement of Accounts for the financial year 2023/24.

These accounts show how we managed our finances in 2023/24 whilst delivering against the key Council priorities:

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

Rising costs have, again, made this year a challenging one for our residents and businesses. The Council's priority during this time has been to ensure that it targets help to those most vulnerable in our community, whilst also ensuring that essential Council services continue to be provided.

During 2023/24, the Council has:

- Launched additional Electric Vehicle Charging Point stations across a range of sites in the borough with more to be rolled out early in 24/25.
- The Council announced plans to work with NHS partners to develop plans for a new Health Campus in Hemel Hempstead town centre. This would provide accessible primary and secondary health services in one location and would support wider plans for improvements to Hemel town centre.
- Hosted our third Dacorum Climate Action Network event, an opportunity for residents and organisations to get together learn about actions taking place locally to tackle the climate and ecological emergency.
- Created a new sensory garden in Highfield in partnership with Sunnyside Rural Trust, as part of our Housing Transformation Improvement Project.
- Held our first Housing Open Day for those wanting to find out more about our housing services.
- Completed a consultation on the direction of travel for our emerging Local Plan.
- Completed the construction of new Council Homes in Wilstone.
- Secured additional funding from Homes England to support the development of Council homes.
- Opened the new Poppy Fields cemetery, a serene and thoughtfully designed space for families to commemorate their loved ones.
- Celebrated Armed Forces Day, a community event for all in the borough.
- Consulted on budget proposals for 2024/25 and set a balanced budget for 2024/25.

During 2024/25, Dacorum Borough Council will:

- Deliver a revised Corporate Plan setting out our priorities and objectives for the borough over the medium term.
- Develop the Business Case and proposals for the Hemel Health Campus with NHS partners.
- Continue to ensure that those who need help due to the impact of the rising costs are supported.
- Continue to build new Council homes for local people.
- Continue our commitment to delivering our Climate and Ecological Emergency Strategy.
- Build on our strong 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. This will support our goal to deliver the best possible services to our residents and businesses.

Councillor Ron Tindall, Leader of the Council, May 2023- May 2024

Introduction – Chief Finance Officer

As the Council's Chief Financial Officer, I have the great pleasure presenting Dacorum Borough Council's Statement of Accounts for 2023/24.

The Narrative Report and the notes support the accounts provide a clear picture of the figures making up our Statement of Accounts and show how the money raised from residents, businesses and customers became the services we have delivered. The Statement of Accounts is required by law and covers various statutory requirements and other relevant information, hence the formal layout of the reports.

The post Coronavirus pandemic period has presented an operational and financial challenge for the Council and will continue to do so into the medium term as people's behaviours and approaches have changed in many ways. The current economic and political uncertainty and associated 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 and clear transparent decision making frameworks that will enable the Council to remain successful and sustainable 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 and ensuring that the financial transactions we oversee are 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

Narrative Report

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. The Council's corporate plan is currently being updated.

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 March 2023, the Council was made up of 28 Liberal Democrats, 18 Conservatives, 3 Labour and 2 Independent.

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

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

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

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

Council Structure and Services

During 2023/24, the Council was structured along five directorates, providing the following services:

Housing and Property Services. This directorate manages the Council's property portfolio and the delivers the Council's housing service. This includes management of Housing Revenue Account (HRA) housing stock, the provision of information and services for Council tenants and leaseholders and provision of homelessness services.

Neighbourhood Operations. This directorate delivers services including parking, garages, waste management, refuse collection, management of the Council's parks and green spaces, emergency planning and environmental health.

Place. This directorate is responsible for planning services, economic development, arts and culture leisure and community grant funding.

People and Transformation. This directorate manages the Council's human resources, digital and performance management services. It leads on the Council's climate change work and borough- wide communications, as well as a delivery of the Council's transformation programme, Future Dacorum.

Corporate and Commercial. This directorate includes the main corporate support functions such as finance, legal and democratic services as well as leading on the Council's commercial activity. It is also responsible for the collection of council tax and business rates and the payment of housing benefit and council tax support.

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 continued to present a significant financial challenge during 2023/24. This includes the final cost of the pay award for Council staff, alongside inflationary increases on other areas of Council expenditure. Inflationary increases represent a continued risk for the Council in 2024/25.
- 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.
- Service transformation to deliver increased service efficiency and enhance customer experience through our Future Dacorum programme.
- The continued development of proposals for Hemel Garden Communities, a new residential and commercial development for Hemel Hempstead.
- The provision of affordable housing for the borough, via our new build plans.
- Increasing prosperity of towns in the borough through our economic development activities.
- Bringing the Dacorum community together via an ongoing 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 2023/24 against its corporate priorities. 2022/23 figures are provided in brackets, where figures have changed year on year.

A clean, safe and enjoyable environment

- Collected 4,732 tonnes of food waste (4,970)
- Maintained parks and gardens across Dacorum including 62 play areas, 5 Green Flag parks and 2 Queen Elizabeth II Fields in Trust
- Received 2,184 planning applications (2,601).

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 businesses 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 £1.6m of savings as part of 2024/25 budget-setting.

Climate and Ecological Emergency - working to deliver net zero carbon

- Installed Electric Vehicle Charging points in 5 locations across the borough as part of an ongoing programme to complete 18 such installations.

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 income, 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, digital and finance).
- **Strategic Planning and Environment** (includes services such as waste collection, planning and development)

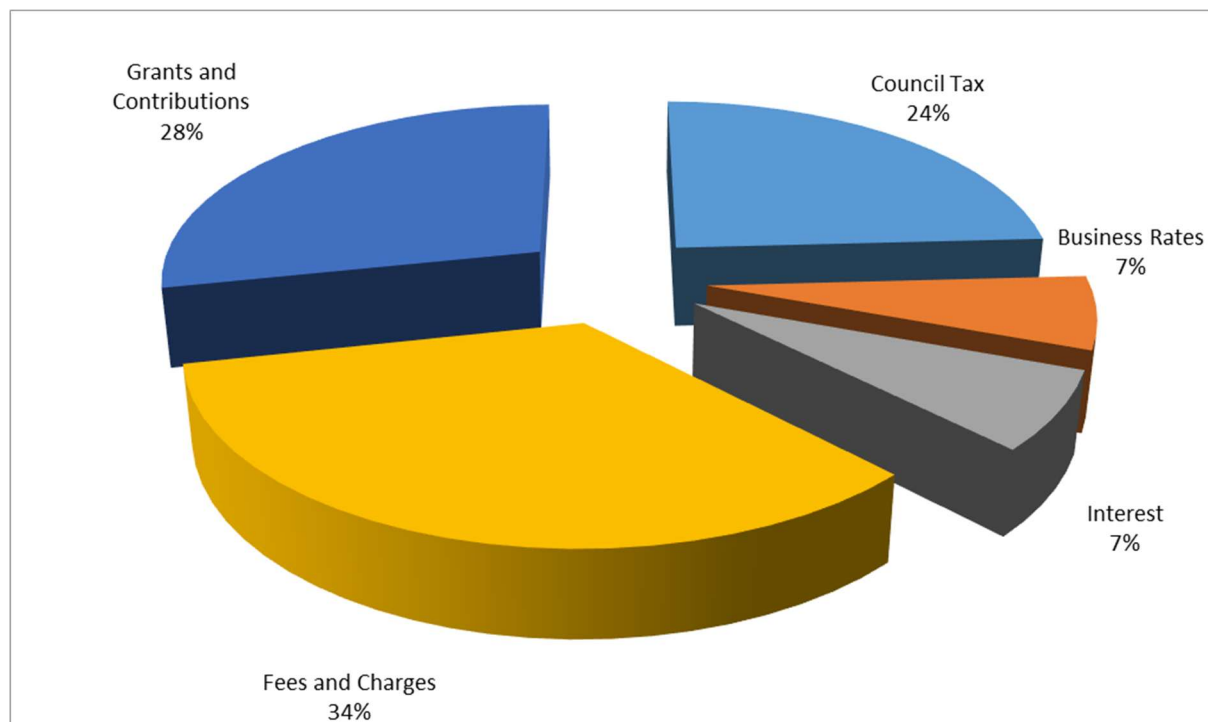
The three committees shown play an important role in guiding and examining our policies and operational and financial performance. They are involved in keeping the Council's activities under review. They scrutinise the proposals, actions and decisions of the Cabinet and Council, as well as developing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

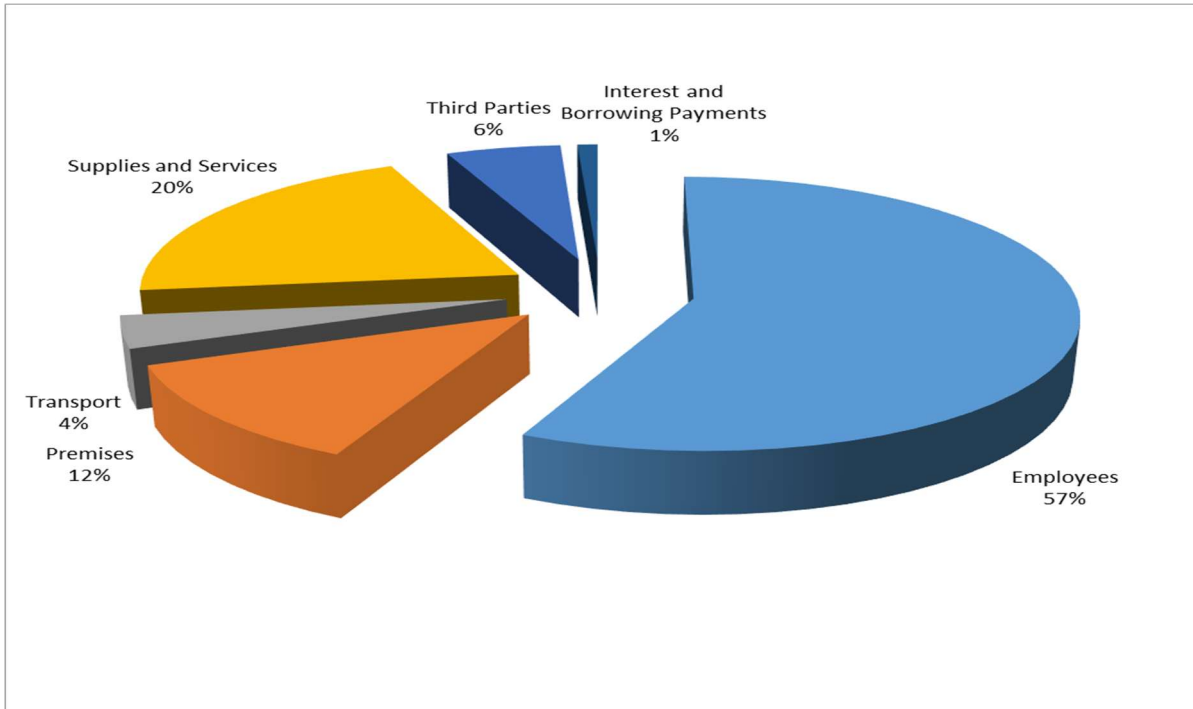
General Fund Revenue Account

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

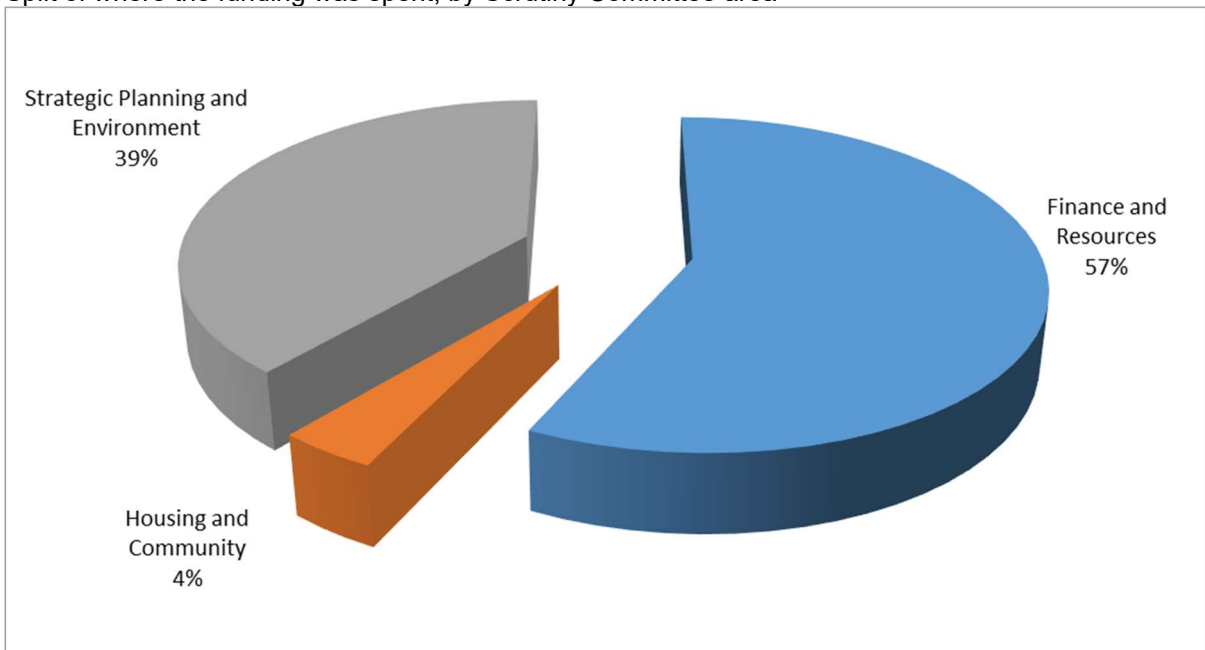


How the funding was spent¹



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 area ²



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 2023/24:

Table 1- General Fund Revenue Financial Performance 2023/24

	Budget	Actuals	Variance
	£000	£000	£000
Finance and Resources	14,369	15,869	1,500
Housing and Community	1,184	1,086	(97)
Strategic Planning and Environment	11,259	10,793	(467)
Net Cost of Services	26,812	27,748	936
Investment Property	(4,314)	(4,289)	25
Interest on Investment Income, Interest Payable and Minimum Revenue Provision	(15)	(3,713)	(3,698)
Parish Precept Payments	1,234	1,234	0
Government Grants	(1,693)	(6,908)	(5,215)
Council Tax	(14,574)	(14,625)	(51)
Business Rates	(4,178)	(1,870)	2,308
Net (Income)/ Expenditure- Other Items	(23,540)	(30,172)	(6,632)
(Surplus)/ Deficit on Provision of Services	3,272	(2,424)	(5,696)
Net Recharge to the HRA	(5,678)	(5,755)	(77)
Contribution To / (From) Earmarked Reserves	2,406	8,179	5,773
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.

General Fund Services Financial Performance

Key budget variances have arisen during the year and are outlined below.

- The staff pay award for 2024/25 has resulted in a pressure of £0.5m across General Fund services. This pressure has been managed within the overall position for 2023/24.
- Finance and Resources
 - A surplus against income associated with the Council's leisure management contract £0.1m
 - A shortfall against corporate income targets £0.4m
 - An increase in external audit fees following the introduction of new charging regimes £0.213m
- Housing and Community
 - Temporary Accommodation repairs due to increased demand on the service £0.2m
 - Additional Temporary Accommodation income £0.4m arising from increased demand on the service.
- Strategic Planning and Environment
 - Costs associated with the use of agency employees for the provision of Waste services £0.6m.
 - Costs associated with the maintenance of trees in the borough £0.2m.
 - A shortfall against planning -related income £0.3m.
 - Additional income over budget relating to the Old Town Hall theatre £0.1m.
 - Additional garden waste income over budget of £0.8m due to higher than expected take up of the service.

- Income relating to developer contributions to provide suitable alternative natural green space (SANG) £1.4m. This income has been transferred to reserves to support the provision of SANG in the borough.
- Investment income
 - Returns on Councils investment have performed strongly during 2023/24 generating a surplus of £3.4m over budget.
- Government grants
 - Additional grant funding received during the year. This includes £4.9m relating to business rates reliefs and an additional £0.4m of other grants.
- Business Rates
 - The Council paid a deficit of £0.6m to the Collection Fund in respect of business rates. The shortfall reported against business rates target income is offset by additional grant received in respect of business rates relief, as outlined in the previous bullet point.
- Reserves
 - There was a net transfer of £3.8m during the year to the Funding Equalisation reserve, arising from timing differences on Collection Fund balances. The Council drew down £0.9m of additional contributions from the Economic Recovery Reserve as part of its strategy to manage the medium-term impact of the pandemic on the Council's budget.

The Council's General Fund has managed its overall financial position via the application of government grants, planned use of existing reserves and additional income via fees and charges and treasury management investment.

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 2023/24 the returns on investments exceeded budgeted expectations due to higher than projected interest rates and larger cash balances 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 fixed rate interest payments each year. The payments are budgeted for each year.

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

Government Grants

The Council received some general grants from the Government to support its service provision including the New Homes Bonus 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 2023/24.

The net collectable amount of council tax in Dacorum for 2023/24 (for Dacorum Borough Council, Hertfordshire County Council and the Police and Crime Commissioner for Hertfordshire) was £125.7m (2022/23 £118.6m). The Dacorum Borough Council share of council tax (excluding the precept for parish and town councils) is £13.3m an increase from £12.8m 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 Planning. A detailed breakdown of the movements to and from reserves can be seen in Note 12 to the Accounts.

Housing Revenue Account (HRA)

The table below summarises the financial position on the Council's HRA for 2023/24:

Table 2: HRA Revenue Financial Performance 2023/24

	Budget	Actuals	Variance
	£000	£000	£000
Dwelling Rents and Service Charges	(61,118)	(62,060)	(942)
Non-Dwelling Rents	(104)	(98)	6
Charges for Services and Facilities	(1,844)	(2,637)	(793)
Interest on Investment Income	(210)	(1,985)	(1,775)
Contributions towards expenditure	(647)	(1,330)	(683)
Total Income	(63,923)	(68,110)	(4,187)
Repairs and Maintenance	14,553	20,002	5,449
Supervision and Management	13,930	15,096	1,166
Recharges	4,922	5,755	833
Depreciation	15,620	15,532	(88)
Revenue Contribution to Capital	2,538	0	(2,538)
Interest Payable	11,267	11,266	(1)
Other Expenditure	928	588	(340)
Total Expenditure	63,758	68,239	4,481
(Surplus)/ Deficit prior to reserve movements	(165)	129	294
Contribution To / (From) Reserves	165	(129)	(294)
HRA Deficit / (Surplus)	0	0	0
Working Balance Brought Forward	(2,894)	(2,894)	0
Transfer from revenue	(165)	(165)	0
Working Balance Carried Forward	(3,059)	(3,059)	0

Income

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

Expenditure

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

Inflationary increases and demand level have impacted repairs and maintenance costs in particular.

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 2024/25. 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 from 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 £3.1m, this balance having been increased during 2023/24 in line with the HRA Business Plan.

Capital Programme

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

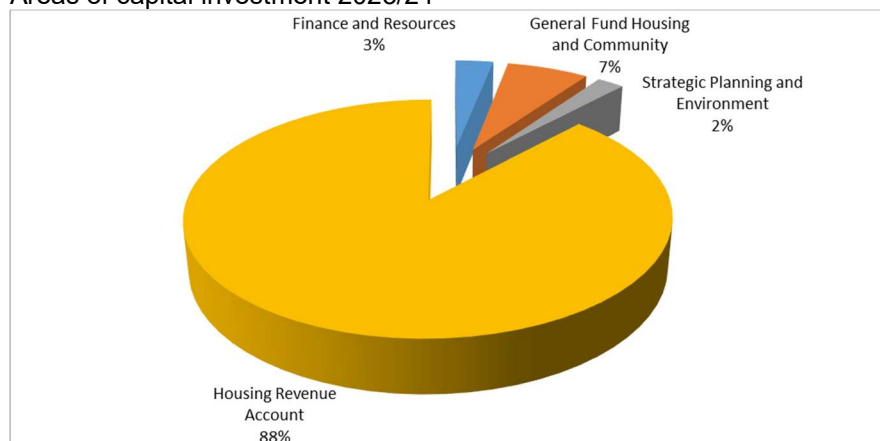
- £21.7m on the Council's housing stock.
- £32.5m on housing development.
- £3.0m to support the development of affordable housing in the borough outside the Council's own new build programme
- £0.9m on replacing the Council's fleet vehicles.
- £0.6m on Council owned General Fund properties.

Key new housing investment in the borough includes the completion of the site at Wilstone. Other projects include investment in the Council's car parks and borough leisure facilities.

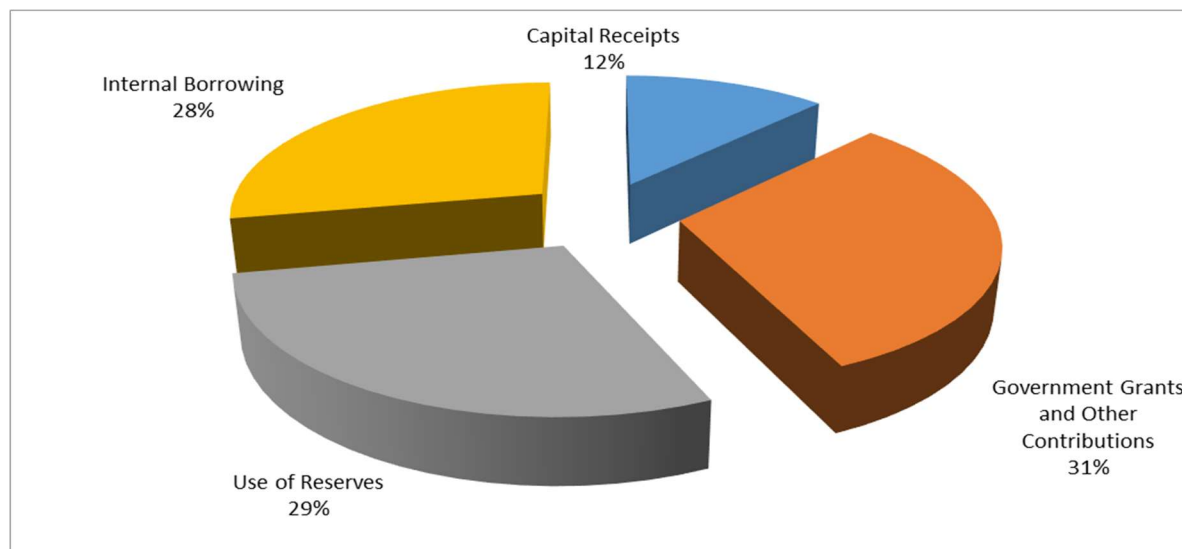
The capital programme has been funded from capital receipts, grant and contributions with the HRA also utilising-internal borrowing. There has been slippage of the capital programme into future years, as a result of planning delays linked to the Dacorum moratorium and procurement processes taking longer than estimated.

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

Areas of capital investment 2023/24



Sources of capital financing 2023/24



The Council's Financial Outlook

Following the approval of the 2023 Medium Term Financial Strategy, the Council's budget for 2024/25 was approved by Full Council in February 2024. The Council anticipates continue inflationary increases in 2024/25. This has been reflected in the 2024/25 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 2024/25. This is both as part of our own internal reporting requirements and the external requirements placed on us by the Government. As part of this, the Council operates a detailed monthly cash-flow monitoring process and continues to ensure cash is managed carefully.

The Council's medium-term capital plans will provide a significant level of investment into the Borough. This is expected to have a positive impact on the local economy, as well as acting as a catalyst to attract private sector investment and development in Dacorum. Delivery of the capital programme will be monitored and reported on to officers and members.

The Council's Medium Term Financial Strategy will be updated during 2024/25. Within this update we will look at the resources available to us including retained Business Rates, Council Tax income, grant funding and funding from fees, charges and rent. We will compare this to forecast levels of expenditure and identify any resulting savings that need to be delivered.

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 2023/24 (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 2023/24, and the financial position of the Council as at 31 March 2024. In order to present this information clearly, the Accounts encompass 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 2024 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 2023/24, 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 Audited Statement of Accounts by 31st May 2025. Approval of the Statement of Accounts is 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 2024 was approved by resolution of the Audit committee of Dacorum Borough Council on xxx.

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 2024, and its income and expenditure for the year ending 31 March 2024.

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 with this Code is included within this statement.

The statement is an open and honest self-assessment of the Council's performance across all its activities and contains a statement of the actions being taken, or those that are required, to address areas of concern. It is inevitable during a rigorous review of the Council's operations that 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 2023/24. 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 ensures that there are effective controls and risk management arrangements in place 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 ensuring that risks are appropriately identified and managed;

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

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

Scope of responsibility

Dacorum Borough Council is responsible for ensuring its business is conducted in accordance with the law and proper standards; and 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 the management of risk. Cabinet and senior officers 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 recommendations 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 is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies and objectives and can therefore only provide reasonable, 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 2023/24 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. In September 2023, we switched our primary consultation platform to Let's Talk Dacorum, an accessible online hub for residents to engage with local issues. Stakeholders can register and choose which consultation to participate in. Let's Talk Dacorum has garnered over 2,800 responses in its first six months, demonstrating its effectiveness in encouraging community involvement. 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 reviewed its Medium Term Financial Strategy and 5 year Capital Programme during 2023/24 and is reviewing this again as part of the budget preparation for 2024/25. 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 and progress is reported through highlight reports to Strategic Leadership Team (SLT) on a regular basis.

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. Key Performance Indicators have been reviewed and they align to the Corporate Plan.

Cabinet, Scrutiny committees and SLT all review performance indicators. All objectives included in Service plans are aligned to the Council's vision and priorities and are reviewed corporately by SLT and other senior managers to test completeness and consistency.

In addition, SLT receives updates on the work and recommendations of Corporate Officer working groups including:

- Commercial Board
- Place Board
- Capital Programme Board
- Housing and Transformation Improvement Board
- Transformation Board
- Health and Safety Board
- Climate Change and Ecological Emergency Board
- Neighbourhood Operations Board (established in early 2024)

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 is 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, where poor performance exists performance clinics are undertaken.

External Audit's Interim Annual report for 2022/23, the most recent Value for Money review undertaken, concluded the Council had demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources. No 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 2023/24, the Assistant Director, Legal and Democratic Services, as the Council's Monitoring Officer, had overall responsibility for legal compliance. The Deputy Monitoring Officer role is carried out by the Principal Property Lawyer. 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.

Michael Browne is the Council's Independent Person for the purposes of the Localism Act as part of the Council's arrangements for dealing with complaints about Members. In May 2023, the Council appointed members to 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. Amendments were made to the Constitution and approved by Council during 2023/24 so the Constitution remains fit for purpose. It was not necessary to make more substantial changes.

The Financial Regulations were updated and the changes were approved by Cabinet in March 2023, with minor approval limit updates approved at the April 2024 cabinet. 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 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 2023/24.

Procedures governing the Council's operations include Financial Regulations, Commissioning & Procurement Standing Orders and the Risk Management Policy (Refreshed in February 2023). Ensuring compliance with these procedures is the responsibility of managers across the Council. Following the approval of the 2024 Corporate Plan, the Risk Management Policy will also be refreshed in 2024/25.

Internal Audit checks compliance as part of the Annual Audit Plan, and feeds back to the Audit Committee and SLT. In addition, key corporate strategies provide the framework for key decisions:

including the Corporate Plan, Medium Term Financial Strategy, and Asset Management Plan. During 2023/24, the Council published a Strategy for Growth.

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

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 2023/24 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.

Strategic 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 2023/24, 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 have been

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 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 all 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 themselves with protocols, procedures, values and aims of the Council. All new employees also attend an induction session with the Chief Executive so she can explain the Council's values and set out the behaviours expected at 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. In 2019, 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	Number of Attendees
Development Management Training	24 th May 2023	23
Licensing Training	24 th May 2023	10
Being an Effective Councillor (EELGA)	31 st May 2023	25
Constitution & Code of Conduct	12 th & 15 th June 2023	42

Annual Governance Statement

Chair Training	27 th June 2023	12
Appeals Training	20 th July 2023	2
GDPR Training	12 th July 2023	35
Council Budget Setting Process	19 th September 2023 & 5 th October 2023	34
Scrutiny Training	9 th November 2023	9
Health & Safety Training	23 rd November 2023	34
Appeals	23 rd November 2023	5

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 happen 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 Hemel Garden Communities, Herts IQ, 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 that 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 2023/24, 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 2023/24 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

Annual Governance Statement

	<ul style="list-style-type: none"> • 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
Overview & Scrutiny Committees: Housing & Community Strategic Planning & Environment Finance & Resources	<ul style="list-style-type: none"> • To provide overview and scrutiny and policy development role in relation to business associated with the Cabinet Portfolios • To monitor the performance of relevant Council services, including services which are provided under contract or agreement by external organisations or private sector companies
Standards Committee	<ul style="list-style-type: none"> • Consider allegations of breaches of the Code of Conduct • Promote and maintain high standards of conduct by the members of the Council
Internal Audit – (outsourced service provided by TIAA Ltd)	<ul style="list-style-type: none"> • Set overall internal audit strategy to meet the Council's overall direction • Undertake an annual programme of audits • Present audit reports to Management and to Audit Committee • Present progress reports to Audit Committee measuring performance against the Audit Plan
Chief Executive (Head of Paid Service)	<ul style="list-style-type: none"> • Overall corporate policy management and operational responsibility • Chair of 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.
Corporate Working Groups	<ul style="list-style-type: none"> • Cross Council Officer groups overseeing activity, performance and risks within remit

Annual Governance Statement

	<ul style="list-style-type: none"> 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

2023/24 has presented challenges in respect of medium-term financial planning, arising from the 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 2023/24 included 19 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 2023/24, the internal audit reports have currently resulted in 0 limited assurance, 6 reasonable assurances and 2 substantial assurances.

Internal audit reports provide recommendations for improvements. In total 29 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.

Annual Governance Statement

Published internal audit reports are available at www.dacorum.gov.uk. Further details are available upon request. The Internal Auditor's 2023/24 Annual Report will be presented to Audit Committee in July 2024.

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

We give our assurance 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

Signed

Councillor Ron Tindall –

Leader of the Council May 2023-May 2024

Date: May 2024

Claire Hamilton - Chief Executive

Date: May 2024

Comprehensive Income and Expenditure Statement

2022/23					2023/24		
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
58,051	(38,346)	19,705	Finance and Resources (GRF)		60,955	(40,843)	20,112
9,969	(6,893)	3,075	Housing and Community (GRF)		13,959	(7,779)	6,179
22,069	(6,462)	15,607	Strategic Planning & Environment (GRF)		20,311	(8,427)	11,884
63,897	(60,549)	3,348	Housing and Community (HRA)		81,720	(66,124)	15,596
153,986	(112,251)	41,735	Total Cost of Services		176,945	(123,173)	53,772
		(2,328)	Other Operating Expenditure	8			(142)
		5,254	Financing and Investment Income and Expenditure	9			2,525
		(27,570)	Taxation and Non Specific Grant Income	10			(36,445)
		17,090	(Surplus)/Deficit on Provision of Services				19,711
		(102,750)	(Surplus)/ Deficit on Revaluation of Property Plant, Equipment	30			34,367
		(69,436)	Actuarial (Gains)/Losses on Pension Asset / Liabilities	36			14,312
		(172,186)	Other Comprehensive Income and Expenditure				48,679
		(155,096)	Total Comprehensive Income and Expenditure				68,389

-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 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	
Movement in Reserves During 2023/24											
Surplus or (Deficit) on Provision of Services	(1,448)	0	(18,263)	0	0	0	0	(19,711)	0	(19,711)	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(48,679)	(48,679)	
Total Comprehensive Income and Expenditure	(1,448)	0	(18,263)	0	0	0	0	(19,711)	(48,679)	(68,389)	
Adjustments Between Accounting Basis and Funding Basis Under Regulations:	11	9,626	0	18,134	0	(4,405)	2,000	(7,607)	17,749	(17,749)	0
Net Increase/(Decrease) Before Transfers to Earmarked Reserves	8,179	0	(129)	0	(4,405)	2,000	(7,607)	(1,962)	(66,428)	(68,389)	
Transfer (to)/from Earmarked Reserves	12	(8,180)	8,180	294	(294)	0	0	0	0	0	
Balance at 31 March 2024	2,500	27,134	3,057	4,437	(0)	22,392	32,788	92,307	1,098,344	1,190,652	

Balance Sheet

31 March 2023 £'000		Note	31 March 2024 £'000
Long-term Assets			
1,437,565	Property, Plant & Equipment	25	1,402,255
65,265	Investment Property	27	64,136
8,957	Heritage Assets	33	9,015
571	Intangible Assets	28	578
6,241	Long-term Debtors	21	6,249
1,518,600	Total Long Term Assets		1,482,233
Current Assets			
93,528	Short-term Investments	34	46,593
0	Assets Held for Sale	29	0
299	Inventories		400
22,889	Short-term Debtors	22	23,669
11,693	Cash and Cash Equivalents	34	40,608
128,409	Total Current Assets		111,271
Current Liabilities			
(30,875)	Short-term Creditors	20	(33,172)
(2,762)	Short-term Borrowing	34	(4,209)
(4,100)	Revenue Grants and Contributions	18	(3,420)
(2,421)	Capital Grants and Contributions	18	(4,356)
(8,955)	Short-term Provisions	24	(9,016)
(49,112)	Total Current Liabilities		(54,173)
Long-term Liabilities			
(257)	Long-term Creditors	19	(257)
(334,808)	Long-term Borrowing	34	(331,148)
(3,791)	Net Pension Liability	36	(17,274)
(338,856)	Total Long-term Liabilities		(348,679)
1,259,040	Net Assets (Assets Less Liabilities)		1,190,652
Usable Reserves			
2,500	General Fund	11	2,500
18,954	Earmarked Reserves – General Fund	12	27,133
2,893	Housing Revenue Account (HRA)	11	3,058
4,731	Earmarked Reserves – HRA	12	4,437
4,405	Major Repairs Reserve	11	0
20,392	Capital Grants Unapplied Account	11	22,392
40,394	Capital Receipts Reserve	11	32,788
94,269	Total Usable Reserves		92,307
Unusable Reserves			
731,846	Revaluation Reserve	30	688,378
437,173	Capital Adjustment Account	31	429,654
0	Deferred Capital Receipts		0
(719)	Collection Fund Adjustment Account		(2,571)
546	Financial Instruments Adjustment Account		485
(3,791)	Pension Reserve	36	(17,274)
(283)	Accumulated Absences Account		(327)
1,164,772	Total Unusable Reserves		1,098,344
1,259,040	Total Reserves		1,190,652

Cashflow Statement

2022/23 £'000		2023/24 £'000
(17,090)	Net Surplus/(Deficit) on Provision of Services	(19,711)
	Operating Activities	
	Adjustments to surplus/deficit for non cash movements	
36,539	Depreciation & Impairment & Valuations to the CIES for Property	52,454
118	Amortisation of Intangible Assets	160
5,631	Disposal of Assets	1,853
(91)	Changes in Inventory	(102)
(4,270)	Changes in Debtors	648
(17,110)	Changes in Creditors	1,505
8,241	Changes in Net Pension Liability	(829)
665	Other non-cash Movements	1,422
<u>29,723</u>		<u>57,111</u>
	Adjustment for items included in the net surplus or deficit on the provision of services that are investing & financing activities	
0	Proceeds from short-term investments	0
(8,974)	Proceeds from the sale of non-current assets	(3,228)
<u>(7,442)</u>	Any other items for which the cash effects are investing or financing cash flows	<u>(14,894)</u>
(16,415)		(18,122)
(3,782)	Net Cash Flows from Operating Activities	19,278
	Cash Flows from Investing Activities	
(33,087)	Purchase of Property, Plant & Equipment, Investment Property and Intangibles	(50,346)
7,750	Net Changes in Short-term and Long-term Investments	46,750
(6,000)	Other payments for investing activities	(8)
9,083	Proceeds from the Disposal of Property, Plant and Equipment	3,273
8,575	Other receipts from investing activities	16,622
(13,679)	Net Cash Flows from Investing Activities	16,291
	Cash Flows from Financing Activities	
(12,233)	Repayments of borrowing	(2,310)
1,988	Other payments for financing activities	(4,344)
(10,245)	Net Cash Flows from Financing Activities	(6,654)
(27,707)	Net Increase/(Decrease) in Cash and Cash Equivalents	28,915
39,400	Cash and Cash Equivalents at the Beginning of the Period	11,693
11,693	Cash and Cash Equivalents at the End of the Period	40,608
	The cash flows for operating activities include the following items:	
2,783	Interest Receivable and Similar Income	6,591
(11,771)	Interest Payable and Other Similar Charges	(11,384)

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 2023/24 (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 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

To record the cost of holding non-current assets during the year services are debited with:

- 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 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 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 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 start 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 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 capital financing arrangements. 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 service delivery, 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. Disposal receipts (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.

Disposal amounts 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 capital financing arrangements. 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 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 during 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 used 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 notional debits and credits for retirement benefits and replace them with debits for cash paid to the pension fund and pensioners and any such amounts payable but unpaid at year end. The negative balance on the Pensions Reserve thereby measures the beneficial impact 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.

Under the terms of the admission agreement, Dacorum Sports Trust like most other admitted bodies, are responsible for paying all ongoing employer contributions to the fund and pension strain costs, and have undertaken this responsibility for 13 years. Participation in the pension scheme going forward is on a closed basis. The Council acts as guarantor to DST's liabilities in the Fund. Upon DST no longer operating the golf club, DST's pension assets and liabilities will be subsumed with that of the Council's pension fund. DST are required as part of these arrangements to have a pension bond in place to mitigate future potential liabilities.

On 25 July 2024, the Court of Appeal dismissed the appeal in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others. The appeal was brought by Virgin Media Ltd against aspects of the High Court's ruling handed down in June 2023 relating to the validity of certain historical pension changes due to the lack of actuarial confirmation required by law. The Court of Appeal upheld the High Court's ruling. The ruling may have implications for other UK defined benefit plans. It is understood this would apply to the Local Government Pension Scheme and HM Treasury is currently assessing the implications for all public service pension schemes. No further information is available at this stage.

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.

Unusable reserves (the Revaluation Reserve, Capital Adjustment Account, Short-term Accumulating Compensated Absences Account, Collection Fund Adjustment Account and Pension Reserve) are used to manage accounting processes and are unusable resources for the Council.

Financial Instruments

Recognition

Financial assets and financial liabilities arising 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 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 2024/25 Code and where disclosures are required in the 2023/24 financial statements are:

1. Implementation of IFRS16 Leases
2. Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022.
3. Amendments to IAS1 Presentation of Financial Statements- Classification of Liabilities as Current or Non-current issued in January 2020 and Non-current liabilities with Covenants issued in October 2022.
4. Amendments to IAS 12 International Tax Reform: Pillar Two Model Rules- issued in May 2023.
5. Supplier Finance Arrangements amending IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures.

These changes are not expected to have a material effect on the Council's 2024/25 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

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 amounts reported for revenues and expenses during the year. The nature of estimation means actual outcomes could differ from those estimates. 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 £59.574m in the Balance Sheet and change the annual depreciation charge by £0.993m 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 £7.289m. A 5% change in value of Council assets categorised as Investment properties would affect the carrying value of these assets by £3.207m.

Provision for Outstanding Business Rates Appeals

On 1 April 2013, Local Authorities assumed the liability for refunding ratepayers who successfully appeal 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 guidance from CIPFA and LG Futures. The carrying amount of the Provision is £19.2m, of which the Councils share is £7.681m. An increase in the success rate by 5% would change the required provision by £0.96m, 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 2024 as follows:

	2023/24
	£'000
0.1% decrease in the real discount rate	4,273
1 year increase in member life expectancy	9,459
0.1% increase in salary increase rate	164
0.1% increase in the pension increase/Revaluation rate (CPI)	4,188

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

Notes to the Accounts

The draft Statement of Accounts were authorised for issue by the Chief Finance Officer on 23rd May 2024. 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 2024.

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

	2022/23			2023/24		
	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
	15,964	3,742	19,705	15,869	4,243	20,112
	791	2,285	3,075	1,086	5,093	6,179
	11,698	3,909	15,607	10,792	1,092	11,884
	(13,527)	16,875	3,348	(14,908)	30,503	15,596
	14,925	26,810	41,735	12,840	40,931	53,772
	(8,514)	(16,131)	(24,645)	(20,891)	(13,170)	(34,061)
	6,411	10,679	17,090	(8,051)	27,761	19,711
			2022/23 £'000			2023/24 £'000
			(35,488)	Opening Balance: General Fund, Earmarked Reserves & HRA Balance		(29,077)
			6,411	Less Surplus/Deficit on Provision of Services		(8,051)
			(29,077)	Closing Balance on General Fund, Earmarked Reserves and HRA Balance		(37,128)

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
2023/24	£'000	£'000	£'000	£'000
Finance and Resources (GRF)	5,028	(801)	16	4,243
Housing and Community (GRF)	5,046	37	10	5,093
Strategic Planning & Environment (GRF)	991	91	10	1,092
Housing and Community (HRA)	30,809	(314)	9	30,503
Net Cost of Services	41,873	(986)	44	40,931
Other Income and Expenditure	(15,240)	157	1,913	(13,170)
(Surplus)/Deficit on Provision of Services	26,633	(829)	1,957	27,761

	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

7. Expenditure and Income Analysed by Nature

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

2022/23 £'000		2023/24 £'000
	Expenditure	
46,857	Employees (including pension adjustments)	42,513
20,518	Premises	25,887
2,208	Transport	2,243
16,089	Supplies & Services	17,213
33,912	Third Party & Transfer Payments	34,717
38,544	Capital Charges/Revaluations	58,796
1,015	Parish Precepts	1,234
11,771	Interest Payments	11,480
5,631	Non Current assets written off as part of disposal gain	1,853
0	Payments to the Housing Receipts Pool	0
176,545	Total Expenditure	195,935
	Income	
(83,185)	Fees, Charges and Other Service Income	(92,904)
(3,709)	Interest & Investment Income	(6,184)
(13,907)	Income from Council Tax	(14,592)
(718)	Income from Business Rates	(2,081)
(48,961)	Government Grants & Other Contributions	(57,236)
(8,974)	Sale proceeds on asset disposal and lease amortisation	(3,228)
(159,455)	Total Income	(176,225)
17,090	(Surplus) or Deficit on the Provision of Services	19,711

8. Other Operating Expenditure

2022/23 £'000		2023/24 £'000
1,015	Parish Council Precepts	1,234
0	Payments to the Government Housing Capital Receipts Pool	0
(3,343)	(Gains)/Losses on the Disposal of Non Current Assets	(1,375)
(2,328)	Total	(142)

9. Financing and Investment Income & Expenditure

2022/23		2023/24
£'000		£'000
11,771	Interest Payable and Other Similar Charges	11,480
(3,709)	Interest Receivable and Similar Income	(6,184)
1,839	Net Interest on the Net Defined Benefit Liability/Asset	157
(5,117)	Rental Income from Investment Property	(5,165)
788	Direct Operating Expenses Arising from Investment Property	877
(318)	Changes In Fair Value of Investment Property	1,361
5,254	Total	2,525

10. Taxation and Non-Specific Grant Income

2022/23		2023/24
£'000		£'000
(13,907)	Council Tax Income	(14,592)
1,115	Non Domestic Rates Income & Expenditure	(50)
(7,337)	Non-ring-fenced Government Grants	(6,908)
(7,441)	Capital Grants and Contributions	(14,894)
(27,570)	Total	(36,445)

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 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.

2023/24	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	(1,691)		(11,153)	(50)		12,894
Amortisation of Intangible Assets	160					(160)
Non Current Asset Depreciation & revaluation	6,083		8,884			(14,967)
HRA impairment reversal			21,924			(21,924)
Movements Investment Property fair value	1,361					(1,361)
Non-current assets written off as part of disposal gain	12		1,841			(1,853)
<u>Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement (CIES):</u>						
Minimum Revenue Provision/HRA debt repayment	(332)		(2,310)			2,642
Revenue Expenditure Funded From Capital Under Statute	4,821					(4,821)
Capital expenditure funded by Reserves	0		0			0
Adjustments involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited to CIES as part of the gain/loss on disposal	(121)		(3,106)		3,228	0
Repayment of Capital Loans					10	(10)
Use of Capital Receipts to finance capital expenditure					(10,845)	10,845
Adjustments involving the Major Repairs Reserve:						
HRA Depreciation		15,563				(15,563)
Loan Repayment Funded by the MRR		(2,310)	2,310			0
Use of MRR to Finance Capital Expenditure		(17,658)				17,658
Adjustments involving the Capital Grant Unapplied Account						
Capital Grants and Contributions unapplied credited to the CIES	(2,050)			2,050		0
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	3,915		1,832			(5,747)
Employer's pension contributions to pension fund payable in the year	(4,480)		(2,096)			6,576
Adjustments involving the Financial Instruments Adjustment Account:						
Discounts incurred and charged to the CIES	61					(61)
Adjustments involving the Collection Fund Adjustment Account:						
Amount council tax & business rates credited to the CIES differs from that calculated under statutory requirements	1,852					(1,852)
Adjustments involving the Accumulated Absences Reserve:						
Absences Accrual transferred to the Accumulated Absences Account	35		9			(44)
Adjustments Between Accounting Basis & Funding Basis Under Regulations	9,626	(4,405)	18,134	2,000	(7,607)	(17,749)

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)

12. Earmarked Reserves

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

	Balance 31/03/2023	Transfers Out 2023/24	Transfers in 2023/24	Balance 31/03/2024
	£'000	£'000	£'000	£'000
General Fund Reserves:				
Funding Equalisation	7,198	(607)	4,395	10,986
Dacorum Development	3,358	(577)	1,838	4,618
Pensions Reserve	2,054	0	600	2,654
Savings Efficiency	881	(138)	1,124	1,867
SANG Reserve	153	0	1,378	1,531
Inflationary Pressure Reserve	298	0	750	1,048
Technology Reserve	741	(12)	0	729
Management of Change	726	(119)	0	607
Local Development Framework	547	0	0	547
Invest to Save	42	(20)	458	480
Leisure Reserve	330	0	95	425
Uninsured Loss	360	0	0	360
Litigation Reserve	317	(57)	0	260
Economic Recovery	1,082	(895)	0	187
Other Under £250k	868	(180)	146	834
Total General Fund Reserves	18,955	(2,604)	10,784	27,134
Housing Revenue Account Reserves:				
Strategic Acquisition	4,041	(168)	0	3,873
Lift Renewal & Replacement Reserve	351	0	21	372
Other HRA (Under £250k)	338	(151)	4	191
Total HRA Reserves	4,731	(319)	25	4,436
Total Earmarked Reserves	23,685	(2,923)	10,809	31,570

13. Members' Allowances

The following amounts were due to Members:

2022/23		2023/24
£'000		£'000
443	Salaries (Basic & Special allowances)	487
1	Allowances (Broadband)	0
1	Expenses (Travel & Subsistence)	1
445	Total	489

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.

2022/23	Total Remuneration	2023/24
32	£50,000 - £54,999	31
9	£55,000 - £59,999	23
9	£60,000 - £64,999	9
4	£65,000 - £69,999	5
1	£70,000 - £74,999	6
5	£75,000 - £79,999	3
4	£80,000 - £84,999	3
0	£85,000 - £89,999	3
0	£90,000 - £94,999	1
1	£100,000 - £104,999	0
0	£105,000 - £109,999	1
65	Total	85

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

2023/24	Salary including Fees & Allowances £	Benefit in Kind £	Pension Contributions £	Total £
Chief Executive- Claire Hamilton	155,169	743	28,863	184,775
Strategic Director Corporate & Commercial Services	126,848	0	24,735	151,583
Strategic Director People & Transformation	120,257	0	22,638	142,894
Strategic Director Place	109,514	0	21,355	130,869
Strategic Director Housing and Property Services	108,201	0	21,099	129,300
Assistant Director Legal & Democratic Services	101,680	0	19,828	121,508
Chief Finance Officer	100,608	0	19,828	120,436
Strategic Director Neighbourhood Operations (started 18/09/2023)	54,877	0	10,701	65,578

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

There were no benefits in kind received by Senior Officers in 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	
	23/24	22/23	23/24	22/23	23/24	22/23	23/24	22/23
£0 - £20,000	0	0	0	1	0	1	0	10
£20,001 - £40,000	0	0	1	1	1	1	23	25
£40,001 - £60,000	1	0	0	2	1	2	44	100
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
Total	1	0	1	4	2	4	67	135

15. Related Party Transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have potential to control or influence the Council or 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 (HBC)

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 and having representation on the board. The Strategic Director Place is a director on behalf of the Council. The Strategic Director Corporate and Commercial Services 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 23/24, the council incurred expenditure with HBC of £160k. There were no material amounts due to or from the Council and Herts Building Control as at 31st March 2024. 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 2023/24 is shown in note 13. Disclosures of interest have been made for 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

Notes to the Accounts

shows both potential financial and other interests, including involvement with voluntary organisations, public authorities and various other bodies. It is available on the Council's website.

Transactions in 2023/24 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 2023/24	Income 2023/24	Amount owed by/(to) the Council 31/03/2024	Nature of Transaction
		£'000	£'000	£'000	
Community Action Dacorum	Cllrs Allen, Birnie and Symington	254.2	(0.2)	0	Grants
West Hertfordshire Crematorium Committee	Cllr Douris	0.0	(101.2)	(50)	Contribution, licence fees & environmental protection
Hemel Business Improvement District (BID)	James Doe	80.7	(5.0)	28	Grants Creditor: BID Levy
Dacorum Heritage Trust	Cllr Allen	62.1	(0.3)	0	Grants
Hospice of St Francis	Cllr Symington	0.3	(16.3)	(4)	Rent & Service Charges
Chiltern Conservation Board	Cllr Symington	8.1	0.0	0	Annual Contribution
POS Enterprise	James Doe	4.6	0.0	1	Participation Fee
Hawthorne Consultancy/James Cannaford	Cllr Santamaria	0.0	(3.0)	0	Rent
Stage Two Ltd	Cllr Douris	0.5	(1.6)	0	Garage rent & hire of Sound equipment
Coffee and Wine	Cllrs Claire and Sadie Hobson	0.0	(1.4)	0	Licensing & commercial waste

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 building a new crematorium. This loan was outstanding at 31/03/2024 and is included in long term debtors. Interest receivable was £0.329m in 2023/24 and the related debtor was £0.247m at 31/03/2024.

Cllr Graeme Elliot and his wife own leasehold properties, which incur service charge, maintenance and ground rent expenditure with the Council. At 31/03/2024 Cllr Elliot owed Dacorum £1.35k for maintenance works, this is being repaid in instalments. Cllrs Adeleke, Douris, Hobson and Pound all rent garages from the Council. Cllr Bromham rents an allotment from the Council. Cllr Brenda Link is a Council tenant and Cllr Carrie Link is a related party of a Council tenant.

16. External Audit Costs

The Public Sector Audit Appointments (PSAA) appointed KPMG LLP to act as the Council's external auditors for 5 years, starting with the 2023/24 audit. The Council has incurred the following costs for the audit of the Statement of Accounts and certification of grant claims by KMPG LLP.

2022/23		2023/24
£'000		£'000
0	External audit services carried out by the appointed auditor for the year	192
0	Certification of grant claims and returns for the year	45
0	Total	237

The 2022/23 audit of the Statement of Accounts and certification of grant claims was conducted by the external auditors Grant Thornton UK LLP. The following costs were incurred:

2022/23		2023/24
£'000		£'000
64	External audit services carried out by the appointed auditor for the year	0
45	Previous Years external audit services carried out by the appointed auditor for the year	19
(2)	Certification of grant claims and returns for previous years	30
23	Certification of grant claims and returns for the year	0
130	Total	49

Audit fees are subject to review by the Public Sector Audit Appointments. In 2024/25 the Council will receive £26k of Redmond Review grant relating to 2023/24 audit fees (£28k received in 2022/23).

17. Revenue Grant Income

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

2022/23		2023/24
£'000	Non Specific Grant Income	£'000
(1,294)	New Homes Bonus	(721)
(5,345)	Business Rates Relief	(4,933)
0	Funding Guarantee	(850)
(138)	Lower Tier Services Grant	0
(208)	Services Grant	(122)
(352)	Other	(283)
(7,337)	Total	(6,908)
£'000	Grants Credited to Services	£'000
(31,197)	Benefits Subsidy and Administration	(31,779)
(120)	Covid-19 Business Support Grants - Council acting as principal	(3)
(2,829)	Other	(3,637)
(34,146)	Total	(35,419)

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	Revenue Grants and Other Contributions	2023/24 £'000
(15,143)	As of the Beginning of the Period	(4,099)
(4,221)	Receipts	(3,690)
15,265	Conditions Satisfied	4,369
(4,099)	Closing Balance	(3,420)

The balances of the revenue grants are as follows:

2022/23 £'000	Revenue Grants Yet to be Recognised as Income	2023/24 £'000
(469)	Homelessness Support Grant	(469)
(1,772)	Strategic & Planning Delivery Grants	(1,166)
(10)	Public Health	(10)
(573)	Refugee Grant	(1,110)
(97)	Test and Trace Support Grant	(67)
(7)	Council Tax- Energy Rebate Scheme - acting as principal	0
(415)	Other	(542)
(3)	Covid- 19 Business Support Grants acting as principal	0
(3,346)	Total	(3,364)

In addition, within the Revenue Grants and Contributions Current liabilities line on the Balance Sheet, the Council holds £0.056m (£0.026m in 2022/23) relating to Covid Business Support Grants and £0.729m in 2022/23 for the Council tax energy rebate scheme, both of which the Council is acting as agent.

2022/23 £'000	Capital Grants and Contributions yet to be recognised as income	2023/24 £'000
1,424	As of the Beginning of the Period	2,421
5,096	Receipts	14,725
(4,099)	Conditions Satisfied	(12,790)
2,421	Closing Balance	4,356

2022/23 £'000	Breakdown of Capital Grants and Contributions yet to be recognised as income	2023/24 £'000
(1,083)	Disabled Facilities Grant	(1,308)
(1,338)	Other	(3,048)
(2,421)	Total	(4,356)

19. Long Term Creditors

2022/23 £'000	2023/24 £'000
257	257
257	257

20. Short-term Creditors

2022/23		2023/24
£'000		£'000
12,086	Central Government Bodies	9,840
2,596	Other Local Authorities	1,604
16,193	Other Entities and Individuals	21,729
30,875	Total Short-term Creditors	33,172

21. Long-term Debtors

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

2022/23		2023/24
£'000		£'000
6,000	Other Local Authorities	6000
241	Other Entities and Individuals	249
6,241	Total Long-term Debtors	6,249

This includes a bad debt provision of £36k 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		2023/24
£'000		£'000
5,091	Central Government Bodies	3,063
4,705	Other Local Authorities	5,730
13,093	Other Entities and Individuals	14,876
22,889	Total Short-term Debtors	23,669

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

2022/23		2023/24
£'000	Bad Debt Impairment Allowances	£'000
2,385	Sundry Debtors	2,520
2,126	Housing Rents and Garages	2,131
307	Council Tax/Summons Fees	340
1,797	Business Rates/Summons Fees	1,718
1,379	Benefits Overpayments	1,231
7,993	Total Bad Debt Provisions	7,940

23. Contingent Liabilities

The council has no material contingent liabilities.

24. Provisions

The Council maintains the following provisions:

	Balance as at 31 March 2023 £'000	Contribution to Provision £'000	Use of Provision £'000	Amounts Reversed Unused £'000	Balance as at 31 March 2024 £'000
General Fund Provisions					
Insurance- General Fund	492	301	(99)	(295)	399
Business Rates Appeals	7,161	797	(176)	(102)	7,680
Total General Fund	7,653	1,098	(275)	(397)	8,080
Water Charges- HRA	900	0	(1)	(650)	249
Insurance-HRA	402	792	(369)	(138)	687
Total HRA	1,302	792	(370)	(788)	936
Total Short-term Provisions	8,955	1,890	(645)	(1,184)	9,016

	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	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

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

	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
2023/24							
Cost / Valuation at the beginning of the period	1,244,675	145,546	20,584	5,592	6,892	26,042	1,449,331
Depreciation written out to Gross Carrying Amount on Revaluation	(15,567)	(1,738)	0	0	0	0	(17,305)
Revaluation increases recognised in the Revaluation Reserve	162,367	9,871					172,238
Revaluation decreases recognised in the Revaluation Reserve	(200,180)	(6,111)			(314)		(206,605)
Revaluation increases/(decreases) recognised in the(Surplus)/Deficit on Provision of Services	(8,884)	(2,016)			(298)		(11,197)
Additions	27,017	746	1,095			24,466	53,324
Impairment recognised in the(Surplus)/Deficit on Provision of Services	(21,924)	(42)					(21,966)
Reclassifications	5,828	129				(5,917)	40
Assets reclassified (to)/from Assets Held for Sale	0	0					0
Disposals	(1,849)	(5)	(55)				(1,910)
Cost / Valuation at the end of the period	1,191,482	146,382	21,623	5,592	6,280	44,591	1,415,950
Accumulated Depreciation at the beginning of the period	0	(618)	(10,602)	(546)	0	0	(11,766)
Depreciation Charge	(15,576)	(1,719)	(1,775)	(221)			(19,291)
Reclassifications							0
Depreciation written out to Gross Carrying Amount on Revaluation	15,567	1,738					17,305
Assets reclassified to Assets Held for Sale	0						0
Disposals	9	0	49				58
Accumulated Depreciation at the end of the period	(0)	(600)	(12,328)	(767)	0	0	(13,695)
Net Book Value At 31 March 2024 (all owned, no finance leases)	1,191,482	145,782	9,296	4,825	6,280	44,591	1,402,255

Notes to the Accounts

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
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

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 not completed at year-end is treated as an Asset under construction. When the scheme completes the costs are transferred from assets under construction to the relevant PPE or investment property line.

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 2024, with the exception of dwellings which are the 31st March 2024. The remaining assets are valued on a five year cycle. Within other Land and Buildings the Council revalued £128.9m 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. £6.28m 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, non specialised offices, industrial and development land not valued in year.

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 2024 are:

Contract	Contractor	Estimated Value £'000
Total Asset Management	Cardo (South) Ltd	34,445
Development of Residential Accommodation at Paradise Depot	ARJ Construction	14,420
Development of Residential Accommodation at Marchmont	Bugler Developments Ltd	8,923
Development of Residential Accommodation at Paradise Fields	Bugler Developments Ltd	8,561
Development of Residential Accommodation at St Margarets Way	Helix Construct Ltd	6,303
Supply of Compact Sweepers	Aebi Schmidt UK Ltd	724

The capital commitment at the 31 March 2023 was £75,090k.

27. Investment Property

2022/23 £'000	Investment Property - Balance Sheet	2023/24 £'000
66,454	As at the beginning of the period	65,265
219	Additions	273
(1,727)	Reclassifications	(40)
0	Disposals	0
319	Net gains/(losses) from fair value movements	(1,361)
65,265	As at the end of the period	64,136

Investment properties were valued at the 31st January 2024 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	Intangible Assets	2023/24 £'000
As of the beginning of the Period		
802	Gross Carrying Amounts	924
(354)	Accumulated Amortisation	(352)
448	Net Carrying Amount as of the Beginning of the Period	572
230	Reclassifications	0
12	Purchases	166
0	Disposals (net book value)	0
(118)	Amortisation for the Period	(160)
572	Net Carrying Amount as of the End of the Period	578
Comprising:		
924	Gross Carry Amounts	1,090
(352)	Accumulated Amortisation	(512)
572	Net Carrying Amount as of the End of the Period	578

29. Assets Held For Sale

The Council has no assets meeting the definition of assets held for sale in 2022/23 or 2023/24.

30. Revaluation Reserve

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

2022/23 £'000		2023/24 £'000
640,658	Opening Balance	731,846
107,573	Upward revaluation of assets	172,238
(4,823)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(206,605)
(8,865)	Difference between fair value depreciation and historical cost depreciation	(8,183)
(2,697)	Amount written off to the CIES	(919)
731,846	Closing Balance	688,378

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		2023/24
£'000		£'000
431,051	Balance as of beginning of the period	437,173
5,478	Capital grants and contributions applied	12,894
(118)	Amortisation of intangible assets	(160)
(3,306)	Charges for depreciation and Revaluation losses on property, plant and equipment	(14,967)
(50)	Repayment of Loans for Capital	(10)
(16,769)	HRA impairment reversal	(21,924)
8,865	Difference between fair value depreciation and historical cost depreciation	8,183
(16,465)	HRA depreciation	(15,563)
(5,631)	Non-current assets written off to CIES on sale as part of the gain on disposal	(1,853)
2,697	Transfer from the Revaluation Reserve on disposal of assets	919
(2,206)	Revenue expenditure funded from capital under statute	(4,821)
319	Movements in market value of Investment Properties	(1,361)
15,760	Capital receipts applied to capital expenditure	10,845
350	Use of reserves to finance capital expenditure	0
15,495	Use of MRR to finance capital expenditure	17,658
332	Minimum Revenue Provision (MRP)	332
1,370	HRA Debt Repayment	2,309
437,173	Closing Balance	429,654

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		2023/24
£'000	Capital Financing Requirement	£'000
345,051	Opening Capital Financing Requirement	349,349
	Capital Investment:	
34,484	Property, Plant and Equipment	53,324
6,000	Loans treated as capital expenditure	0
162	Heritage Assets	57
219	Investment Property	273
12	Intangible Assets	166
2,206	Revenue Expenditure Funded from Capital under Statute	4,821
43,083	Total Expenditure	58,641
	Sources of Finance:	
(15,760)	Capital Receipts	(10,845)
(5,478)	Government Grants and Other Contributions	(12,894)
(15,845)	Use of Reserves (including Major Repairs Reserve)	(17,658)
(1,702)	Revenue Contributions (including statutory provision for repayment of debt)	(2,641)
(38,785)	Total Financing	(44,038)
349,349	Closing Capital Financing Requirement	363,951
2022/23		2023/24
£'000	Capital Financing Requirement	£'000
4,298	Increase/(Decrease) in underlying need to borrow (unsupported by government financial assistance).	14,604
0	Assets Acquired Under Finance Lease	0
4,298	Increase/(Decrease) in Capital Financing Requirement	14,604

33. Heritage Assets

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

2022/23		2023/24
£'000		£'000
6,839	Land	6,896
1,819	Sculptures/Artwork	1,819
3	Assets managed by Dacorum Heritage Trust	3
296	Civic Regalia and Treasuries	296
8,957	Total	9,015

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. All Land Heritage Assets were revalued on 31st March 2021.

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.

Gadebridge Park is sited on the northern edges of Hemel Hempstead and forms a green wedge of urban countryside running into the heart of the town. The area dates back to the late Iron Age. Excavations on the field north of Galley Hill revealed a farmhouse which was extended after the Roman invasion of AD43 to include stone built wings around a courtyard, a bathhouse, heated rooms and, unusually, a large swimming pool. The Walled Garden is the location of the original Bury House.

The 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.

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.

2022/23 £'000	Financial Assets – All carried at Amortised Cost	2023/24 £'000
10,956	Cash Equivalents: Investments with Original Maturities of 3 Months or Less	39,522
1	Cash held by the Council	1
736	Cash: Bank Account Balance/(Overdraft)	1,085
12,129	Short-term Debtors	13,921
6,241	Long-term Debtors	6,249
93,528	Short-term Investments	46,593
0	Long-term Investments	0
123,592	Total	107,372

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.

2022/23 £'000	Financial Liabilities – Amortised Cost	2023/24 £'000
13,788	Short-term Creditors	17,728
188	Long-term Creditors	188
2,762	Short-term Borrowings	4,209
334,808	Long-term Borrowings	331,148
351,546	Total	353,273

Fair Value

The valuation basis adopted for calculating the fair value of the council's financial instruments is level 2 inputs- i.e. inputs other than quoted prices that are observable for this financial liability and assets. The fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

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

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

The fair values are as follows:

2022/23 £'000	Financial Liabilities – Fair Value	2023/24 £'000
13,788	Short-term Creditors	17,728
188	Long-term Creditors	188
2,709	Short-term Borrowings	4,121
296,508	Long-term Borrowings	283,215
313,194	Total	305,252

The exit price fair value of £305m 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.

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 Councils Medium Term Financial Strategy. The following table sets out the maturity analysis of financial liabilities held by the Council:

2022/23 £'000		2023/24 £'000
2,761	Less than 1 Year	4,209
3,661	Between 1 and 2 Years	4,777
16,222	Between 2 and 5 Years	18,149
48,193	Between 5 and 10 years	56,226
266,732	More than 10 Years	251,996
337,569	Total	335,356

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 2024 is:

Credit Risk Rating	Gross carrying amount 2023/24 £'000	Default Rate	12 month expected credit loss £'000
AA-	20,286	between 0.000% and 0.003%	0.0
A+	15,175	between 0.017% and 0.024%	3.0
A	0	N/A	0.0
A-	9,086	between 0.001% and 0.006%	0.3
BBB+	2,047	between 0.011% and 0.011%	0.2
Total	46,593		3.5

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 2025. See note 21 for the impairment allowance. Local authorities and Parish Councils are considered low risk as traditionally they have low risk of default 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 2023/24 or 2022/23.

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

2022/23 £'000	Operating Lease Commitments (DBC as Lessee)	2023/24 £'000
50	Not later than one year	53
48	Later than one year but not later than five years	1
28	Later than five years	27
126	Total Commitments under Operating Leases	82

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		2023/24
£'000	Operating Lease Income (DBC as Lessor)	£'000
3,943	Not later than one year	3,800
12,239	Later than one year but not later than five years	11,873
51,840	Later than five years	51,159
68,022	Total Minimum Lease Income under Operating Leases	66,831

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 2023/24 contingent rents of £1.258m were receivable by the Council (£1.261m in 2022/23).

Finance Leases - Council as Lessee

The Council leases 3 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		2023/24
£'000	Finance Lease Assets	£'000
537	Finance Lease Assets (Council as Lessee)	537

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 in future years while the liability remains outstanding. The minimum lease payments are made up of:

2022/23		2023/24
£'000	Finance Lease Minimum Payments	£'000
0	Current	0
188	Non-current	188
1,532	Finance Costs Payable in Future Years	1,512
1,720	Minimum Lease Payments	1,700

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

2022/23		2023/24
£'000	Commitments Under Finance Leases	£'000
20	Not later than one year	20
80	Later than one year but not later than five years	80
1,620	Later than five years	1,600
1,720	Total Commitments Under Finance Leases	1,700

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 £30.5k (2022/23 £30k). The Council has sub-let these properties. At 31 March 2024 the minimum payments expected to be received under non-cancellable agreements was £92k (£140k at 31 March 2023).

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 are in the Comprehensive Income and Expenditure Statement, General Fund Balance and Housing Revenue Account via the Movement in Reserves Statement for the year:

2022/23 £'000	Comprehensive Income & Expenditure Statement	2023/24 £'000
	Cost of Services:	
10,869	Current Service Cost	5,590
0	Past Service Cost/(Gain) – Including Curtailments	0
	Financing and Investment Income and Expenditure:	
1,839	Net Interest Expense	157
12,708	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	5,747
	Other Comprehensive Income & Expenditure:	
23,305	Return on Plan Assets (excluding amounts included in net interest expense)	(10,139)
(4,245)	Actuarial (Gains) & Losses Arising on Changes in Demographic Assumptions	(1,484)
(120,995)	Actuarial Gains & Losses Arising on Changes in Financial Assumptions	(13,354)
32,499	Other	7,736
(69,436)	Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	(17,241)
	2022/23	2023/24
£'000	Movement in Reserves Statement	£'000
(12,708)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for Post Employment Benefits in accordance with the Code	(5,747)
4,467	Employer's Contributions Payable to the Pension Scheme	6,576
(8,241)	Total	829

2022/23		2023/24
£'000	Pension Assets & Liabilities Recognised in the Balance Sheet	£'000
(235,860)	Present value of the defined benefit obligation	(236,470)
232,069	Fair value of plan assets	250,749
(3,791)	Sub-total	14,279

2022/23		2023/24
£'000	Reconciliation of Present Value of Scheme Liabilities	£'000
(315,177)	Liabilities as of the Beginning of the Period	(235,860)
(10,869)	Current Service Cost	(5,590)
(8,557)	Interest Cost	(11,123)
(1,660)	Contributions by Scheme Participants	(1,791)
91,843	Actuarial (Losses)/Gains	7,102
0	Losses on Curtailments	0
8,560	Benefits Paid	10,792
0	Past Service Costs	0
(235,860)	Liabilities as at 31 March	(236,470)

2022/23		2023/24
£'000	Reconciliation of Fair Value of Scheme Assets	£'000
250,191	Assets as of the Beginning of the Period	232,069
6,718	Expected Rate of Return	10,966
(22,407)	Actuarial Gains/(Losses)	10,139
4,467	Employer Contributions	6,576
1,660	Contributions by Scheme Participants	1,791
(8,560)	Benefits Paid	(10,792)
232,069	Closing Fair Value of Scheme Assets	250,749

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		2023/24
£'000	Fair Value of Employer's Assets	£'000
	Quoted Prices in Active Markets	
	<u>Equity Securities</u>	
3,568	Consumer	3,392
1,956	Manufacturing	3,934
1,332	Financial Institutions	2,231
1,943	Health and Care	2,125
4,305	Information Technology	3,478
9,681	<u>Debt Securities</u>	12,784
	<u>Investment Funds and Unit Trusts</u>	
87,449	Equities	94,678
32,520	Bonds	35,926
2,019	Other	1,880
	<u>Cash and Cash Equivalents</u>	
15,597	All	15,753
160,371	Total of Assets with Prices Quoted in Active Markets	176,181

Quoted Prices not in Active Markets		
	<u>Debt Securities</u>	
6,231	Other	6,376
	<u>Private Equity</u>	
20,550	All	21,909
	<u>Real Estate</u>	
17,165	UK Property	17,280
13,261	Overseas Property	12,556
	<u>Investment Funds and Unit Trusts</u>	
267	Infrastructure	379
13,883	Other	15,339
	<u>Derivatives</u>	
342	Foreign Exchange	730
71,698	Total of Assets with Prices Quoted not in Active Markets	74,568
<hr/>		
232,069	Total Fair Value of Employers Assets	250,749

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		2023/24
%	Principal Assumptions	%
3.5	Rate of increase in salaries	3.25
3.0	Rate of increase In pensions	2.75
4.8	Rate of discounting scheme liabilities	4.85
45	Allowance for future retirees to elect to take additional tax-free cash up to HMRC limits pre April 2008 Service	45
45	Allowance for future retirees to elect to take additional tax-free cash up to HMRC limits post April 2008 Service	45

Impact on the Council's Cash Flow

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 by the Council in 2024/25 is £6.445m.

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 £'000	Reconciliation of Fair Value of Scheme Assets	2023/24 £'000
(66,981)	Surplus /(Deficit) as of Beginning of the Period	(3,791)
69,436	Actuarial Gains/(Losses) on Pension Assets and Liabilities	17,241
	Reversal of Items Relating to Retirement Benefits Debited or Credited to the Surplus or Deficit on the Provision of Services in the Comprehensive	
(12,708)	Income and Expenditure Statement	(5,747)
6,462	Employer's Pension Contributions	6,576
(3,791)	Surplus/(Deficit) as of End of the Period	14,279

Asset Ceiling

Following the pensions valuation by the actuary, Hymans Robertson LLP, the fair value of the Council's pension plan assets outweighed the present value of the plan obligations at 31 March 2024, resulting in a pension plan asset for the first time. Accounting standards require where a pension plan asset exists, it is measured at the lower of:

- The surplus in the defined benefit plan; and
- The asset ceiling.

The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The actuary calculated the asset ceiling as the present value of future service costs less present value of future service contributions. This leads to the following adjustment in the accounts:

2022/23 £'000		2023/24 £'000
n/a	Net Asset Prior to the Asset Ceiling	14,279
n/a	Effect of the asset ceiling on net asset/liability	(31,553)
	Net Asset /(Liability) with asset ceiling	(17,274)

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 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		2023/24 £'000
	Income	
(57,656)	Dwelling Rents (Gross)	(62,060)
(97)	Non Dwelling Rents (Gross)	(98)
(1,905)	Charges for Services & Facilities	(2,637)
(890)	Contributions towards Expenditure	(1,330)
(60,549)	Total Income	(66,124)
	Expenditure	
16,713	Repairs and Maintenance	20,002
14,324	Supervision and Management	14,789
192	Rents, Rates, Taxes and Other Charges	127
280	Increase in Allowance for Bad and Doubtful Debts	462
32,388	Depreciation and Impairment of Non Current Assets	46,340
63,897	Total Expenditure	81,720
3,348	Net Expenditure/(Income) of HRA Services as Included in the Comprehensive Income & Expenditure Statement (CIES)	15,596
382	HRA Share of Corporate and Democratic Core	418
5,193	Other recharges to the HRA	5,337
5,576	Total recharge to HRA	5,755
	HRA Share of Operating Income & Expenditure Included in the Comprehensive Income & Expenditure Account	
(3,365)	(Gain)/Loss on Disposal of Non-Current Assets	(1,266)
(1,084)	Interest and Investment Income	(1,985)
11,302	Interest Payments	11,266
390	Net Interest on the Net Defined Benefit Liability	50
(3,724)	Capital Grants and Contributions Received	(11,153)
12,441	(Surplus)/Deficit for the Year on HRA Services	18,263

Housing Revenue Account

Statement of Movement on the Housing Revenue Account

2022/23 £'000		2023/24 £'000
2,892	Balance as at 1 April	2,891
	Movement in Reserves:	
(12,441)	Surplus/(Deficit) on Provision of Services	(18,263)
	Adjustments Between Accounting Basis & Funding Basis Under Regulations:	
(3,724)	Capital Grants and Contributions Applied	(11,153)
(4)	Reversal of Employee Leave Accrual	9
15,954	Reversal Revaluation & Impairment (Gains)/Losses on Property	30,808
5,515	Amounts of non-current assets written off on sale as part of the gain on disposal to the CIES	1,841
(8,881)	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	(3,106)
(1,370)	Debt Repayment Provision	(2,310)
1,370	Loan Repayment from Major Repairs Reserve	2,310
2,694	Reversal of retirement benefits items debited or credited to the CIES	1,832
(1,380)	Employer's Pension Contributions to Pension Fund Payable in the year	(2,096)
10,174	Total Adjustments Between Accounting Basis and Funding Basis Under Regulations	18,134
(2,267)	Net Increase/(Decrease) Before Transfers to Earmarked Reserves	(129)
2,266	Transfer (to)/from Earmarked Reserves	294
2,891	Balance as at 31 March	3,058

Notes to the Housing Revenue Account

1. Value of HRA Property, Plant and Equipment

2022/23 £'000		2023/24 £'000
1,240,265	Council Dwellings	1,187,660
1,304	Other Land & Building	4,137
154	Vehicles, Plant, Furniture and Equipment and intangibles	124
25,083	Assets Under Construction	43,855
1,266,806	Net Book Value as at 31 March	1,235,776

Council dwellings had an existing use assuming vacant possession valuation of £3,140 million as at 31st March 2024. 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		31/03/2024
3,774	Flats	3,766
6,256	Houses	6,274
21	Hostel	21
10,051	Total Dwellings	10,061

3. Rent Arrears

2022/23 £'000		2023/24 £'000
2,192	Rent - Current Arrears	2,317
529	Rent - Former Arrears	487
514	Supporting People and Other	635
3,234	Total Arrears:	3,439
(2,089)	Provision for Bad and doubtful Debts	(2,109)
1,145	Total Rent Arrears:	1,330

4. Capital Financing

2022/23 £'000		2023/24 £'000
34,884	Total Capital Expenditure	54,254
	Financed by:	
(15,665)	Capital Receipts	(8,199)
(15,495)	Major Repairs Reserve	(17,658)
(3,724)	Capital Grants & Contributions	(11,153)
0	Borrowing	(17,245)
(34,884)	Total Financing	(54,254)

5. Capital Receipts from the sale of HRA assets:

2022/23 £'000		2023/24 £'000
8,662	Sale of HRA Dwellings	2,935
166	Other receipts including easements, deed of release & covenants	172
52	Discount Repaid	0
8,881	Total Capital receipts	3,106

Housing Revenue Account

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		2023/24
£'000		£'000
16,423	Depreciation on Council Dwellings	15,524
(815)	Revaluation on Council Dwellings and Other Land and Buildings	8,884
16,768	Impairment	21,924
30	Depreciation on Vehicle, Plant and Equipment	30
8	Depreciation on Other Land and Building	8
32,414	Total Depreciation and Impairment	46,370

Collection Fund Income and Expenditure Account 2023/24

	Council Tax £'000	Business Rates £'000	Total £'000
Income:			
Council Tax Receivable	125,728	0	125,728
Business Rates Receivable	0	62,210	62,210
Council Tax Discounts funded by Dacorum	189	0	189
Total Income	125,917	62,210	188,127
Expenditure			
<u>Precepts, Demands and Shares</u>			
Hertfordshire County Council	96,213	8,024	104,237
Hertfordshire Police & Crime Commissioner	14,262	0	14,262
Dacorum Borough Council	14,574	32,096	46,670
Central Government (Business Rates Only)	0	40,120	40,120
<u>Charges to Collection Fund</u>			
Transitional Payment Protection	0	(14,514)	(14,514)
Costs of collection	0	208	208
Increase/(decrease) allowances for impairment	717	(60)	658
Increase/(decrease) provision for appeals	0	1,298	1,298
Enterprise Zone & Renewable Energy Growth	0	2,543	2,543
<u>Contribution towards previous year surplus/(deficit)</u>			
Hertfordshire County Council	330	(166)	164
Hertfordshire Police & Crime Commissioner	48	0	48
Dacorum Borough Council	50	(665)	(615)
Central Government (Business Rates Only)	0	(831)	(831)
Total Expenditure	126,195	68,053	194,248
Movement on fund balance	278	5,842	6,120
Balance at beginning of year	(569)	1,102	532
Balance at end of year	(291)	6,944	6,653
Shares of balance			
Hertfordshire County Council	(224)	694	471
Hertfordshire Police & Crime Commissioner	(33)	0	(33)
Dacorum Borough Council	(35)	2,778	2,743
Central Government (Business Rates Only)	0	3,472	3,472
(Surplus)/Deficit	(291)	6,944	6,653

In addition, the Council has £172k in the Collection Fund Adjustment Account on the Balance Sheet relating to designated area growth and renewable energy.

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.

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 2022/23 and 2023/24 and, subject to the effects of transitional arrangements, local businesses pay NNDR calculated by multiplying their rateable value by that amount. NNDR income was £62.21m in 2023/24 (£59.365m in 2022/23). The rateable value for the Council's area was £197.9m at 31 March 2024 (2022/23: £159.6m).

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 2023/24 was calculated as 59,922.3 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	1,011.50	6/9	674.3
B	6,778.25	7/9	5,272.0
C	18,178.00	8/9	16,158.2
D	14,921.96	9/9	14,922.0
E	8,543.00	11/9	10,441.4
F	5,411.25	13/9	7,816.3
G	4,859.25	15/9	8,098.8
H	766.00	18/9	1,532.0
Totals	60,470.21		64,915.60
Council Tax Support			(4,631.6)
Adjustment for collection rate and contributions in lieu (0.6%)			(361.7)
Council Tax Base 2023/24			59,922.3
Council Tax Base 2022/23			59,328.3

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.

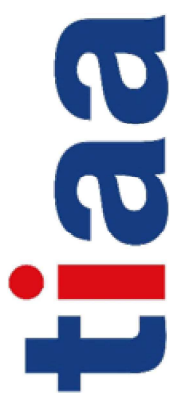
Related Party: Two or more parties are related parties when at any time during the financial period:

- 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.



Dacorum Borough Council

Summary Internal Controls Assurance (SICA) Report

Page 157

January 2025

Final

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 between 27th November 2024 and 31st January 2025.

Investing in the Future of TIAA

2. TIAA welcomed our largest intake of talented and enthusiastic trainees in the summer across the UK. This initiative is a testament to our dedication to nurturing the next generation of professionals and ensuring that we continue to deliver the highest standards of service to you. This builds on past successes where staff who joined TIAA as trainees have obtained professional qualifications and progressed to audit management roles.

We believe that investing in their development is crucial not only for their personal growth but also for the continued success of TIAA. To this end, we are sponsoring their professional qualifications, providing them with the necessary resources and support to excel in the internal audit profession and any relevant specialism they may choose.

With each trainee mentored by an experienced Director of Audit, we have re-designed a comprehensive training programme that covers a wide range of skills and knowledge areas. All trainees have been guided by experienced audit staff and management, shadowing on audits to get to know our client base, following a high standard already set by our experienced team.

By investing in our trainees, we are investing in the future of our company. We are confident that this initiative will enhance our capabilities. Our commitment to the quality of our services remains unwavering, and we are excited about the positive impact our new trainees will have on our work with you.

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:

Review	Evaluation	Key Dates			Number of Recommendations			
		Draft issued	Responses Received	Final issued	1	2	3	OEM
Private Sector Housing	Reasonable	4 th December 2024	6 th January 2025	29 th January 2025	0	2	3	1

4. The Executive Summaries 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 2024/2025 Annual Plan

5. Our progress against the Annual Plan for 2024/25 is set out in Appendix B.
6. Follow Up will be reported with a detailed follow up schedule going to the March 2025 Audit Committee to allow for final resolution of any concerning recommendations ahead of the year end.

Changes to the Annual Plan 2024/25

7. There have been no changes to the audit plan.

Progress in actioning priority 1 & 2 recommendations

8. We have made no Priority 1 recommendations (i.e. fundamental control issue on which action should be taken immediately) since the previous SICA.

Frauds/Irregularities

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

Other Matters

10. We have issued a number of briefing notes and fraud digests, shown in Appendix C, since the previous SICA report.

Responsibility/Disclaimer

11. 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.









Appendix A: Executive Summaries

The following Executive Summaries are included in this Appendix. Full copies of the reports are provided to the Audit Committee.

Review	Key Findings
Assurance Review of Private Sector Housing	<p>KEY STRATEGIC FINDINGS:</p> <ul style="list-style-type: none"> • A review of a sample of ten properties identified delays in processing complaints for three cases and one case where follow-up action was not scheduled through the system. • A review of a sample of five enforcement notices identified two instances where key supporting documentation was stored on personal rather than shared drives or system locations. • There are up-to-date policies; Enforcement Policy, the Civil Penalty Policy and the Houses in Multiple Occupation (HMO) Licensing Policy, and a number of procedures and process maps supporting the Private Sector Housing (PSH) team. • Private Sector Housing (PSH) key performance indicators (KPIs) are reported to the Overview and Scrutiny Committee (OSC) and at Senior Leadership Team (SLT) performance review meetings. • Although the effectiveness of controls in relation to Governance Framework has been noted as “Partially in Place”, this is not because regulatory requirements have not been adhered to, but due to recommendations being made that relate to the overall Governance Framework. <p>GOOD PRACTICE IDENTIFIED:</p> <ul style="list-style-type: none"> • A Housing Health and Safety Rating System (HHSRS) assessment is used at formal inspections to establish risk and categories of hazards. • Training needs are identified using the PHS training matrix and new officer training plan. HHSRS certification was confirmed for a sample of three officers.

Report 1 - Assurance Review of Private Sector Housing

Executive Summary

<p>OVERALL ASSESSMENT</p> 	<p>KEY STRATEGIC FINDINGS</p> <p> A review of a sample of ten properties identified delays in processing complaints for three cases and one case where follow-up action was not scheduled through the system.</p> <p> A review of a sample of five enforcement notices identified two instances where key supporting documentation was stored on personal rather than shared drives or system locations.</p> <p> There are up-to-date policies; Enforcement Policy, the Civil Penalty Policy and the Houses in Multiple Occupation (HMO) Licensing Policy, and a number of procedures and process maps supporting the Private Sector Housing (PSH) team.</p> <p> Private Sector Housing (PSH) key performance indicators (KPIs) are reported to the Overview and Scrutiny Committee (OSC) and at Senior Leadership Team (SLT) performance review meetings.</p> <p> Although the effectiveness of controls in relation to Governance Framework has been noted as "Partially in Place", this is not because regulatory requirements have not been adhered to, but due to recommendations being made that relate to the overall Governance Framework.</p>								
<p>ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE</p> <ul style="list-style-type: none"> Failure to ensure compliance with statutory and legislative requirements. Inability to manage and deliver safe and good quality affordable homes. 	<p>GOOD PRACTICE IDENTIFIED</p> <p> A Housing Health and Safety Rating System (HHSRS) assessment is used at formal inspections to establish risk and categories of hazards.</p> <p> Training needs are identified using the PHS training matrix and new officer training plan. HHSRS certification was confirmed for a sample of three officers.</p>								
<p>SCOPE</p> <p>To provide assurance the Council is meeting its responsibilities in this area. To include compliance with regulatory requirements in relation to Housing Act 2004 and in particular complaints received vs inspection HMO licencing application process, Housing Health and Safety Rating System (HHSRS) inspection processes, leading into identification of Cat 1 hazards and enforcement action of private sector housing.</p>	<p>ACTION POINTS</p> <table border="1" data-bbox="1230 197 1366 1084"> <thead> <tr> <th>Urgent</th> <th>Important</th> <th>Routine</th> <th>Operational</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>2</td> <td>3</td> <td>1</td> </tr> </tbody> </table>	Urgent	Important	Routine	Operational	0	2	3	1
Urgent	Important	Routine	Operational						
0	2	3	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>A sample of ten properties (four HMOs and six single family dwellings) was selected from a download of all properties where a complaint had been logged between October 2023 and September 2024.</p> <p>Testing identified the following:</p> <ul style="list-style-type: none"> In two cases, there was a delay in processing. One instance where the enforcement officer's sickness followed by maternity leave meant that the case was not closed on the system until 8 months after the final action was taken. It was noted that the case was resolved before the period of absence, but the system was not updated in a timely manner because it was not re-allocated in the meantime. The second instance was where, six weeks after the last action on the case, an enforcement officer had not discussed the case with the manager for advice on the next steps. One case was closed, and a follow-up check should have been scheduled to check the status of an HMO, but the check was not entered on the system. <p>It is noted that a live cases tracker is available to ensure cases are processed promptly and a schedule of actions is used to ensure tasks are completed on a timely basis.</p>	<p>It be ensured that controls over re-allocation of cases are robust and consistently applied.</p> <p>Officers be reminded to schedule tasks on the system, in particular, any follow-up action once a case is closed.</p>	2	<p>This has now been actioned.</p> <p>Management run live case reports on the system across all civica sections to ensure accurate reports on live/open cases at officer 121's case reviews, officer long term sick periods or leaving the organisation – this will ensure that no cases are missed.</p> <p>Issue has been raised with the team (lead officers/officers). Officers are now required to ensure there is always a future scheduled action to record next action required on civica. This will ensure that no cases or actions are missed during staff absence. This will remain under review by management at 121s and case reviews to ensure it is adopted/completed.</p>	17/10/2024	Manager + Lead Officers + Officers

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Directed	<p>A sample of five enforcement notices was selected to confirm whether they had been agreed at the appropriate level. Only one was traced to the Enforcement Panel Form (EPF) which was signed-off by the Private Sector Housing Manager as required.</p> <p>Two EPFs could not be located, and these highlighted a practice used by some team members of routinely retaining documentation on personal rather than shared drives or system locations. The Private Sector Housing Manager advised that the system is being developed to ensure that tasks are carried out and records are retained through a live action diary function on the system.</p> <p>Two notices related to the same case and had not yet been served. These highlighted a new officer's training and support needs which are known and being addressed.</p>	<p>Clear instructions be given to the Private Sector Housing team to ensure all documentation is readily available to view at any time in a location accessible by any member of the team or other internal DBCC teams as required.</p>	2	<p>Actioned.</p> <p>Since April 2024 the digital team have been working to reconfigure civica to fit the needs and recent changes within the team's enforcement processes/policy. This includes the addition of required documentation to ensure record keeping standards/uniformity.</p> <p>Until system is set up, officers to ensure all documents are indexed to cases.</p>	April 2024	Manager + Lead Officers + Officers
3	Directed	<p>Over half of the fourteen procedure maps reviewed on 25th September 2024 was overdue for review or the review was due in September 2024 and had not been carried out.</p> <p>In addition, a review of a sample of the procedures identified that they included very few timescales or target number of days for the different stages of the processes.</p>	<p>Reviews be carried out when due and dates be accurately reflected on the policies and procedure maps.</p> <p>Procedure maps be updated to include timescales for stages of the process, where applicable and relevant.</p>	3	<p>The procedure maps are updated as and when changes to processes are made/required and therefore none were incorrect. As a result of staff shortages in the PSH Team over the course of 2024, the full procedure map review was considered a lower priority as statutory duties take precedent. The procedure map review has begun as of December 2024.</p>	December 2024	Lead Officers

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
4	Directed	<p>There is currently limited proactive action taken to review housing conditions. The system in place is reactive and conditions are reviewed following a complaint or referral from the public, a partner agency or another internal council team.</p> <p>A review of the HMO Register published on the website as of 16th September 2024 recorded 136 licenced HMOs. The Housing Stock review in 2020 estimated 234 HMOs required a mandatory licence and the 2023/24 Local Authority Housing Statistics (LAHS) report indicated similar figures. This would indicate that the Council has an issue with unlicensed HMOs.</p>	<p>Proactive work be further developed to assess housing conditions for both single-family dwellings and HMOs.</p>	3	<p>The LAHS report utilises figures as per the housing stock condition survey.</p> <p>Proactive working carried out has included:</p> <p>Marlowes day of action – proactive, multiagency door knocking exercise targeting 1 – 33 Marlowes (June 2024).</p> <p>Op Riparius – multi agency working with Police/Modern Slavery to support with identifying HMO's and/or substandard housing conditions (October 2024).</p> <p>Intelligence gathering to proactively identify unlicensed HMO's including annual review of electoral register and tenancy deposits.</p> <p>Lead Officers in the PSH Team are due to prep further days of action for early 2025 with a view to quarterly multi team/agency operations. This was due in 2024 but due to resource issues reactive work had to be prioritised.</p>	January 2025	Lead Officers + management oversight.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
5	Delivery	<p>There is limited regular operational reporting providing assurance over the management of PSH responsibilities. There is no report covering timeliness (with respect to any delays in processing cases, requesting information etc.) or compliance with processes (such as inspections carried out, documentation supporting decisions (HHSRS) etc.). Reports are not used within PSH management to ensure that the officers are operating consistently, following the agreed procedures and process maps, and that there are sufficient resources for the level of activity.</p> <p>It is noted that case processing times will vary and are influenced by risk and factors outside the PSH team's control such as availability and engagement of tenants / landlords.</p> <p>The Head of Safe Communities stated that timeliness and consistency are managed on a day-to-day basis, in case reviews and in 1-2-1 meetings.</p>	<p>Regular reporting of compliance and activity be identified and developed to support decision-making in areas such as case prioritisation, resource requirements and where improvements in controls are necessary.</p>	3	<p>There is regular management oversight of the operations of the PSH Team. Assurance is managed through 121s, case reviews, KPI's, day to day support. Any concerns would be escalated and presented to senior leadership as and when required.</p>	January 2025	Manager

Appendix B: Progress Against Annual Plan 2024/25

System	Planned Quarter 24/25	Current Status	Comments
Financial Resilience	1	Draft	Draft 4 th October 2024
Key Financial Controls	1		Final 12 th September 2024
Community Engagement	1		Final 22 nd October 2024
Business Continuity	1		Final 17 th September 2024
Housing Regulatory Compliance and Building Safety	1		Reported to September AC
Fleet Management Strategy	2		Final 11 th September 2024
Private Sector Housing	2	Final	Draft 7 th November, management requested longer time to review the report due to Annual Leave (returned from leave on 18 th November). Revised Final 29 th January 2025
Capital Programme	2		Final 12 th November 2024
Income – Cash and Bank	3	Exit Meeting 30 th January 2025	
Tenancy Management and Enforcement	3	Preliminary meeting 28 th January 2025	
Leaseholders- review of Section 20 process (Cancelled – became Supported Housing and Tenancy Sustainment)	3	Preliminary meeting 8 th January 2025	
MTFS	3	In progress	

System	Planned Quarter 24/25	Current Status	Comments
Risk Management Framework	3	In progress	
Recruitment and Training	4	Draft is in review process. Will be issued imminently.	
Project Management	4	Preliminary meeting 15/1/2025	
Licensing	4	Opening meeting Mark Brooks. 18 th February 2025	

KEY:

To be commenced	Site work commenced	Draft report issued	Final report issued
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Appendix C: Briefings on Developments in Governance, Risk and Control

TIAA produce regular briefing notes to summarise new developments in Governance, Risk, Control, Counter Fraud and Security Management 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 briefings issued in the last three months which may be of relevance to Dacorum Borough Council is given below:

Summary of recent Client Briefings and Alerts

Date Issued	Sector	Briefing Type	Subject	Website Link	TIAA Comments
20 DECEMBER 2024	ALL	Security Alert	Company Sanctioned for Deploying Staff with Fraudulent SIA Licences	Company Sanctioned for Deploying Staff with Fraudulent SIA Licences - TIAA	A security company has been sanctioned for deploying 26 untrained staff with fraudulent SIA licences across the capital on 832 separate shifts. Our alert has the full story and advice.
12 DECEMBER 2024	ALL	Security Alert	Increase in People Sheltering in Waste Containers	Increase in People Sheltering in Waste Containers - TIAA	With the rise in homelessness, the waste management industry is encountering an increasing number of rough sleepers seeking shelter in waste containers, which poses significant risks when waste is collected.
02 DECEMBER 2024	Healthcare	Anti-Crime Alert	Covid Corruption Commissioner Appointed	Covid Corruption Commissioner Appointed - TIAA	This briefing covers the appointment of Tom Hayhoe as the new Covid Corruption Commissioner to investigate PPE fraud. His first task is to review the £8.7bn worth of PPE purchased during the pandemic that was written off. Our alert has all the details.
10 DECEMBER 2024	Charities	Briefing	Charity Commission Refreshes Anti-Fraud Guidance	Charity Commission Refreshes Anti-Fraud Guidance - TIAA	The Charity Commission recently published updated guidance to help trustees protect their charities from fraud and cybercrime.
6 DECEMBER 2024	ALL	Publication	Security Industry Authority (SIA) Annual Report 2024 Summary	Security Industry Authority (SIA) Annual Report 2024 Summary - TIAA	TIAA's summary of the Security Industry Authority (SIA) Annual Report 2024. Dive into the figures, key points and developments that are shaping the security industry.
29 NOVEMBER 2024	Healthcare	Security Alert	140 arson attacks on GP Practices and Hospitals	140 arson attacks on GP Practices and Hospitals - TIAA	GP practices and hospitals have been advised to protect their premises as official data reveals over 140 arson attacks took place at healthcare buildings last year. Home Office figures showed that there were 500 fires at hospitals and medical care facilities in 2023/24 in England, of which 146 were deliberate.
27 NOVEMBER 2024	ALL	Briefing	The Economic Crime and Corporate Transparency Act Update	The Economic Crime and Corporate Transparency Act Update - TIAA	An update on The Economic Crime and Corporate Transparency, On 16 October 2024, gov.uk published their latest policy paper on the Economic Crime and Corporate Transparency Act, outlining the transition plan for Companies House.
22 NOVEMBER 2024	Healthcare	Security Alert	Bogus Security Guard	Bogus Security Guard - TIAA	A man has been jailed for nearly three years for using a fake SIA licence to work at an NHS Trust and steal £1425. The individual, who never held an SIA licence, deceived his employer and was sentenced to 33 months' imprisonment. Our alert has the full details.
12 NOVEMBER 2024	ALL	TIAA Article	Are you Scam Savvy?	Are you Scam Savvy? - TIAA	In today's digital age, scams are becoming increasingly sophisticated and prevalent. To help you stay informed and protected, we've compiled a series of articles that delve into some of the most common types of fraud.



Dacorum Borough Council

Page Assurance Review of Private Sector Housing
169

January 2025

Revised Final

Executive Summary

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Failure to ensure compliance with statutory and legislative requirements. Inability to manage and deliver safe and good quality affordable homes.

SCOPE

To provide assurance the Council is meeting its responsibilities in this area. To include compliance with regulatory requirements in relation to Housing Act 2004 and in particular, complaints received vs inspection HMO licencing application process, Housing Health and Safety Rating System (HHSRS) inspection processes, leading into identification of Cat 1 hazards and enforcement action of private sector housing.

KEY STRATEGIC FINDINGS

- A review of a sample of ten properties identified delays in processing complaints for three cases and one case where follow-up action was not scheduled through the system.
- A review of a sample of five enforcement notices identified two instances where key supporting documentation was stored on personal rather than shared drives or system locations.
- There are up-to-date policies; Enforcement Policy, the Civil Penalty Policy and the Houses in Multiple Occupation (HMO) Licencing Policy, and a number of procedures and process maps supporting the Private Sector Housing (PSH) team.
- Private Sector Housing (PSH) key performance indicators (KPIs) are reported to the Overview and Scrutiny Committee (OSC) and at Senior Leadership Team (SLT) performance review meetings.
- Although the effectiveness of controls in relation to Governance Framework has been noted as “Partially in Place”, this is not because regulatory requirements have not been adhered to, but due to recommendations being made that relate to the overall Governance Framework.

GOOD PRACTICE IDENTIFIED

- A Housing Health and Safety Rating System (HHSRS) assessment is used at formal inspections to establish risk and categories of hazards.
- Training needs are identified using the PHS training matrix and new officer training plan. HHSRS certification was confirmed for a sample of three officers.

ACTION POINTS

Urgent	Important	Routine	Operational
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PRIORITY GRADINGS

1	URGENT	Fundamental control issue on which action should be taken immediately.	2	IMPORTANT	Control issue on which action should be taken at the earliest opportunity.	3	ROUTINE	Control issue on which action should be taken.
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PRIORITY GRADINGS

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PRIORITY GRADINGS

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Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
1	Directed	Under section 3, Housing Act 2004, Local Authorities are required to understand the condition of their housing stock and to develop strategies/approaches to address issues of concern. The Act states that: "a Local Authority (LA) must keep the housing conditions in their area under review with a view to identifying any action that may need to be taken by them". The Council last conducted a full review of its housing (Private) stock in 2019/2020 and would generally consider another review after five years.	To consider when to schedule another full review of the housing stock.	<i>Housing stock condition survey was carried out in 2019/20 at a cost of over £50,000 (paid for via government grant).</i> <i>Councils generally consider a further review after 5 years and this will be considered alongside other available options over 25/26.</i>

ADVISORY NOTE

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

Findings



Directed Risk:

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

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

Other Findings



The Council's Private Sector Housing Strategy 2020-2024 sets out the vision of ensuring safe and suitable housing which supports the corporate priorities of a clean, safe and enjoyable environment and building strong and vibrant communities.











Four commitments underpin the Strategy:

- Commitment 1: We proactively and effectively tackle poor conditions across Dacorum's private housing sector.
- Commitment 2: We will continue to work with partners, Landlords and Registered Providers to ensure that homes meet required standards so that residents can thrive in safe and clean environments.
- Commitment 3: We will work effectively to reduce the number of empty homes across the borough.
- Commitment 4: We will tackle unlicensed HMOs across the borough.



The key policies for the Private Sector Housing (PSH) team are the Enforcement Policy, the Civil Penalty Policy and the HMO Licensing Policy, all of which have been reviewed in September 2024. In addition, there are several procedures and process maps which support the operational activities undertaken by the PSH team.

Other Findings

	<p>The policies are accessible to the public on the Council website which is easy to navigate.</p>
	<p>As per the Housing Act 2004 Section 4 'inspections by local housing authorities to see whether category 1 or 2 hazards exist', formal inspections are carried out following a complaint and where no progress is made using an informal approach. The Housing Health and Safety Rating System (HHSRS) is used as the means of measuring hazards. Oversight is provided by a manager when outcomes are reviewed if there are category 1 or 2 hazards as part of the Enforcement Panel review using the Enforcement Panel Decision Form (EPDF). Cases are discussed on a day-to-day basis, at 1-2-1s and case reviews to ensure consistency of approach and reasonableness of assessment.</p>
	<p>Two risks are recognised in the strategic risk register for 2023/24 Q4 presented at the September 2024 Audit Committee:</p> <ul style="list-style-type: none">• <i>Failure to ensure compliance with statutory and legislative requirements with a mitigated score of four.</i>• <i>The inability to manage and deliver safe and good quality affordable homes with a mitigated score of eight.</i>
	<p>A review confirmed that operational risks are included in the PSH service plan and relate to training, staff retention, case load pressures / case management, an increase in complaints, higher profile with respect to damp / mould / fire.</p>
	<p>Risks relating to individual properties are identified through the risk assessments carried out as part of property inspections using the Housing Health and Safety Rating System (HHSRS) toolkit.</p>
	<p>Evidence of proactive project work with respect to identifying unlicensed HMOs was reviewed. Initiatives included:</p> <ul style="list-style-type: none">• Partnership working with other departments across the Council to identify and investigate suspected HMOs across the borough and one such exercise resulted in the inspection of all houses on one street in June 2024.• Review of data from the government tenancy deposit scheme (TDS) every six months.• Analysis of electoral register data once-a-year.
	<p>The PSH Team workflow / plan was reviewed, and key tasks are timetabled including review of TDS and electoral data, review of policies and risks, monthly and quarterly data uploads and team communications.</p>
	<p>It was confirmed that there is a training matrix for the PSH team which covers HHSRS, HMO licensing and enforcement, and damp and mould. It indicates that all the six current members of the team have HHSRS Certification; the HHSRS pass certificate was reviewed for a sample of three officers. There is also a new officer training plan. The person specification for the PSH Enforcement Officer referred to the qualification in HHSRS (Housing Health & Safety Rating System) as 'desirable' rather than essential. It is understood that the Council would consider a candidate without this qualification who had relevant experience and transferable skills and would support them in their training.</p>
	<p>A review of a download of HHSRS assessments which included category 1 and category 2 hazards identified that there were 16 such assessments during October 2023 to September 2024. As advised by the Private Sector Housing Manager, HHSRS assessments are carried out at a formal inspection at a single-family dwelling and the approach is to try informal contact first (unless it is a high-risk situation) thereby giving the landlord time to address issues through an informal route prior to a formal inspection. For HMOs, there are regulations which state standards and duties and these are used to identify issues, although an HHSRS assessment can still be carried out at an HMO if it is considered appropriate.</p>
	<p>An HHSRS assessment was carried out in one of the cases selected for review. The HHSRS assessment identified that there were one category 1 and five category 2 hazards present. There was evidence that notification to the landlord was followed up on a timely basis including an enforcement notice being issued.</p>



Delivery Risk:

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

Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
PM	Performance Monitoring There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.	Partially in place	5	-
S	Sustainability The impact on the organisation's sustainability agenda has been considered.	Out of scope	-	-
R	Resilience Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	In place	-	-

Other Findings



It was confirmed through review of the reports for August 2024 that there is regular reporting of PSH activity through KPIs. On a monthly basis, the HSLT receive a KPI report covering:

- Number of enforcement notices served which led to successful prosecution.
- Number of Final Notice of Civil Penalty served of which recovered.
- Number of HMO Applications received.
- Number of HMO Licenses issued in period.
- Number of enforcement notices served.
- Number of Final Civil Penalty Notices served.

There is bi-monthly review of the numbers of enforcement and civil penalty notices, and HMO applications and licences at the Building and Resident Safety Board (BRSB).

A quarterly KPI / performance report, covering two KPIs (the number of enforcement notices and the number of final notices of civil penalty served and recovered) is also reviewed at Overview and Scrutiny Committee (OSC) and at SLT performance reviews every four to six weeks.



The Private Sector Housing team has a budget of £48k for 2024/25 which is line with prior years after taking into account an additional £10,000 allocation to cover costs associated with High Rise Residential Buildings. The budget is subject to the Council's financial processes and controls over expenditure.

Scope and Limitations of the Review

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

Disclaimer

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

Effectiveness of Arrangements

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

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

Assurance Assessment

- The definitions of the assurance assessments are:

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

Acknowledgement

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

Release of Report

- The table below sets out the history of this report:

Stage	Issued	Response Received
Audit Planning Memorandum:	25 th September 2024	25 th September 2024
Draft Report:	7 th November 2024	6 th January 2025
Revised Draft Report:	4 th December 2024	
Final Report:	6 th January 2025	
Revised Final Report:	29 th January 2025	



Dacorum Borough Council

Page 180

Indicative Audit Strategy 2024/27 and Annual Plan 2025/26

February 2025

Revised Draft

Agenda Item 9



Executive Summary

Introduction

The Audit Plan for 2025/26 has been informed by a risk assessment carried out across our clients in the sector and by an updated audit risk assessment to ensure that planned coverage for the year is focussed on the key audit risks. This coverage will enable a robust annual Head of Internal Audit Opinion to be provided.

Key Risk Considerations

We have identified a number of key areas which require consideration when planning internal audit coverage:

Financial Management: Five local authorities since 2021 have declared themselves effectively bankrupt, with a number warning they may have to do the same. The LGA has identified a funding gap of 2.3 billion pounds in 25/26 and 3.9 billion in 26/27. This raises the importance of maintaining adequate financial controls.

Gap in Funding for Core Services: There is a risk that inflationary pressures and adverse financial circumstances might lead to a gap in funding to local councils and on key services.

Housing: Local authorities are struggling to build affordable housing that is needed. The number of social housing tenants in England complaining of damp and leaks is on course to more than and complaints handling related to maintenance is a continuing concern.

Project Management: Implementing collaboration between Councils, local authorities and other partners continues to be a significant challenge. As well as adding to financial pressures, project failure can impact services or residents lives and result in significant reputational damage.

Audit Strategy Methodology

In producing this audit strategy and annual plan, we have sought to build on our understanding of Dacorum Borough Council's operating environment and risk profile through a review of key documentation and discussions with key staff and board/committee. We have taken into account:

- Dacorum Borough Council's business strategy and corporate objectives.
- The regulatory and legislative framework.
- Dacorum Borough Council's risk register.
- External Audit recommendations.
- External sources of assurance.
- Previous Internal Audit coverage.

We take in to account any emerging or heightened risks that are facing the sector, to ensure that the work of internal audit remains appropriately prioritised and focused. Links to specific strategic risks are also contained in the Internal Audit Strategy.

Our approach complies with the International Standards for the Professional Practice of Internal Auditing which have been developed by the Institute of Internal Auditors (IIA) and the Public Sector Internal Audit Standards (PSIAS).

Internal Audit Strategy and Plan

The Audit Strategy at Appendix A incorporates the proposed annual plan for 2025/26 and the indicative coverage for the following two years.

The Annual Plan at Appendix B sets out the assignments that will be carried out in 2025/26, the planned times and the high-level scopes for each of these assignments.

The Annual Plan will be subject to ongoing review and could change as the risks change for the Dacorum Borough Council; this will be formally reviewed with senior management and the Audit Committee mid-way through the financial year or should a significant issue arise.

The overall agreed time for the delivery of each assignment within the Annual Plan includes research; preparation and issue of terms of reference; site work; production and review of working papers; and reporting.

The Annual Plan has been prepared on the assumption that the expected controls will be in place.

The total number of days required to deliver the Audit Plan is as agreed in the contract between TIAA and Dacorum Borough Council. This number of days is fixed, and it is TIAA's responsibility to deliver the Audit Plan for this number of days. Where Dacorum Borough Council agrees additional work the required number of days and the aggregate day rate will be agreed in advance with the Chief Finance Officer/s and will be clearly set out in the terms of reference for the additional review(s).

Adequacy of the Planned Audit Coverage

The reviews identified in the audit plan for 2025/26 support the Head of Internal Audit's annual opinion on the overall adequacy and effectiveness of Dacorum Borough Council's framework of governance, risk management and control as required by TIAA's charter. The reviews have been identified from your assurance framework, risk registers and key emerging themes.

Disclaimer

This document has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent.

No responsibility to any third party is accepted as the document 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 document and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our document.

Release of Report

The table below sets out the history of this plan:

Draft Strategy and Plan:	15 th January 2025
Revised Draft Strategy and Plan:	5 th February 2025
Final Strategy and Plan:	

Appendix A: Rolling Strategic Plan

Review Area	Review Area	BAF/Risk Ref	Type	2024/25	2025/26	2026/27
Governance						
Performance Management	Assurance		Assurance			✓
Community Engagement	Assurance		Assurance	✓		
Joint Working Arrangements	Assurance		Assurance			✓
Collaboration and Partnership Services	Assurance		Assurance	✓		
Risk						
Risk Management Framework	Core		Assurance	✓	✓	✓
Business Continuity	Assurance		Assurance	✓		✓
ICT						
Use of Social-Media	Assurance		Assurance	✓		
Cyber Security Maturity Assessment	Assurance		Assurance			✓
ICT – Support for New Projects	Assurance		Assurance			✓
Finance						
Financial Resilience	Core		Assurance	✓	✓	✓
Key Financial Controls	Core		Assurance	✓	✓	✓
Capital Programme	Assurance		Assurance	✓		✓
Income – Cash and Bank	Assurance		Assurance	✓		
MTFS	Assurance		Assurance	✓		✓
Review of Licensing	Assurance		Assurance		✓	
Operational Performance and Infrastructure						
Maintenance			Assurance			✓

Page 183

Review Area	Review Area	BAF/Risk Ref	Type	2024/25	2025/26	2026/27
Fleet Management Strategy			Assurance	✓		
Homelessness/Allocations	Assurance		Assurance	✓		
Parking Services Income / Partnership	Assurance		Assurance		✓	
Procurement	Assurance		Assurance		✓	
Contract management and governance	Assurance		Assurance		✓	
Community Grants	Assurance		Assurance		✓	
Data Protection & Information Governance	Assurance		Assurance		✓	
Housing Transformation and Improvement (Delayed by DBC from 24/25 to 25/26)	Assurance		Assurance			✓
Carbon Reduction	Assurance		Assurance		✓	
Grievance Reporting and Management	Assurance		Assurance			✓
Insurances	Assurance		Assurance		✓	
Planning Enforcement	Assurance		Assurance			✓
Workforce						
Governance – Gifts and Hospitality	Assurance		Assurance		✓	
Workforce Planning	Assurance		Assurance	✓		
Absence Management	Assurance		Assurance	✓		
Grievance Reporting and Management	Assurance		Assurance	✓		✓
Agile Working	Assurance		Assurance	✓		
Recruitment and Training	Assurance		Assurance	✓		
Contingency	TBC				✓	
Follow Up			Follow Up	✓	✓	✓

Review Area	Review Area	BAF/Risk Ref	Type	2024/25	2025/26	2026/27
Anti-social behaviour management	New				✓	
Leasehold & Service charges	New				✓	
Added Value Audit Areas						
PPM (Limited Assurance in 2024/25)	Follow Up	Limited assurance in 24/25			✓	
Climate Change (Limited Assurance in 2024/25)	Follow Up	Limited assurance in 24/25			✓	
Management and Planning						
Annual Planning			Management	✓	✓	✓
Annual Report			Management	✓	✓	✓
Audit Management			Management	✓	✓	✓
Total Days				225	225	225

List of Advisory Reviews Not Included in The Audit Plan

Below is a list of reviews which are undertaken by our Specialists Staff and are available in addition to the plan:

Review	Indicative High-Level Scope
Website Penetration Test	Web application penetration testing is the practice of simulating attacks on a system in an attempt to gain access to sensitive data, with the purpose of determining whether a system is secure. This is done in a safe and secure way with a report identifying weaknesses and remedial action.
Health and Safety Reviews	To provide assurance on a range of Health and Safety related topics to provide assurance and advice on compliance with statutory requirement and regulations.
Governance Effectiveness Reviews	The review will consider the Senior Managements effectiveness - including whether it has the structure, processes, people and performance to deliver. The review will also consider how they interact with stakeholders, and whether respective roles are clear.
Climate Change	Deep Dive into selected aspects of climate change using a qualified subject matter expert.

Appendix B: Annual Plan – 2025/26

Quarter	Review	Type	Days	High-level Scope
Core Reviews to support the Head of Internal Audit Opinion				
1	Financial Resilience	Assurance	14	Confirm the realism and likely delivery success of identified saving within the current financial year and the Medium-Term Financial Plan.
1	Key Financial Controls	Assurance	12	<p>Key financial controls will be reviewed on an annual basis covering main finance systems and processes, with a more detailed review of each finance area on a modular basis over a three-year period. For 2025/26, the focus will be Payroll and Budgetary Controls.</p> <p>Scope: The control objectives that will be considered as part of this audit include: · Formally approved budgets are set each year, taking into account all relevant income and expenditure · All budget adjustments (including virements) are authorised · The financial management system accurately reflects the agreed budgets · Budgets are allocated to named individuals · Budgets are adequately monitored · The budget position is regularly reported · Appropriate financial reserves are maintained in line with assessed risks</p> <p>Scope: To assess the adequacy and effectiveness of the internal controls in place at the Council for managing the Payroll function. The audit will focus on the following key areas: · Recommendations from the previous audit report have been implemented; · Adequate policies and procedures are in place and accessible to all relevant staff; · System access is restricted to authorised personnel only; · Payroll data is supported by proper documentation, properly authorised, and subject to satisfactory segregation of duties; and · Reasonableness checks and regular reconciliations are carried out.</p>
2	Risk Management Framework	Assurance	12	Confirm the adequacy of identification of risks in relation to key objectives and realism and likely success of identified mitigation and associated actions.
Suggested other Topics				
2	Review of Licensing	Assurance	10	<p>The objective of the audit is to review policies and procedures relating to the different types of licences, assessment, processing and evaluation of applications for licences, collection of correct fees, and reporting on the licencing processes to the Licensing Committee.</p> <p>Rationale: This is a periodic audit to provide assurance over the licensing process. Scope: To assess the adequacy and effectiveness of the internal controls in place at the Councils for managing the administration of licences. The audit focused on the following key areas: · Policies and procedures; · Compliance with legislative requirements; · Issuing of licences within required timescales; · Receipt of monies for licence fees; · The maintenance of public registers; and · Premises inspections.</p>
1	Contract management and governance	Assurance	10	Review of contracts managed to ensure that the targets attached to the key performance indicators in the contracts are being met.

Quarter	Review	Type	Days	High-level Scope
1	Anti-Social behaviour management	Assurance	10	<p>Housing allocations and management of Homelessness. periodic review focusing on the processes in place for managing the housing register and allocations, and the prevention/relief of homelessness. Key areas will include:</p> <ul style="list-style-type: none"> • Community safety. • Tenancy enforcement. • Race hate crime. • Appropriate performance indicators are in place and regularly reviewed. • Management are provided with regular updates of the performance of the service in order to be able to take action to address any issues identified.
1	Parking Services Income / Partnership	Assurance	10	<p>Policies & procedures, accounting for income, joint committee, management info, cash collection processes, refunds, security & keys, debt management, enforcement, complaints. focusing on the management of car park income. The review will include the following key areas:</p> <ul style="list-style-type: none"> • Car park charges are periodically reviewed and benchmarked to surrounding areas. • Arrangements for the collection, recording and banking of all car park income, and the adequacy of records being maintained. • Adequate parking enforcement arrangements are in place to ensure maximisation of Income. • All income received is adequately protected from loss. • Adequacy of budget monitoring, performance management, and reporting arrangements.
2	Governance – Gifts and Hospitality	Assurance	10	<p>Transparency of the receiving of gifts and hospitality is fundamental to the governance arrangements at the Council. The audit will focus on the following key areas:</p> <ul style="list-style-type: none"> • The gifts and hospitality policy and procedures are clearly outlined for staff and members. • Staff and Members’ gifts and hospitality registers are maintained and are up to date. • Gifts and Hospitality disclosures by staff and Members are reviewed by the Council’s Standards Committee. • Members’ gifts and hospitality declarations are available for inspection by members of the public on the Council’s website.
2	Community Grants	Assurance	10	<p>A periodic review focusing on the process for awarding grants and monitoring compliance with grant funding conditions. Key areas will include:</p> <ul style="list-style-type: none"> • Appropriate records are maintained to verify applicant eligibility. • Grants are appropriately approved by committee or delegated officers. • All monies expended are done so in accordance with the grant agreement. • There are adequate controls in place with regard to how grant money is spent. • Adequate budget monitoring and management of grants awarded takes place.

Quarter	Review	Type	Days	High-level Scope
2	Data Protection & Information Governance	Assurance	12	<p>To review the adequacy of the Information Governance arrangements in place at the Council and compliance with Data Protection legislation. Key areas to be reviewed include:</p> <ul style="list-style-type: none"> • Governance arrangements, data security and breach management. • Privacy Notices. • Records of Processing Activities and Information Asset Registers. • Data Subject rights. • Data Protection Impact Assessments. • Data Processors.
3	Procurement	Assurance	10	<p>Controls and processes in place for managing Council Procurement. Key control objectives to be considered during the review include:</p> <ul style="list-style-type: none"> • The control framework is adequate to ensure that procurement exercises comply with the Public Contracts Regulations 2015 and the Council's Constitution, policies and procedures. • Systems allow for an appropriate audit trail to be maintained for all procurement exercises (including waivers) and appropriate records are maintained in compliance with the Transparency Code. • Value for money is achieved when selecting and awarding contracts to suppliers.
3	Carbon Reduction	Assurance	10	<p>Review of implemented processes and plan in place to achieving carbon neutrality by 2030 and improving on the 40% reduction in carbon footprint the Council has made since 2008.</p>
4	Insurances	Assurance	10	<p>Rationale: An important area for the Council which receives a periodic audit review. Scope: To assess the adequacy and effectiveness of the internal controls in place at the Council for managing the Insurance arrangements. The audit focuses on the following key areas: · Adequate policies and procedures are in place and accessible to all relevant staff; · System access is restricted to authorised personnel only; · Payments to the insurance provider are adequately checked and authorised, with charges appropriately recharged to service areas; · Controls are in place to ensure that adequate insurance is held by officers and Members who use their car for official business; · Insured assets are periodically reconciled to asset registers, with formal notifications of additions/disposals provided to the Insurance Officer to enable necessary changes to policies at the next annual renewal; · Claims are sufficiently investigated prior to reporting to the insurance provider, with details of claims fully and accurately recorded, and supporting documentation retained; and · Claims summaries are periodically reported to service area managers and senior management team, and operational changes established which may affect the insurances held by the Council.</p>
3	Leasehold & Service charges		10	<p>A key role of the borough is to manage its leasehold buildings and a programme of major works is essential in maintaining or improving these buildings. Works can include replacing windows / roof, lift renewal, structural repairs, installing CCTV, fire risk assessments and landlord electrical works. The costs of major works is recoverable under the terms of the lease. To include:</p> <ul style="list-style-type: none"> • Policies and procedures are in place to govern the requirements of S20 and S20b notices. • To ensure that consultation, S20 and 20b notices are issued and undertaken in line with legislation. • Adequate records are held to support charges raised.

Quarter	Review	Type	Days	High-level Scope
	Climate Change (Limited Assurance in 2024/25)		10	Limited assurance in 24/25. This is an area of increasing risk significance amid the Government's commitment to net zero carbon emissions by 2050. If the Council is not seen to be taking action or working towards government targets this may lead to reputational damage. Key areas for the review will included: a Corporate Strategy is in place for tackling climate change, with roles and responsibilities clearly defined and an associated action plan in place; climate change considerations are embedded into corporate decision making, targets and objectives; adequate performance monitoring and reporting to senior management and Members is in place.
	Contingency		23	TBC.
1 – 4	Follow-up	Follow up	12	Follow-up of implementation of agreed priorities one and two actions from audit reports, ensuring the Council is implementing recommendations, and providing reports to the Audit Committee.
1	Annual Planning	Management	3	Assessing the organisation's annual audit needs.
4	Annual Report	Management	2	Reporting on the overall conclusions and opinion based on the year's audits and other information and providing input to the Annual Governance Statement.
1 – 4	Audit Management	Management	25	This time includes: meeting client management, overseeing the audit plan, reporting and supporting the Audit Committee, liaising with External Audit and Client briefings (including fraud alerts, fraud digests and committee briefings).
		Total days	225	

Appendix C: To Discuss re. Annual Plan – 2025/26

Quarter	Review	Type	Days	High-level Scope	Requested as delayed due to	Requested by
TBC	Housing Transformation and Improvement Programme (HTIP)	Assurance	10	To provide assurance that audit recommendations are being embedded into HTIP or other programmes from the EY work.	Remove HTIP given the programme is shortly to go live, this can be scheduled at a later date.	Natasha Beresford Assistant Director – Housing Operations & Safe Communities
TBC	PPM (Limited Assurance in 2024/25)	Assurance	13	Limited assurance in 24/25	Maintenance will need to move back as it will coincide with mobilisation.	Darren Welsh Strategic Director, Housing and Property Services

Other Possible Topics

Review	Type	Days	High-level Scope
Corporate Governance (including Staff Training and Succession planning)	Assurance	12	The objective of the audit is to review the systems and controls in place within Corporate Governance, to help confirm that these are operating adequately, effectively and efficiently. The audit will provide focus on the structures in place, training and succession planning for key posts.
Grants	Assurance	10	decarbonisation grants from the department for energy security and net zero 'Social Housing Decarbonisation Fund' (SHDF).
Planning and Development (Including S106)	Assurance	12	Planning, in particular planning applications, enforcement and S.106 agreements will be reviewed to confirm the controls operating are robust.
Antifraud and Corruption (LCFS)	Assurance	13	Pro-active antifraud and corruption support. Govern, acknowledge, prevent, whistleblowing, business interests and declarations.

Internal Audit Charter

Purpose

The purpose of internal audit is to strengthen Dacorum Borough Council's ability to create, protect, and sustain value by providing the board/committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

Internal audit enhances Dacorum Borough Council's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

The internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with the IIA's Global Internal Audit Standards, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the board.
- Internal auditors are free from undue influence and committed to making objective assessments.

Commitment to Adhering to the Global internal Audit Standards

TIAA will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. TIAA will report to the board and senior management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

Authority

Dacorum Borough Council's board/committee grants the internal audit function the mandate to provide the board/committee and senior management with objective assurance, advice, insight, and foresight.

The internal audit function's authority is created by its direct reporting relationship to the board/committee. Such authority allows for unrestricted access to the board/committee.

The board authorises the internal audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of Dacorum Borough Council and other specialised services from within or outside Dacorum Borough Council to complete internal audit services.

Independence and Reporting Relationships

TIAA will confirm to Dacorum Borough Council's board/committee, at least annually, the independence of the internal audit function. TIAA will disclose to the board/committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfil its mandate.

Board/Committee Oversight

To establish, maintain, and ensure that TIAA internal audit provision has sufficient authority to fulfil its duties, the board/committee will:

- Discuss with TIAA and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- Ensure TIAA has unrestricted access to and communicates and interacts directly with the board/committee, including in private meetings without senior management present.
- Discuss with TIAA and senior management other topics that should be included in the internal audit charter.
- Participate in discussions with TIAA and senior management about the "essential conditions," described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- Approve TIAA's charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Review the internal audit charter periodically with TIAA to consider changes affecting the organisation, such as changes in the type, severity, and interdependencies of risks to the organisation; and approve the internal audit charter periodically. (typically, annually).
- Approve the risk-based internal audit plan.
- Review TIAA's performance.
- Receive communications from TIAA about the internal audit function including its performance relative to its plan.

- Ensure TIAA has established a quality assurance and improvement program and this is reported on annually.
- Make appropriate inquiries of senior management and TIAA to determine whether scope or resource limitations are inappropriate.

TIAA Role

TIAA will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organisation and be able to recognise conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organisation.
- Report organisational behaviour that is inconsistent with the organisation's ethical expectations, as described in applicable policies and procedures.

Objectivity

TIAA will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If TIAA determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they

review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Performing operational duties for Dacorum Borough Council or its affiliates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any Dacorum Borough Council employee that is not employed by TIAA, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as TIAA management, Dacorum Borough Council's board/committee and management, or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

The main objective of the internal audit activity carried out by TIAA is to provide, in an economical, efficient and timely manner, an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the framework of governance, risk management and control. TIAA is responsible for providing assurance to Dacorum Borough Council's governing body (being the body with overall responsibility for the organisation) on the adequacy and effectiveness of the risk management, control and governance processes.

TIAA's Responsibility

TIAA has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the board/committee and senior management.
- Discuss the plan with the board/committee and senior management and submit the plan to the board/committee for review and approval.
- Review and adjust the internal audit plan, as necessary, in response to changes in Dacorum Borough Council's business, risks, operations, programs, systems, and controls.
- Communicate with the board/committee and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the board/committee and senior management [periodically] and for each engagement as appropriate.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfil the internal audit mandate.
- Identify and consider trends and emerging issues that could impact Dacorum Borough Council's and communicate to the board and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.

- Ensure adherence to TIAA's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the board and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If TIAA cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the board.

Communication with the Board/Committee and Senior Management

TIAA will report periodically to the board and senior management regarding:

- The internal audit function's mandate.
- The internal audit plan and performance relative to its plan.
- Significant revisions to the internal audit plan.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the board.
- Results of assurance and advisory services.
- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond Dacorum Borough Council's risk appetite.

Quality Assurance and Improvement Programme

TIAA will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of TIAA's conformance with the Global Internal Audit Standards, as well as performance measurement to assess TIAA's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, TIAA will communicate with the board and senior management about the quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside of TIAA.

Scope

The scope of internal audit services covers the entire breadth of the organisation, including all Dacorum Borough Council's activities, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the board/committee and management on the adequacy and effectiveness of governance, risk management, and control processes for Dacorum Borough Council.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of Dacorum Borough Council's strategic objectives are appropriately identified and managed.
- The actions of Dacorum Borough Council's officers, directors, management, employees, and contractors or other relevant parties comply with Dacorum Borough Council's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.
- Operations and programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact Dacorum Borough Council.
- The integrity of information and the means used to identify, measure, analyse, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.
- Purpose will be carried out in a manner prescribed by TIAA's professional standards, Information Security and Information Governance policies.

Irregularities, Including Fraud and Corruption

TIAA will without delay report to the appropriate regulator, serious weaknesses, significant fraud, major accounting and other breakdowns subject to the requirements of the Proceeds of Crime Act 2002.

TIAA will be informed when evidence of potential irregularity, including fraud, corruption or any impropriety, is discovered so that TIAA can consider the adequacy of the relevant controls, evaluate the implication of the fraud on the risk management, control and governance processes and consider making recommendations as appropriate. The role of TIAA is not to investigate the irregularity unless commissioned to do so.

Assurance Assessment Gradings

We use four levels of assurance assessments as set out below:

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.

Data Protection

TIAA has policies, procedures and processes in place to comply with all associated regulation and legislation on information security, which is underpinned by mandatory annual awareness training for all staff. To carry out our role effectively, we need to obtain information that is reliable, relevant and sufficient to support our findings and

recommendations. The collection of data, particularly sensitive personal data, is minimised and is not shared with unauthorised persons unless there is a valid and legal requirement to do so. We have clear policies on the retention of data and its appropriate, controlled disposal. TIAA has a fully robust Information Security Management System that meets all the requirements of ISO27001:2022.

Quality Assurance

TIAA recognises the importance of Internal Audit being controlled at each stage to ensure that we deliver a consistent and efficient Internal Audit service that is fully compliant with professional standards and also the conditions of contract. We operate a comprehensive internal operational quality review process to ensure that all Internal Audit work is carried out in accordance with these standards. These quarterly reviews are part of our quality management system which has ISO 9001:2015 accreditation.

Disclaimer

The matters raised in this planning report, along with those raised in our audit and annual reports, are only those that came to the attention of the auditor during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as

the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Performance Standards

The following Performance Targets will be used to measure the performance of internal audit in delivering the Annual Plan:

Performance Measure	Target
Completion of planned audits.	100%
Audits completed in time allocation.	100%
Draft report issued within 10 working days of exit meeting.	100%
Management responses received by TIAA within 10 working days of draft report issue.	100%
Final report issued within 10 working days of receipt of responses.	100%
Compliance with TIAA's audit charter and IIA GIAS/PSIAS	100%

Approved by the Audit Committee at its meeting on: XXX



Audit Committee

Report for:	Audit Committee
Title of report:	Treasury Management Strategy 2025/26 and Quarter 3 2024/25 Prudential Indicators
Date:	12 th February 2025
Report on behalf of:	Councillor William Allen, Portfolio Holder for Corporate and Commercial Services
Part:	I
If Part II, reason:	N/A
Appendices:	Appendix A Treasury Management Strategy 2025/26 Appendix B Prudential Indicators Update Q3 2024/25
Background papers:	None.
Glossary of acronyms and any other abbreviations used in this report:	None.

Report Author / Responsible Officer

Clare Dempsey , Head of Financial Services



Clare.dempsey@dacorum.gov.uk / 01442 228264 (ext. 2264)

Corporate Priorities	<ul style="list-style-type: none"> • Service improvement and delivery
Wards affected	All
Purpose of the report:	<ol style="list-style-type: none"> 1. To present the proposed Treasury Management Strategy for 2025/26. 2. To provide an update on performance against the Council's Prudential Indicators as at Quarter 3 2024/25
Recommendation (s) to the decision maker (s):	<ol style="list-style-type: none"> 1. That Committee provide comments and feedback on the Treasury Management Strategy 2025/26

	and the performance against the Council's prudential indicators.
Period for post policy/project review:	Performance against the Council's treasury management strategy will be reported to Cabinet on a quarterly basis as a minimum during 2025/26.

1 Background- Treasury Management Strategy

The Treasury Management Strategy 2025/26 for the Council is attached at appendix A.

Scope and statutory framework

CIPFA offers the following definition of treasury management activities as they apply to public sector organisations and their use of capital financing, borrowings and all investments:

- The management of an organisation's
 - investment and cash flows
 - banking
 - money market and capital market transactions
- The effective control of the risks associated with those activities
- The pursuit of optimum performance consistent with those risks

The Council's Treasury Management arrangements from 1 April 2025 onwards are required to be compliant with CIPFA's Treasury Management Code (2021). This Code identifies the prime policy objectives of local authority investment activities as the security and liquidity of its funds. Return on investments should be considered but not at the expense of security and liquidity. This requires the Council to have a sound approach to the risk management of its treasury management activities.

The Council is currently required to receive and approve, various reports each year, which incorporate a variety of policies, estimates and actuals.

Treasury Management Strategy (Appendix A) - The first, and most important report, covers:

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

A mid- year treasury management report (Quarter 2) – This is primarily a progress report and will update members on the capital position and amend prudential indicators and policies as necessary.

An annual treasury report (Quarter 4) – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Prudential Indicators monitoring report – an update on treasury management performance and all forward-looking prudential indicators will be formally reported on at least two further occasions during the financial year.

The annual strategy is supported by Treasury Management Principles and Practices (TMPPs). These set out the manner in which the Council will seek to achieve those policies and objectives in the strategy and how it will manage and control treasury management activities.

There are no significant changes in treasury management approach proposed in the Treasury Management Strategy 2025/26 from the current strategy. The 2025/26 strategy includes updated capital expenditure information (actual and forecast), which informs updated targets associated with the Council's Prudential Indicators for 2025/26. Section 3 below provided more information on the Council's Prudential Indicators.

2 Quarter 3 Performance against the Council's Prudential Indicators

Prudential indicators are set yearly as part of the Council's Treasury Management Strategy. They set the annual limits on borrowing, and provide a basis for assessing the affordability of financing costs, external debt and capital expenditure.

The Council is required to report quarterly on a variety of prudential indicators. An update on performance against these indicators as at quarter 3 2024/25 (31st December 2024) is included at Appendix B to this report. This update and covers three areas:

- Capital financing
- Affordability of borrowing
- Treasury activity

Capital financing indicators demonstrate the affordability and sustainability of the Council's capital programme. The Council's council expenditure forecast and capital financing requirement (borrowing requirement) for 2024/25 have reduced since the budget was set due to slippage on the Council's capital programme. Slippage is where capital expenditure that is expected to be incurred in one financial year/ period is delayed until a subsequent year/ period.

Affordability indicators demonstrate the affordability of the Council's borrowing and the impact on its revenue position. These indicators typically look at costs such as interest payable on loans held by the Council and how this compares to the funds available to the Council to meet these costs.

Treasury activity indicators aim to demonstrate whether or not borrowing is within authorised limits and avoids large repayments being at the same time. Limits on investments act to secure the Council's cash.

3 Financial and value for money implications:

Where relevant, financial and value for money implications associated with the strategy are set out within Appendix A.

4 Legal Implications

Where relevant, legal implications are set out within Appendix A.

5 Risk implications:

Contained within Appendix A.

6 Equalities, Community Impact and Human Rights

A Community Impact Assessment is not required for this report. There are no Human Rights Implications arising from this report.

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

There are no direct sustainability implications arising from this report.

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

There are no direct Council infrastructure implications arising from this report

9 Conclusions

The draft Treasury Management Strategy 2025/26 at Appendix A sets out the Council's proposed approach to its treasury management activities for the new financial year. The quarter 3 2024/25 prudential indicators update shows that the Council is currently compliant with key indicators. Slippage on the Council's capital programme and strong investment income performance largely explain where current year performance differs to targets set at the start of the financial year.

Dacorum Borough Council

Treasury Management Strategy Statement

**Minimum Revenue Provision Policy Statement and Annual
Investment Strategy**

2025/26

Introduction

1.1 Background

The Council is required to operate a balanced budget, which broadly means cash raised during the year will meet cash expenditure. A primary function of the Treasury Management service is to ensure cash flow is adequately planned, with cash being available when needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially, before considering investment return.

The second main function of the Treasury Management service is funding the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure the Council can meet its capital spending obligations. Longer term cash management may involve arranging long or short-term loans, or using longer term cash flow surpluses, or restructuring debt to meet Council risk or cost objectives.

The contribution the treasury management function makes is critical, as the balance of debt and investment operations ensure liquidity and hence the council's ability to meet spending commitments as they fall due, either on day-to-day revenue or in the medium term for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, adequate security of sums invested is paramount, as a loss of principal will result in a loss to the General Fund Balance.

1.2 Clauses to be formally adopted

1. Dacorum Borough Council will create and maintain the following for effective treasury management:
 - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities;
 - Suitable treasury management principles and practices (TMPPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
2. Full Council will receive reports on its treasury management policies and activities. As a minimum this will include a mid-year review, an annual year- end report and at least two other performance reports during the financial year.

Responsibility is delegated to the Section 151 Officer for the implementation and regular monitoring of its treasury management policies and practices, and for the execution and administration of treasury management decisions. They will act in accordance with the policy statement and TMPPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

3. This organisation nominates Cabinet to be responsible for ensuring effective scrutiny of the treasury management strategy, policies and monitoring before recommendation to Full Council.

1.3 Treasury Management Policy Statement

The Council defines its treasury management activities as:

The management of the organisation's borrowing, investments, cash flows, banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. The analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and management of these risks.

The Council acknowledges effective treasury management will support the achievement of the Council's business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management and employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

1.4 Reporting requirements

Capital Strategy

The CIPFA revised 2021 Prudential and Treasury Management Codes requires all local authorities to prepare a capital strategy report, which provides:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to service provision
- an overview of how the associated risk is managed
- the implications for future financial sustainability.

Treasury Management reporting

The Council is currently required to receive and approve, various reports each year, which incorporate a variety of policies, estimates and actuals.

Treasury Management Strategy Statement (this report) - The first, and most important report, covers:

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

A mid- year treasury management report (Quarter 2) – This is a progress report and will update members on the capital position and amend prudential indicators and policies as necessary.

An annual treasury report (Quarter 4) – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Financial monitoring report – an update on treasury management performance and all forward-looking prudential indicators will be formally reported on at least two further occasions during the financial year.

Scrutiny – The above reports are required to be scrutinised before being recommended to the Council. Cabinet undertakes this role supported by the Audit Committee and 3 Overview and Scrutiny groups where relevant.

1.5 Treasury Management Strategy for 2025/26

The strategy for 2025/26 covers two main areas:

1. Capital issues

- the capital expenditure plans and the associated prudential indicators;
- the minimum revenue provision (MRP) policy.

2. Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential and Treasury Management Codes, DLUHC MRP (now MHCLG) and Investment Guidance.

1.6 Training

The CIPFA Code requires Councillors and Officers with responsibility for treasury management have appropriate skills and adequate training.

The Council will carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Ensure learning plans for treasury management officers and relevant Council members.
- Require treasury management officers and SLT/council members to undertake self-assessment against the required competencies.
- Through regular communication encourage Officers, SLT and Council members to highlight training needs on an ongoing basis.

Training needs of treasury management officers are regularly reviewed as part of the Council's performance development reviews. Records of Member training is kept by Member Support.

1.7 Treasury management consultants

The Council uses Link Group as its external treasury management advisors. The Council recognises the value in employing external treasury management services to access specialist skills and resources. Responsibility for treasury management decisions remain with the organisation at all times and will ensure undue reliance is not placed upon our external advisors. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

The Council will ensure the terms of their appointment and methods by which their value are assessed are properly agreed and documented, and subject to regular review.

2. The Capital Prudential Indicators 2025/26 – 2028/29

The Council's capital expenditure plans are the key driver of treasury management activity. The capital expenditure plan is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans are prudent, affordable and sustainable.

2.1 Capital expenditure

The first prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. The table below summarises the capital expenditure plans and financing. Any shortfall of resources results in a borrowing need. Members are asked to approve the capital expenditure forecast:

Table 1: Capital Expenditure

Capital expenditure	2023/24 Actual £m	2024/25 Forecast £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
General Fund*	4.387	9.014	31.323	23.536	7.217	8.815
HRA	54.254	51.664	48.357	29.257	25.421	25.799
Total	58.641	60.678	79.680	52.792	32.638	34.614
Financed by:						
Capital grants & S106	12.894	10.475	7.441	1.388	0.741	0.741
Capital receipts & reserves	28.503	32.684	38.933	23.702	23.025	23.382
Internal Borrowing- General Fund	0	0.000	18.106	10.894	0.000	0.000
External Borrowing- General Fund	0	0.000	0.000	10.832	6.476	8.074
Internal Borrowing- HRA	17.245	17.519	1.221	0.000	0.000	0.000
External Borrowing-HRA	0	0.000	13.979	5.976	2.396	2.417
Net financing need for the year	58.642	60.678	79.680	52.792	32.638	34.614

The financing need excludes other long-term liabilities, such as leasing arrangements. Capital Expenditure excludes Capital loans to other bodies.

2.2 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is the total capital expenditure which has not yet been paid for from either revenue or capital resources. It is a measure of the Council's underlying borrowing need. Capital expenditure, which is not immediately paid for, increases the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

The CFR includes long term liabilities like finance leases. Whilst these increase the CFR, and therefore the Council's borrowing requirement, they include a borrowing facility so the Council is not required to separately borrow.

The Council is asked to approve the CFR projections below:

Table 2: Capital Financing Requirement

	2023/24 Actuals £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	28/29 Estimate £m
Capital Financing Requirement						
CFR – non housing	35.183	34.841	53.615	74.647	79.994	86.810
CFR – housing	328.768	342.952	353.710	354.049	351.335	347.413
Total CFR	363.951	377.793	407.325	428.696	431.329	434.222
Movement in CFR		13.842	29.532	21.371	2.633	2.893
Movement in CFR represented by:						
Net financing need for the annual approved Capital Programme		17.519	33.306	27.702	8.872	10.491
Net financing need for the year-Loans for Capital Purposes		(0.010)	0.000	0	0	0
Accounting changes in lease treatments		0	1	0	0	0
General Fund Minimum Revenue Provision & HRA Debt Repayment		(3.667)	(4.774)	(6.331)	(6.239)	(7.598)
Movement in CFR		13.842	29.532	21.371	2.633	2.893

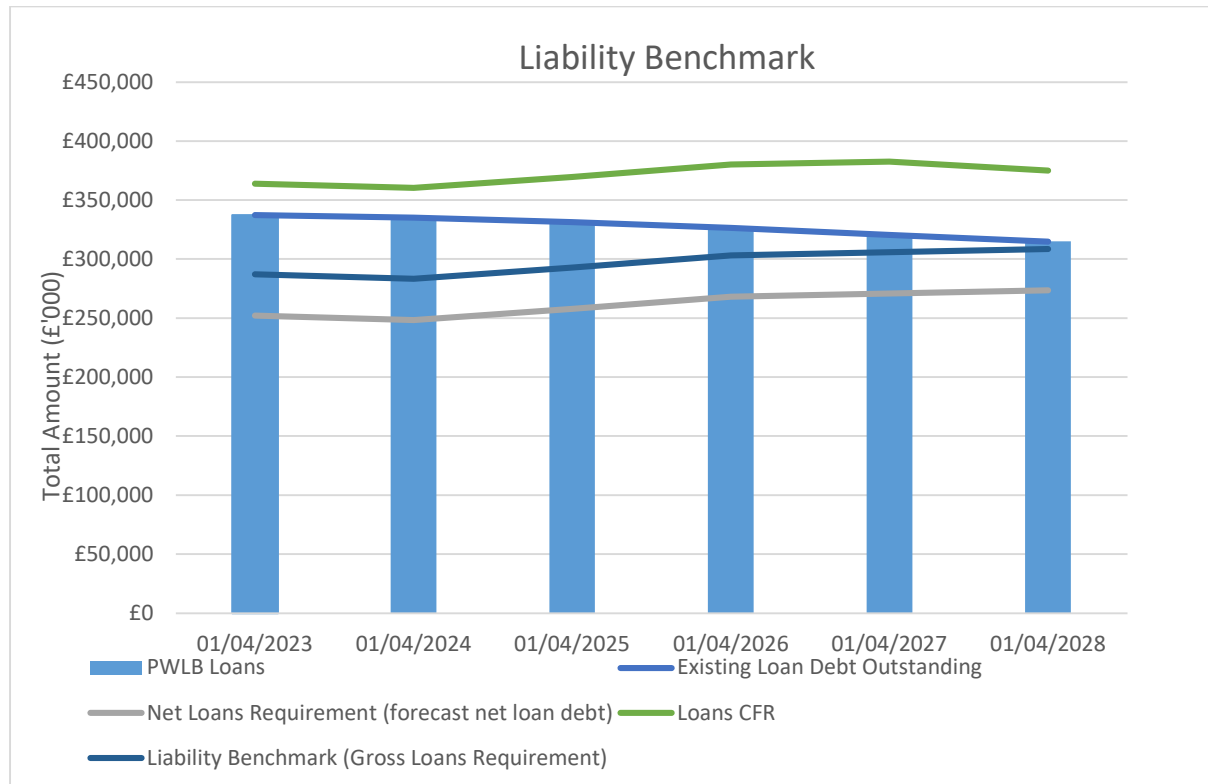
2.3 Liability Benchmark (LB)

The Council is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum. There are four components to the LB: -

1. Existing loan debt outstanding: the Authority's existing loans still outstanding in future years.

2. Loans CFR: calculated in accordance with the definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
3. Net loans requirement: shows the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. Liability benchmark (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

The Council is asked to approve the LB projections below:



2.4 Minimum revenue provision (MRP) policy statement

The Council is required to pay off an element of the Capital Financing Requirement through a charge to revenue known as the minimum revenue provision (MRP). MHCLG regulations require full Council to approve an MRP Statement in advance of each year. A variety of options for calculating MRP are allowed as long as there is a prudent provision. The Council is recommended to approve the following MRP Statement:

The MRP policy will be:

Asset life method – MRP based on the estimated life of the assets, in accordance with regulations;

This option provides for a reduction in the borrowing need over approximately the asset's life. This approach is consistent with the MRP policy in previous years.

There is no requirement on the HRA to make a minimum revenue provision but a charge for depreciation must be made. Repayments included in finance leases are applied as MRP.

MRP Overpayments/Voluntary Revenue Provisions (VRP) - MHCLG MRP Guidance allows any charges made over the statutory MRP, can be reclaimed in later years if necessary or prudent. In order to be reclaimed for use in the budget, this policy must disclose historical cumulative overpayments made. Up until the 31 March 2025, the total VRP overpayments are £0.481m.

The Council has and may provide loans to Parish Councils and other public sector bodies for capital purposes. The Capital Financing Requirement (CFR) will increase by the principal amount of the loan. The loan will be repaid in full and may include interest. The repayment of principal is classed as a capital receipt, and the CFR will reduce accordingly. As this is, a temporary arrangement and the funds will be returned in full, there is no need to set aside prudent provision to repay the debt liability in the interim, so there is no MRP charge.

2.5 Core funds and expected investment balances

The use of funds to finance capital expenditure or support the revenue budget will have an ongoing impact on investments, unless supplemented from new sources (asset sales etc.). Detailed below are estimates of the year end balances and anticipated day to day cash flow balances. These balances are available to the Council to support any internal borrowing requirements for the financing of the Council's capital programme.

Table 3: Cash Balances

2.6 Affordability prudential indicators

Prudential indicators are required to assess the affordability of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

Year End Resources	2023/24 Actual £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Fund balances / reserves	59.520	54.436	59.166	64.267	68.982	76.247
Capital receipts	32.788	21.097	5.333	5.450	6.823	8.392
Provisions	9.016	9.000	9.000	9.000	9.000	9.000
Other	0.000	0.000	0.000	0.000	0.000	0.000
Total core funds	101.324	84.532	73.500	78.717	84.804	93.639
Working capital		5.000	5.000	5.000	5.000	5.000
(Under)/over borrowing		(45.458)	(65.788)	(76.331)	(75.557)	(74.662)
Expected investments		44.075	12.712	7.386	14.248	23.977

2.7 Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long-term costs net of investment income) against the net revenue stream.

Table 4: Ratio of Borrowing to Revenue.

	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
General Fund	-6.03%	-0.67%	-0.86%	-0.38%	0.63%	1.13%
HRA	17.53%	20.32%	23.17%	24.81%	24.22%	25.73%

2.8 Table 5: HRA ratios

	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
HRA debt £m	328.77	325.43	334.97	335.31	332.60	328.67
HRA revenues £m	68.109	72.944	74.459	77.602	80.257	82.682
Ratio of debt to revenues %	483%	446%	450%	432%	414%	398%
Number of HRA dwellings	10,061	10,263	10,341	10,363	10,329	10,295
Debt per dwelling £	32,677	31,709	32,392	32,356	32,200	31,925

3. Borrowing

The treasury management function organises the Council's cash in accordance with relevant professional codes, so sufficient cash is available to meet capital expenditure plans set out in section 2 and in the Council's capital strategy. This involves both the organisation of the cash flow and, where capital plans require, appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current portfolio position

The overall treasury management portfolio at 31st March 2024 and 31st December 2024 are shown below for both borrowing and investments.

Table 6: Treasury Portfolio

	TREASURY PORTFOLIO			
	Actual 31.3.24 £k	Actual 31.3.24 %	Current 31.12.24 £k	Current 31.12.24 %
Treasury investments				
Banks	26,054	31%	17,783	20%
Building societies – rated	9,000	11%	4,000	5%
DMADF (HM Treasury)	30,500	36%	48,500	55%
Money market funds	19,750	23%	17,500	20%

Total managed in house	85,304	100%	87,783	100%
Total managed externally	0	0%	0	0%
Total treasury investments	85,304	100%	87,783	100%
Treasury external borrowing PWLB	335,14	100%	334,81	100%
Total external borrowing	335.14	100%	334,81	100%
Net treasury investments / (borrowing)	(249,833)	0	(247025)	0

The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting over or under borrowing.

One key indicator is the Council must ensure its gross debt does not, except in the short term, exceed the total CFR in the preceding year plus the estimates of any additional CFR for 2025/26 and the following 2 financial years. This allows flexibility for some early borrowing for future years, but ensures borrowing is not undertaken for revenue purposes or to generate a profit. The Council complies.

Table 7: Financing and Debt Projections

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m	£m
External Debt						
Debt at 1 April	337.446	335.137	331.147	340.350	351.177	354.585
Expected change in Debt	(2.310)	(3.989)	9.202	10.827	3.408	3.787
Other long-term liabilities	0.188	1.188	1.188	1.188	1.188	1.188
Actual gross debt at 31 March	335.325	332.335	341.538	352.365	355.773	359.560
The Capital Financing Requirement	363.951	377.793	407.325	428.696	431.329	434.222
(Under)/over borrowing	(28.626)	(45.458)	(65.788)	(76.331)	(75.557)	(74.662)

* Under borrowing is a term used to highlight that the organisation is intending to utilise and/or currently using cash balances to borrow internally to support the financing requirement, rather than external loans.

The Council's chief objective when borrowing is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required.

The current strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels, albeit only once prevailing inflation concerns are addressed by restrictive near-term monetary policy. That is, Bank Rate remains relatively elevated in 2025 even if some rate cuts arise.

Caution will be adopted with the 2025/26 treasury operations. The Council will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances. If it was felt that there was a significant risk of a sharp fall in borrowing rates, then borrowing will be postponed. If it was felt that there was a significant risk of a much sharper rise in borrowing rates than that currently forecast, fixed rate funding will be could be considered whilst interest rates are lower than they are projected to be in the next few years.

3.2 Treasury Indicators: Limits to borrowing activity

- a) **The operational boundary.** This is the limit beyond which external debt is not normally expected to exceed.

Table 8: Operational Boundary

Operational boundary	2024/25	2025/26	2026/27	2027/28	2028/29
	Estimate £m	Estimate £m	Estimate £m	Estimate £m	Estimate £m
Debt	335.137	340.350	351.177	354.585	358.372
Other long term liabilities	1.188	1.188	1.188	1.188	1.188
Total	336.325	341.538	352.365	355.773	359.560

The authorised limit for external debt. This represents a limit beyond which external debt is prohibited and needs to be set or revised by full Council. It reflects the level of external debt, which, while not desired, could be afforded in the short term, but is not sustainable long term. The Council is asked to approve the following authorised limits to 2028/29:

Table 9: Authorised Limit

Authorised limit	2024/25	2025/26	2026/27	2027/28	2028/29
	Estimate £m	Estimate £m	Estimate £m	Estimate £m	Estimate £m
Debt	420	420	450	450	450
Other long term liabilities	10	10	10	10	10
Total	430	430	460	460	460

The table below shows projections of CFR and borrowing:

Table 10: CFR and Borrowing projections

Capital Financing Requirement including leases						
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29

	£m	£m	£m	£m	£m	£m
HRA CFR	328.768	342.952	353.710	354.049	351.335	347.413
GF CFR	35.183	34.841	53.615	74.647	79.994	86.810
Total CFR	363.951	377.793	407.325	428.696	431.329	434.222
External Borrowing	335.137	331.147	340.350	351.177	354.585	358.372
Other long term liabilities	0.188	1.188	1.188	1.188	1.188	1.188
Total Debt	335.325	332.335	341.538	352.365	355.773	359.560
Authorised Limit*		430.000	430.000	460.000	460.000	460.000
Operational Boundary		336.325	341.538	352.365	355.773	359.560

3.3 Maturity Structure of borrowing

These gross limits are set to reduce the /Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

Table 11: Borrowing Maturity Schedule

Maturity structure of fixed interest rate borrowing 2025/26		
	Lower	Upper
Under 12 months	0%	2%
12 months to 2 years	0%	2%
2 years to 5 years	0%	6%
5 years to 10 years	2%	20%
10 years and above	5%	70%
Maturity structure of variable interest rate borrowing 2025/26		
	Lower	Upper
Under 12 months	0%	1%
12 months to 2 years	0%	2%
2 years to 5 years	0%	2%
5 years to 10 years	0%	0%
10 years and above	0%	0%

3.4 Borrowing strategy

The Chief Finance Officer will monitor interest rates and liaise with the treasury advisers to adopt a pragmatic approach to changing circumstances, specifically in relation to refinancing, delaying capital expenditure and taking on new borrowing. Decisions will be reported to the appropriate governing body in a timely manner.

3.5 Policy on borrowing in advance of need

The Council will not borrow more than, or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within

forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure value for money and that the Council can ensure security of such funds.

Risks associated with any borrowing in advance will be subject to prior appraisal and subsequent reporting through the mid-year, annual or quarterly reporting.

3.6 Prospects for Interest Rates

The Councils Treasury Advisors provided the following view for interest rates on 11 November 2024. The Bank Rate is the Bank of England base rate of interest.

Link Group Interest Rate View	11.11.24												
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
BANK RATE	4.75	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.70	4.50	4.30	4.00	4.00	4.00	3.80	3.80	3.80	3.50	3.50	3.50	3.50
6 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
12 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
5 yr PWLB	5.00	4.90	4.80	4.60	4.50	4.50	4.40	4.30	4.20	4.10	4.00	4.00	3.90
10 yr PWLB	5.30	5.10	5.00	4.80	4.80	4.70	4.50	4.50	4.40	4.30	4.20	4.20	4.10
25 yr PWLB	5.60	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.50
50 yr PWLB	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.30	4.30

3.7 Investment and borrowing rates

Following the 30 October Budget, the outcome of the US Presidential election on 6 November, and the 25bps Bank Rate cut undertaken by the Monetary Policy Committee (MPC) on 7 November, Link Group have significantly revised their central forecasts for the first time since May. In summary, bank rate forecast is now 50bps – 75bps higher than was previously the case, whilst PWLB forecasts have been materially lifted to not only reflect increased concerns around the future path of inflation, but also the increased level of government borrowing over the term of the current Parliament.

3.8 Debt rescheduling

Debt rescheduling involves the Council paying off its debt prior to the agreed maturity date. Rescheduling of current borrowing in our debt portfolio may be considered whilst premature redemption rates remain elevated but only if there is surplus cash available to facilitate any repayment, or rebalancing of the portfolio to provide more certainty is considered appropriate.

If rescheduling and/or early repayment of existing debt is to be undertaken, this will be reported to Cabinet at the earliest meeting following completion of the repayment.

3.9 New financial institutions as a source of borrowing and / or types of borrowing

The Council's current source of borrowing is the PWLB. Other borrowing sources available to the Council to finance its capital programme are:

- Local authorities
- Financial institutions
- Municipal Bonds Agency

Our advisors keep us informed as to the relative merits of each of these alternative funding sources. This Authority may use these alternative sources of borrowing as and when appropriate.

4. Annual Investment Strategy

4.1 Investment policy

The MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments,

(as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy.

The Council's investment policy has regard to the following: -

- MHCLG's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
- CIPFA Treasury Management Guidance Notes 2021.

The Council's investment priorities will be security first, liquidity second and then yield.

The above guidance from MHCLG and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by: -

- Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This enables diversification and avoidance of concentrated risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
- Other information: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment also takes account of information that reflects market opinion. The Council will engage with its Treasury advisors Link Group to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.
- Other information used will include the financial press and share prices in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- Dacorum Borough Council has defined the list of types of investment instruments that the treasury management team are authorised to use. There are two lists in Appendix 1 under the categories of 'specified' and 'non-specified' investments.
 - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year, or have less than a year left to run to maturity if originally they were originally classified as non-specified investments solely due to the maturity period exceeding one year.
 - **Non-specified investments** are those with a high credit quality, but lower than specified investments, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.
- Non-specified investments limit. The Council has determined that it will limit the maximum total exposure to non-specified investments as being the lower of 50% of the total investment portfolio or £40m.

- Lending limits, (amounts and maturity), for each counterparty will be set through applying the matrix table described in paragraph 4.2.
- Transaction limits are set for each type of investment in Appendix 1.
- The Council will set a limit for the amount of its investments which are invested for longer than 365 days, (see paragraph 4.5).
- Investments will only be placed with counterparties from countries with a specified minimum sovereign rating, (see paragraph 4.2).
- The Council has engaged external consultants, (see paragraph 1.7), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.
- All investments will be denominated in sterling.
- As a result of changes in accounting standards IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges to the General Fund. MHCLG have extended the current statutory temporary override to delay implementation of IFRS 9 to March 2025 to allow local authorities time to adjust their portfolio of all pooled investments. There is no currently no impact for the Council.

The Council will also pursue value for money in treasury management and will regularly monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.7).

4.2 Creditworthiness policy

Dacorum uses the creditworthiness service provided by Link Group. This service employs a modelling approach using credit ratings from the three main credit rating agencies.

The credit ratings of counterparties are supplemented with the following:

- credit watches and credit outlooks from credit rating agencies;
- Credit Default Swaps spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit Watches and credit Outlooks in a weighted scoring system which is then combined with an overlay of credit default swap spreads resulting in a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

- Yellow 5 years
- Dark pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
- Light pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5

- Purple 2 years
- Blue 1 year (Nationalised or semi nationalised UK Banks only)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

The Link creditworthiness service uses a wider array of information other than just primary ratings. Using a risk weighted scoring system, it does not give undue preponderance to one agency's ratings.

Typically the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalent) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored weekly. The Council is alerted to changes to ratings of all three agencies through its use of Link's creditworthiness service. If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

In addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx European Senior Financials benchmark and other market data daily via Passport website, provided exclusively by Link Group. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition the Council will use market data and market information, information on any external support for banks to help support its decision making process.

The expected significant levels of downgrades to short and long-term credit ratings have not materialised since March 2020. In the main, where they did change, any alterations were limited to outlooks, this Authority will not set a minimum sovereign debt rating for the UK.

The Reserve Account held with our Natwest (referred to as our Call Account) is not included within the investment limits detailed above. The balances held within the reserve account are kept to a minimum however, unexpected payments can be received and not planned for and therefore the balance within the reserve account is not included in the invested limit with our banking provider.

4.3 Country limits

Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups and sectors. The Section 151 Officer will determine approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch (or equivalent) as appropriate, with durations following the same colour coded criteria, as set out in 4.2. Officers will remove counterparties from this list should ratings change in accordance with this policy. Counterparties will only be added with approval from the Section 151 Officer and following consultation with the treasury advisers.

4.4 Local Authority Counterparties

In light of some Local Authorities issuing S114 notices (issued by an authority's s151 office is of the view that expenditure of the authority is likely to exceed the resources available to meet that expenditure), the Council has taken advice in respect of Local Authority counterparties. This states that local authorities continue to represent a low risk investment. The Council will continue to include Local Authority counterparties in its list of potential investment counterparties.

4.5 Investment strategy

In-house funds: Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for up to 12 months).

If it is thought that Bank Rates are likely to stagnate and then decline within the time horizon being considered, as such consideration will be given to the length and types of investments that are undertaken, with consideration given to locking in higher rates currently obtainable, for longer periods.

Investment returns expectations: The current forecast shown in paragraph 3.3, includes a forecast for Bank Rate to fall to a low of 3.5%.. The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months are as follows:

Table 12: Projected Investment Returns

2025/26	4.10%
2026/27	3.70%
2027/28	3.50%
2028/29	3.50%
Later years	3.50%

As there are so many variables, caution must be exercised in respect of all interest rate forecasts.

Investment treasury indicator and limit

Total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicator and limit:

Upper limit for principal sums invested for longer than 365 days			
£m	2025/26	2026/27	2027/28
Principal sums invested for longer than 365 days	Lower of 50% of portfolio or £40m.	Lower of 50% of portfolio or £40m.	Lower of 50% of portfolio or £40m.

For its cash flow generated balances, the Council will utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits (overnight to 100 days) to benefit from compounding interest.

4.6 Treasury Management Counterparty Limits

The Investment limits for counterparties is set as part of the annual Treasury Management Strategy. No changes have been made for 2025/26. The Council is asked to approve the limits below:

Table 13: Counter Party Limits:

Average Forecast DBC Investment balance 2025/26: £67.26m

Counterparty Limits		
Colour Band (duration	Limit £m	Current limit as a % of total average investment balance*
Green (3 months)	9	13.38%
Red (6 months)	11	16.35%
Orange (1 year)	12.5	18.58%
Purple (2 years)	12.5	18.58%

*Currently not included in the table above: the Council is able to invest in 'yellow' banded counterparties (duration up to 5 years), these include investments with the DMO and MMFs, and in 'blue' banded counterparties (duration up to 1 year) which are 'part nationalised' banks.

4.7 Investment performance / risk benchmarking

These benchmarks are simple guides to minimise risk; so may be breached from time to time, depending on movements in interest rates and counterparty criteria.

The purpose of the benchmark is that officers will monitor the position and amend operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported to Cabinet, with supporting reasons in the mid-year and annual report.

Security - The Council's maximum security risk benchmark for the current portfolio, when compared to historic default tables is 0.008%

Liquidity – in respect of this area the Council seeks to maintain:

- Maximum bank overdraft - £0.25m
- Liquid deposits of at least £5m available with a week's notice.
- Weighted average life benchmark is expected to be around 100 days

Yield - local measures of yield benchmarks for investments is to achieve internal returns above the 7 day SONIA (Sterling Overnight Index Average) rate.

At the financial year end, Council will report on its investment activity in its Annual Treasury Report.

4.8 Transactional Limits

There may be occasions the Council is in receipt of large income transactions from land and property sales etc. In these instances, every effort is made to ensure the council remains within the counterparty limits as set by the Treasury Management Strategy. Due to the nature

of these transactions, a provision of 'one working day' is given to allow for surplus funds to be redistributed from the Councils bank to available counterparties as per the creditworthiness policy in 4.2.

4.9 External fund managers

The Council does not currently use fund managers. If deemed appropriate in the future, the decision go through Cabinet for recommendation to Full Council.

4.10 Non - Treasury Investments

The Council recognises investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful management. Such activity may include loans to support service outcomes, investment in subsidiaries and investment property portfolios and is covered by the Council's normal approvals processes for revenue and capital expenditure. The Council's portfolio of investment properties are managed as part of the Council's asset management strategy.

4.11 The Council is supportive of the Principles for Responsible Investment (PRI) and will seek to bring ESG (environmental, social and governance) factors into the decision-making process for investments. The PRI is a United Nations supported initiative for incorporating ESG issues into investment practice. This includes a Statement on ESG in Credit Risk and Ratings, which incorporates ESG into credit ratings and analysis in a systemic and transparent way The Council is appreciative of the Statement on ESG in Credit Risk and Ratings. The Council uses ratings from Fitch, Moody's and Standard & Poor's to support its assessment of suitable counterparties. Each of these rating agencies is a signatory to the ESG in credit risk and ratings statement.

Appendix 1: Credit and Counterparty Risk Management

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the below categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

Specified Investments: All such investments will be sterling denominated, with maturities up to maximum of 1 year, meeting the minimum 'high' quality criteria where applicable. (Non-specified investments which would be specified investments apart from originally being for longer than 12 months, will be classified as specified once the remaining period to maturity falls to under 12 months.)

	Minimum Credit criteria/ colour band	Use
Debt Management Agency Deposit Facility	Yellow	In-house & Fund
Term deposits – UK Government (including other local authorities)	Yellow	In-house & Fund Managers
Term deposits – banks and building societies	See 4.2	In-house & Fund
Term deposits – housing associations	See 4.2	In-house & Fund
Certificates of deposit issued by banks & building	See 4.2	In-house & Fund
UK Government Gilts	Yellow	In-house & Fund
Money Market Funds (CNAV)	AAA	In-house & Fund
Money Market Funds (LVNAV)	AAA	In-house & Fund
Money Market Funds (VNAV)	AAA	In-house & Fund
Ultra-Short Dated Bond Funds with a credit score	AAA	In-house & Fund
Ultra-Short Dated Bond Funds with a credit score	AAA	In-house & Fund
UK Government Treasury bills	Yellow	In-house & Fund

Term deposits with nationalised banks and banks and building societies

	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
UK part nationalised banks	See Link's Creditworthy list	In-house and Fund Managers	£14.5M per institution	12 months

Non-specified Investments: These are any investments which do not meet the specified investment criteria. A maximum of the lower of 50% of the portfolio, or £40m will be held in aggregate in non-specified investment.

	Minimum Credit Criteria	Use	Max. maturity period
Term deposits – UK Government and Other Local Authorities	Yellow	In-house & Fund Managers	5 years
Term deposits – banks and building societies	See 4.2	In-house & Fund Managers	5 years
Certificates of deposit issued by banks and building societies	See 4.2	In-house & Fund Managers	5 years
Gilt Funds	UK sovereign rating	In-house & Fund Managers	5 years
UK Government gilts	Yellow	In-house & Fund Managers	5 years
Bonds issued by multilateral development banks	AAA	In-house & Fund Managers	5 years

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions. To ensure the Council is protected from adverse revenue impacts, we will review accounting implications of new transactions before they are undertaken.

Appendix 2- Treasury Management Principle 1: Risk Management (Extract from Treasury Management Principles and Practices

Treasury Management Practice 1: Risk Management

The responsible officer will, in accordance with the procedures set out in TMP6 Reporting Requirements and Management Information Arrangements:

- *Design, implement and monitor all arrangements for the identification, management and control of treasury management risk;*
- *Report at least annually on the adequacy/suitability thereof;*
- *Report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect;*

In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in this document.

1. Liquidity Risk Management

Dacorum Borough Council (DBC) will ensure it has adequate, though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available which are necessary for the achievement of its business/service objectives.

DBC will only borrow in advance of need where there is a clear business case for doing so, and will only do so for the current capital programme or to finance future debt maturities.

Liquidity risk is the risk cash will not be available when required. This can jeopardise the ability of the Council to carry out its functions, or disrupt those functions being carried out in the most cost-effective manner. The Council will ensure its cash flow forecasting gives as accurate a picture as possible of income and expenditure, and the resulting daily cash balances.

Amounts of Approved Minimum Cash Balances and Short-term Investments

The Treasury Management team shall seek to minimise the balance held in the Council's main bank accounts at the close of each working day, to minimise credit interest foregone and overdraft interest payable. Borrowing and lending shall be arranged, in conjunction with 'auto-sweeping' of balances, to achieve this aim.

Investment of Short-Term Funds

Each morning the Bank's daily forecast figures are aggregated with any other anticipated cash flows (e.g. cash courier receipts, RTB funds flows income) to produce a consolidated forecast balance for the end of the day. Any short-term credit balance will be either:

- Transferred in to the Council's Call Account with its bankers NatWest plc (RBS); or
- Placed in a Business Reserve Account with selected approved counterparties who offer this facility;
- Placed into a Money Market Fund.

All funds lodged in these ways are instantly available if required.

The Council receives interest if its consolidated balance on any particular night shows a credit balance.

Bank Overdraft Arrangements

A £0.25m net overdraft facility is available with the Council's bankers. Overdraft charges are only applicable if the Council's consolidated balance on any particular night is overdrawn, and charged in line with the Bank Contract.

Short-Term Borrowing Facilities

Short-term borrowing is very rarely required. If undertaken, this is done through brokers on the London Money Market, or Public Works Loan Board. Approved borrowing limits are set out in the Treasury Management Strategy Statement.

Insurance/Guarantee Facilities

There are no specific insurance or guarantee facilities as the above arrangements are regarded as adequate to cover all unforeseen occurrences.

2. Interest Rate Risk Management

DBC will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements, as described in TMP6 Reporting Requirements and Management Information Arrangements.

The Council will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques. This will be done primarily to create stability and certainty of costs and revenues, whilst at the same time retaining a sufficient degree of flexibility to take advantage of unexpected (potentially advantageous) changes in the level or structure of interest rates. The above is subject to the consideration and, if required, approval of any policy or budgetary implications.

Interest rate risk is the risk unexpected changes in interest rates expose the Council to greater costs or a shortfall in income than budgeted. The Council will minimise this risk by seeking expert advice on forecasts of interest rates from treasury management consultants and discussing with them its strategy for the coming year for the investments and debt portfolios. It will also determine appropriate limits and trigger points as set out below.

The limits and strategy are set out in the annual Treasury Management Strategy Statement including details on the approved interest rate exposure limit, trigger points and guidelines for managing changes to interest rate levels and minimum/maximum proportions of variable/fixed rate debt and interest. The strategy is produced before the start of each financial year and periodically reviewed during the year to see if modifications are required in the light of actual movements in interest rates.

Forward Dealing

Consideration will be given to dealing on forward periods dependent upon market conditions. Investments may be agreed weeks or months in advance if market conditions suggest this is appropriate. Any forward deals, whose maturity date is over one year hence at the time the investment is agreed, will only be undertaken with the approval of the Section 151 Officer.

Occasionally investments are agreed a few days in advance for administrative convenience (e.g. due to annual leave).

Callable Deposits

The Council will use callable deposits. The credit criteria and maximum periods are set out in the Schedule of Specified and Non-Specified Investments in the Treasury Management Strategy Statement.

3. Exchange Rate Risk Management

Dacorum Borough Council will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

Exchange rate risk is the risk unexpected changes in exchange rates expose the Council to greater costs or a shortfall in income than budgeted. The Council has a minimal exposure to exchange rate risk as it has no powers to enter into loans or investments in foreign currency for treasury management purposes. It will seek to minimise what risk it does have by using the policies below.

Approved Criteria for Managing Changes in Exchange Rate Levels

As a result of the nature of the Council's business, the Council may have an exposure to exchange rate risk from time to time. This will mainly arise from the receipt of income or the incurring of expenditure in a currency other than sterling.

The Council will adopt a full hedging strategy to control and add certainty to the sterling value of any foreign currency transactions above £10,000 in value (at the prevailing exchange rate). This will mean the Council will eliminate all material foreign exchange exposures as soon as identified.

Where there is a contractual obligation to receive income or make a payment in a currency other than sterling at a date in the future, forward foreign exchange transactions will be considered, with professional advice, to comply with this full cover hedging policy for material foreign currency transactions. Unexpected receipt of foreign currency income will be converted to sterling at the earliest opportunity unless the Council has a contractual obligation to make a payment in the same currency at a date in the future. In this instance, the currency will be held on deposit to meet this expenditure commitment.

4. Credit and Counterparty Risk Management

Dacorum Borough Council regards the primary objective of its treasury management activities to be the security of the principal sums it invests. The Council will ensure its counterparty lists and limits reflect a prudent attitude towards counterparties with whom funds may be deposited. Furthermore, the Council will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments, Methods and Techniques and listed in the schedule to this document.

The Council also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of organisations from which it may borrow or enter into other financing arrangements.

Credit and counterparty risk is the risk of failure by a third party to meet its contractual obligations under an investment, loan or other commitment, especially due to deterioration in its creditworthiness, which causes the Council an unexpected burden on its capital or revenue resources.

As a holder of public funds, the Council recognises its prime responsibility to always put first preserving the principal of sums it invests. Consequently, it will optimise returns commensurate with the management of the associated risk.

Criteria to be used for Creating/Managing Approved Counterparty Lists/Limits

The Council places a strong reliance on its treasury adviser Link Group to help manage credit and counterparty risk. Link has much greater market expertise and direct access to market knowledge than the Council. None the less, the Council recognises all advice provided by Link is precisely that, and full responsibility for all counterparties used, and investments placed, rests entirely with the Council.

The three elements to managing credit and counterparty risk are:

- 1) Determining '*Specified and 'Non-Specified' Investments*' criteria;
- 2) Determining '*Approved Lending Policy*', which sets out minimum credit criteria, duration and monetary amount limits;
- 3) Managing the '*Approved Lending List*' (or list of counterparties).

Specified and Non-Specified Investments

The Council will determine through its Treasury Management Strategy the credit criteria for various investment instruments in the 'Specified' and 'Non-Specified' Investments categories. Specified Investments are sterling investments of not more than one year maturity (or the ability to be repaid within one year), meeting the minimum 'high' rating criteria and require '*minimal procedural formalities*'. Non-specified investments are any other type of investment. Maximum amounts and maturity periods along with overall limits are set out in the Treasury Management Strategy Statement.

Lending Policy

The Lending Policy is based on Link guidance. This uses different ratings combinations and allocates those meeting the minimum criteria a colour as set out in the Treasury Management Strategy Statement. The Council has allocated each of these colour bands a maximum duration and amount. Any changes to the Treasury Management Statement require Full Council approval.

Money Market Funds

Money Market Funds will be used in line with the Councils' Treasury Management Strategy. Funds used will be reviewed on at least an annual basis in March, unless market conditions, trends and external advice suggests reviews should be undertaken sooner.

Approved Lending List

The list of approved counterparties is derived from applying the limits in the Treasury Management Strategy to the weekly ratings list of deposit takers provided by Link. The list includes domestic and foreign banks, building societies, supranational institutions and multi-lateral development banks. It is supplemented by a ratings alert service for changes to the ratings of individual counterparties.

If the Council uses external fund managers, they will adhere to the Council's counterparty credit criteria and maximum individual limits; however fund managers may use a subset of the derived counterparty list.

The Regulatory and Financial Accounting Team is responsible for maintaining the Approved Lending List on the Council's Investment System and for ensuring any changes are communicated to the fund manager, where appropriate.

A full copy of the Council's approved counterparties, along with their individual amount and duration limits, will be included in the Treasury Management Annual Report.

5. Refinancing Risk Management

The Council will ensure its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the Council as can reasonably be achieved in the light of market conditions prevailing at the time.

The Council will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over-reliance on any one source of funding if this might jeopardise achievement of the above.

Refinancing risk is the risk when loans or other forms of capital financing mature, they cannot be refinanced where necessary on terms reflecting assumptions made in formulating the budget.

Debt / Other Capital Financing Maturity Profiling, Policies and Practices

Due to Housing Self Finance in March 2012, the Council acquired over a thirty year period fixed term loans from the Public Works Loan Board (PWLb). This transaction was subject to detailed reports and approvals, and a specific audit.

The Council borrowed in May 2015 to support General Fund Capital Expenditure. Borrowing activities and strategies and limits are identified within the Treasury Management Strategy Statement.

The Council will establish through its Prudential and Treasury Indicators the amount of debt maturing in any year/period.

Any debt rescheduling will be considered when the difference between the refinancing rate and the redemption rate is most advantageous and the situation will be continually monitored in order to take advantage of any perceived anomalies in the yield curve. The reasons for rescheduling will include:

- the generation of cash savings at minimum risk;
- to reduce the average interest rate;
- to amend the maturity profile and /or the balance of volatility of the debt portfolio.

Rescheduling will be reported to Cabinet at the meeting immediately following its action.

Projected Capital Investment Requirements

Regular updates are made to the Authority's revenue and capital budget projections. These projections identify the key capital items (both expenditure and income) forecast for forthcoming years, and this analysis is used to ensure the Council will have sufficient funds available in forthcoming years. The responsible officer will also draw up a capital strategy report giving a longer term view.

Capital expenditure and long-term liabilities definition will follow recommended accounting practice.

Policy Concerning Limits on Revenue Consequences of Capital Financing

The Council will consider all the resources currently available/estimated for the future together with the totality of its capital plans, revenue income and revenue forecasts for the forthcoming year and the two following years and the impact these will have on council tax and housing rent levels. It will take into account affordability in the longer term beyond this three year period. The Council will use the definitions in the Prudential Code for borrowing, capital expenditure, financing costs, investments, net borrowing, net revenue stream, and other long-term liabilities.

Whenever major capital projects are planned, a full examination is taken of the potential revenue impact. Issues considered include revenue costs/benefits resulting directly from the project, and the impact on revenue of interest receipts foregone as a consequence of capital investment proposed.

Capital Receipts Generated by the HRA to fund Capital expenditure

For each Right to Buy council house disposal, the Council retains the '1-4-1' receipt, which can be used to fund 40% of new build expenditure within 5 years. Any unused '1-4-1' receipts are to be returned to Government with interest.

The Council can also use 100% of its non- Right to Buy Housing receipts and a small proportion of right to buy council house sales relating to adjusted allowable debt and the local authority's share capital. Receipts under £10,000 are not subject to pooling.

6. Legal and Regulatory Risk Management

Dacorum Borough Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1[4] Credit and Counterparty Risk Management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the Council, particularly with regard to duty of care and fees charged.

The Council also recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

Legal and regulatory risk is the risk either the Council or a third party it is dealing with in its treasury management activities, acts outside of its legal powers or regulatory requirements and as a result the Council incurs loss.

References to Relevant Statutes and Regulations

The treasury management activities of the Council shall comply fully with legal statute, guidance, Codes of Practice and the regulations of the Council. These are:

Legislation

Statutes

- Local Government Finance Act 1988 section 114 – duty on the responsible officer to issue a report if the Council is likely to get into a financially unviable position.
- Requirement to set a balanced budget - Local Government Finance Act 1992 section 32 for billing authorities.
- Local Government Act 2003 and (Commencement No.1 and Transitional Provisions and Savings) Order 2003
- Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and Amendments.
- Local Authorities (Capital Finance) (Consequential, Transitional and Savings Provisions) Order 2004
- Local Government and Public Involvement in Health Act 2007 s238 (2) – power to issue guidance; to be used re: MRP
- The Local Government Pension Fund Scheme (Management and Investment of Funds) Regulations 2009
- Localism Act 2011
- Accounts and Audit Regulations 2015
- Statutory Guidance on Investments 2018
- Statutory Guidance on MRP 2018
- Exiting the European Union financial services: The Money Market Funds (Amendment) (EU Exit) Regulations 2019

Guidance and codes of practice

- CIPFA's Treasury Management Codes of Practice and Guidance Notes 2021
- CIPFA Prudential Code for Capital Finance in Local Authorities Guidance Notes revised 2021
- CIPFA Local Authority Capital Accounting - a reference manual for practitioners
- CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities 1996
- CIPFA Standard of Professional Practice on Treasury Management 2002
- CIPFA Standard of Professional Practice on Continuous professional Development 2005
- CIPFA Standard of Professional Practice on Ethics 2006

- The Good Governance Standard for Public Services 2004
- LAAP Bulletins
- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom: A statement of recommended Practice
- PWLB circulars on Lending Policy
- The UK Money Markets Guide. Formally the Financial Conduct Authority's Code of Market Conduct

Dacorum Borough Council

- The Council's Standing Orders;
- The Council's Financial Regulations;
- The Council's Scheme of Delegation;
- The Council's Treasury Management Strategy;
- The Council's Treasury Management Practices – Principles & Practices;

Procedures for Evidencing the Council's Powers / Authorities to Counterparties

The Council's powers to borrow and invest are contained in legislation as follows:

Investing: Local Government Act 2003, section 12;

Borrowing: Local Government Act 2003, section 1;

Required Information from Counterparties Concerning their Powers / Authorities

Lending shall only be made to counterparties on the Council's Approved Lending List. This list has been compiled using advice from the Council's treasury advisers based upon credit ratings supplied by various credit agencies and the Council's own data.

Statement on the Council's Political Risks and Management of these Risks

The Chief Financial Officer shall take appropriate action with the Council, the Chief Executive and the Leader of the Council to respond to, and manage appropriately, political risks such as a change of the majority Group, in the Leader of the Council or a change of Government.

Monitoring Officer

The Monitoring officer is the Assistant Director Legal and Democratic Services. The duty of this officer is to ensure treasury management activities of the Council are lawful.

Chief Financial Officer/ S151 Officer

The Chief Financial Officer is the S151 Officer. The duty of this officer is to ensure financial affairs of the Council are conducted in a prudent manner and report to the Council if he/she has concerns as to the financial prudence of its actions or its expected financial position.

The Deputy S151 Officer is the Head of Financial Services, who can deputise fully for the S151 Officer.

7. Fraud, Error and Corruption, and Contingency Management

Dacorum Borough Council will ensure that it has identified any circumstances that may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

Fraud, error and corruption risk is the risk the Council may fail to employ adequate systems, procedures and other arrangements which identify and prevent losses through such occurrences. The Council will:

- a) Seek to ensure an adequate division of responsibilities and maintenance at all times of an adequate level of internal check which minimises such risks;
- b) Fully document all its treasury management activities so there can be no possible confusion as to what proper procedures are;
- c) Ensure staff will not be allowed to engage in treasury management activities until they have had proper training in procedures; and then subject to an adequate and appropriate level of supervision
- d) Ensure records are maintained of all treasury management transactions, so there is a full audit trail and evidence of the appropriate checks being carried out.

Details of Systems and Procedures to be followed, Including Internet Services

Authority

The Council's Financial Regulations sets out the Council's delegation arrangements with regard to Treasury Management. These are summarised in *TMP5*.

Investment and Borrowing Transactions

Adequate and effective cash flow forecasting records are maintained on the Council's Investments system to support any decisions made to place investments.

A detailed register of all investments is maintained within the Council's Investments system. This includes full details of counterparty limits, along with other information including investment amounts, value and maturity dates, interest rates, and gross interest receivable.

All transactions placed through brokers, Link's Agency Treasury Services (ATS) or via direct dealing are confirmed, showing details of the transaction. Written confirmation is received from both broker and borrower and checked against the dealer's records. Any discrepancies are immediately reported to the Finance Manager Financial and Regulatory Accounting for resolution. The Council does not send any confirmations of its own.

Regularity and Security

All lending, for investment purposes, is only made to counterparties on the Council's Approved Lending List. This list provides individual authorisation limits for each counter party.

Most Investments are paid direct into the appropriate counterparty's bank account (as advised by the broker or counterparty), and investments are repaid direct from the counterparty into the Council's General Account. The exception is investments using Link Agency Treasury

Services. These are paid to the Link ATS trustee account and then repaid to the Council's General Account.

Counterparty limits are set for every institution that the Council invests with.

Brokers have been provided with a list of named Council officials who are authorised to place investments on the Council's behalf.

The Council's Bank holds a list of Council officers who are authorised signatories. Updates of this list are notified to the bank when current authorised signatories leave, or new signatories join. Notifications of amendments are only accepted by the bank if they are signed by an existing (non-departing) authorised signatory.

All investments are paid by CHAPS instruction through the online banking system. This is undertaken by two of the authorised bank account signatories and the officer agreeing an investment cannot be one of the signatories for that particular investment.

Checks

The Investment System balances are reconciled to the balance sheet ledger codes at the end of each month and at the financial year-end. The System includes comprehensive reconciliation checks back to the Council's banking system to ensure all investments are correctly recorded and processed.

Emergency and Contingency Planning Arrangements

All computer files are backed up on the server to enable files to be accessed from remote sites.

The Council's Investment and banking systems are both internet based so can be accessed from any site or computer, subject to the user having the appropriate access and security information.

Insurance Cover Details

The Council has Crime insurance cover. This policy covers loss resulting directly from any crime committed by any employee or any third party. The total limit of indemnity provided is £1,000,000, a policy excess of £100,000 for each and every claim applies.

The Council also has Officials Indemnity cover. This provides cover in respect of the Council's legal liability to pay claimant's damages and costs for financial losses arising as a result of the negligent acts or accidental errors and omissions of Council employees, occurring in the course of their duties. The limit of indemnity is £5,000,000, a policy excess of £75,000 for each and every claim applies.

The Council has Business Interruption cover as part of its property insurance. This covers additional costs of working and loss of revenue if an insured event occurs.

8. Market Risk Management

Dacorum Borough Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the

principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

Market risk is the risk through adverse market fluctuations in the value of principal sums, the Council borrows and invests, its stated policies and objectives are compromised, against which it had failed to protect itself adequately. The Council does not currently have exposure to investments whose capital may fluctuate (gilts, Corporate Deposits), and will only undertake such activities on discussion with the S151 Officer and Portfolio Holder (Corporate and Commercial Services), and if the current Investment Strategy allows such investments.

9. Environmental, Social and Governance Factors

The Council is supportive of the Principles for Responsible Investment and will seek to bring ESG (environmental, social and governance) factors into the decision-making process for investments. The Council is appreciative of the Statement on ESG in Credit Risk and Ratings which incorporates ESG into credit ratings and analysis in a systemic and transparent way. The Council uses ratings from Fitch, Moody's and Standard & Poor's to support its assessment of suitable counterparties. Each of these rating agencies is a signatory to the ESG in credit risk and ratings statement.

Appendix 3 – Link Asset Services’ Approved Lending List – UK Banks and Financial Institutions

Country	Counterparty	Approved Duration	DBC Current Limit (M)
U.K	Al Rayan Bank Plc	6 months	11
U.K	Bank of Scotland PLC (RFB)	12 months	12.5
U.K	Barclays Bank PLC (NRFB)	6 months	11
U.K	Barclays Bank UK PLC (RFB)	6 months	11
U.K	Clydesdale Bank PLC	6 months	11
U.K	Co-operative Bank PLC (The)	100 days	9
U.K	Goldman Sachs International Bank	6 months	11
U.K	Handelsbanken Plc	12 months	12.5
U.K	HSBC Bank PLC (NRFB)	12 months	12.5
U.K	HSBC UK Bank Plc (RFB)	12 months	12.5
U.K	Lloyds Bank Corporate Markets Plc (NRFB)	6 months	11
U.K	Lloyds Bank Plc (RFB)	6 months	11
U.K	National Bank Of Kuwait (International) PLC	6 months	11
U.K	NatWest Markets Plc (NRFB)	12 months	12.5
U.K	Santander Financial Services plc (NRFB)	6 months	11
U.K	Santander UK plc	6 months	11
U.K	SMBC Bank International Plc	6 months	11
U.K	Standard Chartered Bank	6 months	11
U.K	The Royal Bank of Scotland Plc (RFB)	12 months	12.5
U.K	Coventry BS	100 days	9
U.K	Leeds BS	100 days	9
U.K	Nationwide BS	6 months	11
U.K	Skipton Building Society	6 months	11
U.K	Yorkshire BS	6 months	11

Appendix 4: Treasury management roles and scheme of delegation

Full Council

- receiving and reviewing reports on treasury management activities;
- approval of annual strategy;
- approval of/amendments to the organisation's adopted clauses and treasury management policy statement;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;

Cabinet

- reviewing the treasury management strategy and reports and making recommendations to the responsible body.

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices, reviewing regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers;
- approving the selection of external service providers and agreeing terms of appointment;
- approving the use of non-UK counterparties as appropriate;
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term time frame;
- ensuring the capital strategy is prudent, sustainable, affordable in the long term and provides value for money;
- ensuring due diligence has been carried out on all investments and is in accordance with the risk appetite of the authority.
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees

- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following: -
 - Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;
 - Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;
 - Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;
 - Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;
 - Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

Quarterly Reporting on Prudential Indicators

1. Capital Financing Indicators

Indicators 1-2 demonstrate the affordability and sustainability of the Council's capital programme.

	Indicator	Description	2024/25 Treasury Management Strategy reference.	2024/25 Budget £M	2024/25 Q1 estimate for year £M	2024/25 Q2 estimate for year £M	2024/25 Q3 estimate for year £M	2024/25 Q4 estimate for year £M
1	Capital Expenditure	Monitors capital expenditure projections against budget. Capital expenditure is a key driver of Treasury Management activity.	2.1	70.814	67.036	68.320	67.228	
2	The Capital Financing Requirement (CFR)	Monitors the Council's underlying need to borrow for capital purposes against projections set out in the budget.	2.2	394.363	396.337	398.111	396.240	

Forecast Capital Expenditure for 2024/25 has changed from the budget due to carried forward Q4 slippage from 2023/24 and slippage of the 2024/25 programme. This has changed the Council's Capital Financing Requirement for the year, the expenditure is within the expected parameters .

2. Affordability Indicators

Indicators 3-5 demonstrate the affordability of the Council's borrowing on revenue.

	Indicator	Description	2024/25 Treasury Management Strategy reference.	2024/25 Budget £M	2024/25 Q1 estimate for year £M	2024/25 Q2 estimate for year £M	2024/25 Q3 estimate for year £M
3	Ratio of Financing costs to net revenue stream- General Fund	Monitors the percentage of revenue budget required to cover capital financing costs against budget projections. Capital financing costs are interest received, interest paid and the Minimum Revenue Provision.	2.7	-0.93%	-7.85%	-8.48%	-11.47%
4	Ratio of Financing costs to net revenue stream- Housing Revenue Account	Monitors the percentage of revenue budget required to cover capital financing costs against budget projections.	2.7	20.68%	15.21%	14.88%	14.86%
5	Ratio of HRA debt to revenues %	Compares the total HRA debt to the 24/25 HRA income against budget projections.	2.8	474%	477%	475%	474%

The General Fund's ratio of financing costs to net revenue stream is negative as currently the council is earning more interest income on investments than is being spent on interest paid on loans and the minimum revenue provision.

HRA ratio is lower than budgeted due to higher levels of income reported which is a positive position for the HRA.

3. Treasury Indicators

Treasury indicators ensure borrowing is within authorised limits and avoids large repayments being at the same time. Limits on investments act to secure the Council's cash.

	Indicator	Description	2024/25 Treasury Management Strategy reference.	2024/25 Budget £M	2024/25 Q1 estimate for year £M	2024/25 Q2 estimate for year £M	2024/25 Q3 estimate for year £M	2024/25 Q4 estimate for year £M
6	Gross Debt does not exceed the Capital Financing Requirement	Ensures borrowing is not undertaken for revenue purposes or to generate profit.	3.1		Complies	Complies	Complies	
7	Operational Debt Boundary	Limit beyond which external debt is not normally expected to exceed.	3.2	346.873	346.873	346.873	346.873	
8	Authorised Limit for External Debt	Limit beyond which external debt is prohibited and needs to be revised by full Council.	3.2	430.0	430.0	430.0	430.0	
9	Maturity Structure of borrowing (fixed and variable)	Limits to reduce exposure to large sums falling due for refinancing at the same time.	3.3		Complies	Complies	Complies	
10	Upper limit for principal sums invested for longer than 365 days	Limit of lower of 50% of portfolio or £40m.	4.5		Complies	Complies	Complies	
11	Security of Investments- Compliance with Counterparty Limits.	Limit on investment balances held with Counterparties	4.6		Complies	Complies	Complies	
12	Liability Benchmark	Calculated using the net loan requirement plus an allowance for short term investments needed to provide an adequate but not excessive level of liquidity for daily cash flow management.	2.3	277.008	309.19	310.966	278.941	

All indicators comply with the treasury Management Strategy.

The Liability benchmark could be a concern if costs of capital programme increase above forecasts, then the HRA is required to borrow externally earlier than previously forecast. It is not anticipated that this will be the requirement for 2024/25.