

# Audit Agenda



**Wednesday 29 June 2016 at 7.30 pm**

**DBC Bulbourne Room - Civic Centre**

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

#### Membership

Councillor Barnes  
Councillor Douris  
Councillor Tindall

Councillor W Wyatt-Lowe  
Councillor Brown

#### Substitute Members:

Councillors G Adshead, Anderson, Ransley and Link

For further information, please contact J Doyle (Tel: 228222).

## **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**

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

### **4. PUBLIC PARTICIPATION**

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

### **5. STRATEGIC RISK REGISTER (Pages 3 - 21)**

### **6. STATEMENT OF ACCOUNTS (Pages 22 - 131)**

### **7. AUDIT COMMITTEE - FINAL OUTTURN (Pages 132 - 154)**

### **8. EY DBC AUDIT PROGRESS REPORT (Pages 155 - 162)**

### **9. INTERNAL AUDIT ANNUAL REPORT -JUNE 2016 (Pages 163 - 174)**

### **10. AUDIT COMMITTEE WORK PROGRAMME - 2016/17 (Page 175)**



## AGENDA ITEM:

### SUMMARY

Report for:	<b>Audit Committee</b>
Date of meeting:	<b>29 June 2016</b>
PART:	<b>1</b>
If Part II, reason:	

Title of report:	<b>Strategic Risk Register Quarter 4, 2015/16</b>
Contact:	Cllr Graeme Elliot , Portfolio Holder Finance & Resources James Deane , Corporate Director (Finance & Operations) Linda Dargue, Lead Officer, Insurance & Risk
Purpose of report:	To provide the Quarter 4 update on the Strategic Risk Register
Recommendations	That the content of this report is noted and that Committee seek further assurance where required.
Corporate objectives:	Dacorum Delivers – Risk management is an essential part of ensuring that the Council meets all of its objectives
Implications:	<u>Financial</u>  Incorporated within the report..
'Value For Money Implications'	<u>Value for Money</u> Risk management is closely linked to the Council's commitment to ensure that all resources are used efficiently and forms part of effective financial planning. The Council also needs to ensure that adequate provisions are in place to address anticipated risks but that these are no greater than necessary so that maximum resources are applied to services as required. To this end the Council sets minimum target working balances for both the general fund and HRA and at the date of this report these minimum balances are secured. Budget exercises for 2015/16 have ensured that the minimum balance requirements will also be met for the next financial year.
Risk Implications	Effective risk management is an important factor in all policymaking, planning and decision making.

	Failure to manage risk effectively could have serious consequences for the Council leading to increased costs, wasted resources, prosecution and criticism under external assessments
Equalities Implications	Equality Impact Assessment reviewed/carried out* Not applicable
Health And Safety Implications	Not applicable
Consultees:	Chief Officer Group
Background papers:	Cabinet, October 2014, Agenda Item 10

## BACKGROUND

1. The revised Strategic Risk register showing the position at the end of Q4 2015/16 is attached at Appendix A.
2. Members' attention is drawn to the increased risk score on risk C5, '*The Council fails to comply with the regulatory framework within which it must operate.*' The rationale behind increasing the score is explained within the Sign Off and Comments section.
3. This iteration of the risk register, i.e. as at Quarter 4, will be reported to Cabinet in July 2016, and will include comments, suggestions as requested by the Audit Committee.

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## C5 - The Council fails to comply with the regulatory framework within which it must operate.

<b>Category:</b> Legal & Regulatory	<b>Corporate Priority:</b> Dacorum Delivers	<b>Risk Owner:</b> James Deane	<b>Portfolio Holder:</b> Cllr Graeme Elliot	<b>Tolerance:</b> Treating	
<b>Inherent Probability</b>	<b>Inherent Impact</b>	<b>Inherent Risk Score</b>	<b>Residual Probability</b>	<b>Residual Impact</b>	<b>Residual Risk Score</b>
4 Very Likely	4 Severe	16 Red	3 Likely	2 Medium	6 Amber
<b>Consequences</b>		<b>Current Controls</b>		<b>Assurance</b>	
<p>As a public sector organisation, there a number of regulatory frameworks which govern the way in which the Council must operate both on a day-to-day basis and in the discharging of one-off duties or actions.</p> <p>Generally, compliance with these frameworks is considered an operational risk and is monitored and managed through a combination of the Operational Risk Register and Performance Indicators which are reported to the relevant Overview and Scrutiny Committees.</p> <p>However, there is a risk that in some circumstances failure to comply with regulations could result in a number of consequences for the Council that are sufficiently negative and high profile in nature to become, for a short time, strategic in nature.</p> <p>For example, failure to follow the correct protocols prescribed under the data protection legislation could result in the following consequences for the Council:</p>		<p>The Council has a number of strategies and policies in place which aim to provide clarity in the way Council Members and staff should operate.</p> <p>These documents are reviewed and updated periodically by Officers who are experts in the field and are frequently the subject of Internal Audit reviews in order to provide Members with independent, third-party assurance.</p> <p>These processes mitigate the likelihood of this risk crystallising and have resulted in my reducing the inherent risk score from '4', Very Likely, to '2', Unlikely.</p> <p>Data Protection policy &amp; procedures Health &amp; Safety policy &amp; procedures Risk Management framework Safeguarding policy &amp; procedures Financial Regulations Procurement Standing Orders Constitution</p>		<p>The Financial Regulations (Main Accounting) and Emergency Plan were audited by Mazars, the Council's Internal Auditors in 2014/15 and achieved a FULL level of assurance.</p> <p>The Risk Management framework and Procurement Standing Orders were audited in 2014/15 and achieved a SUBSTANTIAL level of assurance.</p> <p>Data Protection, Health and Safety, the Constitution (Corporate Governance) and the Financial Regulations (Main Accounting) are in the Internal Audit plan for review in 2015/16.</p>	

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1. Disclosure of personal information causing harm to a resident  
 2. High profile negative publicity regarding the way the Council operates  
 3. Significant financial penalty imposed by the Information Commissioner

This risk has been included on the Strategic Risk Register to ensure that there is scope to escalate an operational risk for Cabinet consideration and Audit Committee scrutiny should there be a period of intensified risk in a specific regulatory area.

Emergency Plan  
 Human Resources terms & conditions

## Sign Off and Comments

Sign Off Complete

The Health & Safety Executive (HSE) is currently undertaking a review of H&S procedures at Cupid Green Depot with reference to the prevalence of Hand Arm Vibration cases among machine operatives. There is a risk, depending on the outcome of this review, that the HSE could decide to take action against the Council. As a result of this review, I have increased the likelihood score of this risk crystallising from 2 to 3. More information will be provided to Members as it becomes available.

### C6 - The Council does not attract and retain the skill sets within its workforce that will enable it to maximise opportunities for delivering its services more efficiently through increased partnership working.

<b>Category:</b> People/Employees	<b>Corporate Priority:</b> Dacorum Delivers	<b>Risk Owner:</b> Robert Smyth	<b>Portfolio Holder:</b> Cllr Neil Harden	<b>Tolerance:</b> Treating
<b>Inherent Probability</b> 4 Very Likely	<b>Inherent Impact</b> 4 Severe	<b>Inherent Risk Score</b> 16 Red	<b>Residual Probability</b> 2 Unlikely	<b>Residual Impact</b> 4 Severe
<b>Consequences</b>		<b>Current Controls</b>	<b>Assurance</b>	
• The quality of service delivery is likely to be adversely		- Leading in Dacorum continues to be delivered (all	• Across 2015/16 the Council had a voluntary annual	

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affected due to a lack of resources and/or skills to effectively deliver services through increased partnership working.

- There is likely to be a reduction in efficiency savings due to inability to create more effective partnerships.
- There is also likely to be a negative impact on any proposals for devolved powers.
- A failure to create more examples of effective partnership working will result in a higher likelihood of back office and front line services being reduced as the financial constraints on the Council's budget continue to tighten.

courses stated in risk register)

- People strategy to be implemented autumn 2016 which will cover issues including graduate scheme, apprenticeship scheme, succession planning, reviewing T&Cs etc.
- Continuation of sharing services with other LAs, with policy development and transactional/operational Hr activities
- The new approach for service planning for 2016/2017 focusses heavily on service innovation, service efficiencies and workforce planning.
- All leadership appointments are subject to behaviour tests which will assist with assessing their understanding and approach to partnership working. This control will reduce the risk as it will ensure that candidates who are appointed to leadership positions within the Council will have demonstrated that they display a positive approach to partnership working.

turnover rate of 10.6% (76 staff). This compares positively to the public sector average (18%) and it is below the level within local government (11.9%). It is also lower than average for district councils (11%).

- Opportunities for collaboration and shared services are being actively considered across Hertfordshire in relation to Legal, HR, Information Management, Insurance and Payroll Services.
- Recruitment for leadership posts is generally competitive with a good number of applications being received from suitably qualified candidates for vacant posts.

## Sign Off and Comments

### Sign Off Complete

We have continued to make good progress in this area. Leading in Dacorum continues to be delivered (all courses stated in risk register). We have also shared information and ideas with other LAs. The new approach for service planning for 2016/2017 focusses heavily on service innovation, service efficiencies and workforce planning.

Given the controls in place, it is not necessary to increase the risk or likelehood of it crystallising. However the new People Strategy will be central in setting out our long term vision for staff and it will provide the platform for future actions in relation to the retention and recruitment of the right workforce.

### C7 - Controls do not develop at a sufficient pace to keep track with the continually emerging data protection risks

Category:	Corporate Priority:	Risk Owner:	Portfolio Holder:	Tolerance:
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Corporate		Dacorum Delivers		Sally Marshall	Cllr Neil Harden	Treating
Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score	
3 Likely	4 Severe	12 Red	2 Unlikely	3 High	6 Amber	
Consequences		Current Controls		Assurance		
<p>Cause of Risk - The Council is reliant on vast amounts of good quality data and information to determine sound decisions and plans, conduct operations and deliver services.</p> <p>It is also required by the Data Protection Act and Government's Public Sector Network (PSN) Code of Connection (CoCo) to maintain confidentiality, integrity, availability and appropriately authorised use of the data.</p> <p>With the Government's 'Open' agenda, increased flexible working patterns of staff, and increased partnership working and use of multiple information storage sources, controls on data management and security have become complex and important.</p> <p>Consequences of Risk –</p> <ol style="list-style-type: none"> <li>Poor decision making due to ineffective use of or insufficient availability of data and information sharing.</li> <li>Loss, misrepresentation or unauthorised disclosure of sensitive data, DBC has the potential to be susceptible to cyber-attacks or sabotage.</li> <li>Under performance. Breach of Data Protection Act</li> </ol>		<p>Information Security Officer appointed -responsibilities include:</p> <ul style="list-style-type: none"> <li>the Council's Corporate Information Assurance specialist</li> <li>the custodian, owner and updater of ICT Security and Information Governance strategy, policy and procedure ensuring that the Council complies with the latest legislation in terms of ICT Security standards and compliance.</li> <li>To ensure that the Council's policies and procedures regarding ICT Security and Information governance are adhered to across all the Council's services.</li> <li>To keep informed of relevant technical innovation and changes to technological, infrastructure, telecom and software systems in relation to Information Security.</li> <li>To be the custodian and owner of Information Security and Governance Standards.</li> <li>To manage Information Security and Governance strategies and to support the Council in the future development of Information Security, Governance and Business Continuity.</li> <li>To train Council Staff, Members on Information Security, Data Protection Act and Freedom of Information Acts.</li> </ul>		<ul style="list-style-type: none"> <li>Information Security Officer appointed</li> <li>Various ICT policies and procedures in place</li> <li>Compulsory training for staff on Data Security</li> <li>PSN Compliance</li> </ul>		



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<p>leading to legal actions, fines, adverse publicity, and additional remedial and data protection costs. 4. Significant interruption of vital services leading to failure to meet duties and to protect people, finances and assets. 5. Potential damage to DBC's reputation.</p>	<p>Compulsory training for staff on Data Security - PSN Compliance - Audit of data protection approach</p>	
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## Sign Off and Comments

Sign Off Complete

We have received full PSN compliance for our environment - which demonstrates that our processes and network & security controls are compliant with the requirements of the Cabinet Office. We also continue to provide training on information security, data protection and FOI to Members and staff and all staff are required to comply with Data Protection rules as part of their employment at DBC.

We are also continuing to work with services to ensure that we manage the data security implications of a move to the Forum through the use of detailed service level plans, senior manager sign-off and central reviews of all rooms and areas. We also received a strategic audit of data protection in Q4 and no serious issues were identified (and the report was presented to the Audit Committee).

## F6 - Changes to legislation could negatively affect the medium to long term viability of the HRA Business Plan.

<b>Category:</b> Financial	<b>Corporate Priority:</b> Affordable Housing	<b>Risk Owner:</b> Mark Gaynor	<b>Portfolio Holder:</b> Cllr Margaret Griffiths	<b>Tolerance:</b> Treating	
<b>Inherent Probability</b>	<b>Inherent Impact</b>	<b>Inherent Risk Score</b>	<b>Residual Probability</b>	<b>Residual Impact</b>	<b>Residual Risk Score</b>
4 Very Likely	4 Severe	16 Red	4 Very Likely	3 High	12 Red
<b>Consequences</b>		<b>Current Controls</b>		<b>Assurance</b>	
Since the 'once and for all' settlement with government on the self financing of the HRA there have been major legislative and policy changes which, overall, have impacted detrimentally on the HRA Business Plan:		Elements of the changes are yet to apply (the rent changes start from April 2016) and the current controls – proper business planning, the disciplines of the MTFs, project and programme management arrangements,		A remodelling of the HRA Business Plan has been made to take account of the impact of the changes which will be considered by Cabinet (initially in November 2015 and periodically thereafter). This has demonstrated that	

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- The re-invigoration of the RTB which has increased sales from around 15-20 per year to well over 100
- The parallel introduction of the RTB 'one for one' replacement scheme where the Council can use receipts to build new homes but only to pay for 30% of costs (leaving the other 70% to be sourced)
- A change to national rent policy which moved from RPI + 0.5% to CPI + 1% and ending the process of reaching target rents (leaving 60% of DBC properties below target)

The government now propose two further changes which, if enacted, will further constrain the capacity of the HRA Business Plan viability:

- A rent reduction of 1% per year for four years and a complete inability to make any progress towards convergence to target rents (a reduction of income of £30M over the first four years and over £500M over the lifetime of the HRA Business Plan)

- Enforced sales of 'high value' council homes as they become vacant to fund Housing Association RTB
- The first of these changes is already in draft legislation and the assumption must be that it will happen. The consequences are very significant, and even with mitigation will continue to be so:

The financial viability of the HRA to meet its current business plan objectives in full cannot be made due to loss of income and economies of scale as stock numbers diminish.

Services to tenants will have to reduce, including proposed investment in the existing stock, to deal with

effective contract management, annual efficiency programmes and so on – reflect on the existing position and could provide sufficient mitigation to the long term business plan. The controls proposed for the new changes – if the proposed legislation is enacted – will only mitigate the impact to an extent as the scale of change, compounded with previous changes, are so significant. The controls are as follows:

A complete review of the HRA Business Plan to spread the impacts over activities and over time. Initially, in order to deliver the current new build programme, this will be focused on a slowing down of the investment into current stock.

Reducing the costs of running the service through efficiency and service redesign (in partnership with tenants and leaseholders).

Improved procurement of services and renegotiation of existing contracts (though these have been procured within the last year or so and will restrict potential). This would include seeking shared services with other partners and models of operation which reduce the overheads of the HRA.

Maximising the income to the HRA by altering use of parts of the stock (increased use of HRA stock for temporary accommodation and provision of low level care as part of a tenancy where rent controls do not apply).

Altering the tenure mix of the current new build programme to include shared ownership and market sale in order to cross subsidise new rented provision.

the current new build programme can be completed. The ability to extend this further will depend on the success of the mitigations above.

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the scale of resource reduction.  
The new build programme at its proposed scale will have to reduce, and possibly cease, in order to provide services to tenants and balance the books.  
That resources provided through RTB one for one replacement will be unused and lost to the Borough as it is returned to the Treasury as a result of the Council's inability to provide the 70% match funding and as Housing Associations reduce their supply of new affordable homes (as a result of the same legislative changes impacting on the Council).  
The Council's housing stock will progressively reduce through RTB, enforced sales and reduction in new build which will reduce its ability to meet the housing needs in the Borough and achieving the strategic objective of increasing the supply of affordable homes.

This could incorporate an element of affordable rent to increase revenue.  
Development of a partnership approach to use of RTB one for one replacement funding with local Housing Associations in order to minimise losses of resource to the Borough and to increase supply of new homes.  
Fully exploring the potential of a Local Housing Company to improve the cost of delivery of new homes alongside the benefits to the General Fund.  
Lobbying of government regarding the disproportionately severe impacts of the changes, though historical reasons, on DBC seeking some local amelioration.  
Ensuring that our intelligence on the changing position and on developments within the sector are fully up to date through membership of ARCH, liaison with CIH and other key bodies.  
The following controls are in place already with regard to the financial and strategic management of the HRA Business Plan:  

- An annual refresh of the HRA Business Plan reported both to CMT and to Cabinet
- Monthly meeting between budget holders and accountants monitoring progress against original timeframes and costs
- Regular meetings of the Corporate New Build Group considering performance and new schemes
- CMT receive a fortnightly update on the new build programme
- Performance Board comprising Chief Officers and

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cabinet members receive a report on progress before each cabinet meeting	
<ul style="list-style-type: none"> <li>• Reports on HRA performance go the Overview and Scrutiny every quarter</li> <li>• The HRA is reported as part of the overall corporate financial reporting process</li> </ul>	

### Sign Off and Comments

Sign Off Complete

The Welfare and Work Act and Housing and Planning Act are now approved by parliament. These confirm the 1% rent reduction for four years and the sale of 'higher value' council homes to fund Housing association Right to Buy. It is not yet clear the extent of the enforced sale of higher value homes but likely that the Council will be given a sum of money that DCLG will require and it will be up to each Council to decide how they fund this. Adjustments have already been made to the development programme for new build and the HRA Business Plan. The development at Wood house will be 50% shared ownership and the development at Martindale will be 50% market sale which will provide sufficient cross subsidy to ensure the programme can be delivered.

### F7 - Funding and income is not sufficient to deliver the Council's corporate objectives

<b>Category:</b> Financial	<b>Corporate Priority:</b> Dacorum Delivers	<b>Risk Owner:</b> James Deane	<b>Portfolio Holder:</b> Cllr Graeme Elliot	<b>Tolerance:</b> Treating
<b>Inherent Probability</b>	<b>Inherent Impact</b>	<b>Inherent Risk Score</b>	<b>Residual Probability</b>	<b>Residual Impact</b>
4 Very Likely	4 Severe	16 Red	3 Likely	3 High 9 Amber
<b>Consequences</b>		<b>Current Controls</b>		<b>Assurance</b>
The government's austerity programme has led to reduced Local Authority funding over the last five years, resulting in the Council's need to find savings of £5m since 2010/11. Further funding reductions in excess of £3m are forecast over the next four years, which increase the risk of the Council being unable to deliver		The Council's Medium Term Financial Strategy and the HRA Business Plan are controls that mitigate the likelihood of this risk crystallising through the effective modelling of the future financial environment, which allows for more effective forward planning. These controls are detailed below, and have resulted in my		There were three internal audit reviews undertaken by Mazars during 2014/15, which provide an external view of the effectiveness of the controls implemented by the Council to manage the financial risks to delivering its priorities.

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its vision for the borough, as detailed in the Corporate Plan.  
([http://www.dacorum.gov.uk/docs/default-source/council-democracy/dacorum\\_corporateplan\\_web.pdf?sfvrsn=2](http://www.dacorum.gov.uk/docs/default-source/council-democracy/dacorum_corporateplan_web.pdf?sfvrsn=2))

Sustained funding reductions of this magnitude are not only a risk to the Council's capacity to grow and enhance the community, but more fundamentally they are a risk to the continued provision of high quality frontline services to residents.

If the Council is unable to deliver its vision or to protect its frontline service provision, it risks the following consequences:

Increased community hardship as the services provided to the most vulnerable residents in the borough are impacted, leading to delays in their accessing financial and residential help.

The impact of reducing standards of environmental services across the borough could lead to a less attractive environment and a loss of community identity and civic pride for residents.

Reputational damage as residents become dissatisfied with their experience of interacting with the Council. This risk is exacerbated by the growth of social media and the ability of residents to share their experiences with large numbers of people instantaneously.

reducing the inherent risk score from '4', Very Likely, to '3', 'Likely'.

The Council's Medium Term Financial Strategy (MTFS) details the financial implications of the Corporate Plan over a five-year period. It ensures that the Council is able to forecast likely income pressures in the medium-term, and optimise the balance between its financial resources and the delivery of its priorities. The MTFS is reviewed at least annually and is approved by Full Council, thereby providing the opportunity for Members to make informed amendments to the Corporate Plan on the basis of likely funding constraints. The current version is accessible via the following link:

<http://www.dacorum.gov.uk/docs/default-source/council-democracy/mtfs-july-cabinet-2015.pdf?sfvrsn=0>

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

The Council's reviewing of its Corporate Plan together with its Communications Strategy mitigate the impact of this risk, should it occur, by keeping residents informed of the pressures faced by the Council, and consequently

The audits on 'Efficiency Savings' and 'Main Accounting' received a Full level of assurance (the highest available), and the audit on 'Budgetary Control' received a Substantial level of assurance (the second highest available).

These internal audit opinions provide assurance that the Council is effectively controlling the processes that will enable it to derive value for money from its available resources, and therefore to maximise the opportunity for delivering its corporate objectives.

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by managing aspiration and expectation (detail below).  
On this basis, I have reduced the Impact score from '4',  
Severe, to '3', 'High.

The Council reviews its  
Corporate Plan periodically to ensure that the vision for  
the borough remains relevant and realistic within the  
financial constraints outlined within the MTFS and the  
HRA plan. The aspirations of the Council and the  
community are managed through the Council's  
Communications Strategy both through social media,  
the local press and Digest.

Sign Off and Comments

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Sign Off Complete

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The Local Government Finance Settlement issued by Government in February 2016 provided an indicative four-year settlement for the Council up to and including financial year 2019/20, which will see Revenue Support Grant (RSG) fall by £3m over the period, from £2m in 2015/16 to -£1m in 2019/20.

£1m of this reduction related to 2016/17, and the Council has therefore already taken the necessary steps to absorb it within the annual budget approved by Council in February 2016. However, the remaining £2m reduction, when incorporated into the draft Medium Term Financial Strategy (MTFS), leaves the Council with an updated savings target of £2.7m over the next three years, an amount equivalent to around 15% of its current Net Cost of Services. This represents a £1.1m increase over the same three-year period to the forecast savings target in the most recently approved MTFS in July 2015.

This increase is due to Government's changing the means by which it allocates RSG in 2016/17 to reflect the ability of a Local Authority to generate its own funding through Council Tax, a concept known as Core Spending Power. This represented a departure from the allocation method employed in previous years, and hit Dacorum particularly hard due to its having the 15th highest Council Tax income of the 200 district councils in England (£10.1m against an average of £6.3m).

The implications to the Council of this reduction are further compounded by uncertainty over the future of both the New Homes Bonus, on which we currently await Government's response to the recent consultation, and of amendments to the Business Rates Retention scheme beyond 2019/20. Changes to both of these funding streams are likely to further increase the Council's savings targets, and Members will be updated on these issues as more detail becomes available.

At this stage, I have not increased the likelihood score for this risk crystallising on the basis that additional mitigations have been put in place to offset the increased risk. As part of the budget setting process last year, three-year planning was put in place which has ensured that Service managers have already put in place schemes to reduce their operating costs over the next two years. The renewed MTFS scheduled for cabinet in July 2016 will augment this with details of a more structured approach to co-ordinating strategic savings initiatives.

### **I3 - The Borough does not secure sufficient investment in infrastructure to ensure that housing delivery and economic and community growth is sustainable in the longer term.**

<b>Category:</b> Infrastructure	<b>Corporate Priority:</b> Affordable Housing	<b>Risk Owner:</b> Mark Gaynor	<b>Portfolio Holder:</b> Cllr Graham Sutton	<b>Tolerance:</b> Treating	
<b>Inherent Probability</b>	<b>Inherent Impact</b>	<b>Inherent Risk Score</b>	<b>Residual Probability</b>	<b>Residual Impact</b>	<b>Residual Risk Score</b>

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4 Very Likely	4 Severe	16 Red	3 Likely	3 High	9 Amber
Consequences		Current Controls		Assurance	
<p>The provision of infrastructure such as schools, health, transport and other facilities is crucial to sustainability of the local community and economy. Its funding, however, is increasingly complex and difficult as central government moves away from direct provision and expects the development process and local partnerships to deliver it. Failure to provide this infrastructure will have a number of damaging consequences:</p> <ul style="list-style-type: none"> <li>• Reduction in the quality of life and opportunities for people in the Borough</li> <li>• A serious constraint to economic growth with the impact on the contribution to service provision through Business Rates growth</li> <li>• Increased community opposition to new developments, particularly housing, on the grounds that existing infrastructure will not cope</li> <li>• Damage to the image of the area, worsening of community pride and social cohesion and reputational damage to the Council</li> </ul>		<p>Infrastructure is provided through the development process (s106 and Community Infrastructure Levy) and elements of funding which comes from central government (increasingly through the LEP, bidding and HCC). The responsibility for some infrastructure elements is through privatised arrangements (utilities) or arms-length government agencies such as Network Rail. The ability of the Council to control these processes is limited.</p> <p>The Council is able to promote the quantum, nature and timing of growth making it more likely that the infrastructure will be delivered. It is also able to promote partnerships and use its asset base and influence to stimulate desired development. Current controls include:</p> <ul style="list-style-type: none"> <li>• Ensuring that the Local Plan (and its component elements such as the Core Strategy, site allocations, supporting policies and so on) is up to date and sets out very clearly the requirements of proposed development. This promotes sustainable development by design, access and movement, materials. Use of masterplanning supports what is required to be delivered to produce sustainability on larger sites.</li> <li>• The approved Council's Community Infrastructure Levy Policy and schedule (CIL) provides for the levels of contributions that must be made by developers and the purpose for which they will be spent. This also includes</li> </ul>		<p>The process for setting out development delivered is through the Annual Monitoring Report. The agreed process for CIL will see an annual report setting out income due, achieved and expenditure made on agreed infrastructure.</p> <p>Regular reports are made as set out above in controls.</p>	



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an element of CIL which can be spent by local communities and act to link growth directly with infrastructure provision local people want.

Operating a 'open for business' approach to how the Council deals with potential development with a presumption of making acceptable development easier to deliver by proactive advice through the planning process. Allied to this is ensuring that the development management service is capable of achieving decision making within required time limits.

Stimulating required growth through the Council's own regeneration activity, including Hemel Evolution, Gade Zone and Heart of Maylands resulting in inward investment being more likely.

Increasing inward investment through initiatives such as Dacorum Look no Further, Ambassadors, direct provision of business advice and a supportive approach to new development.

Good market intelligence through regular liaison with local employers, landowners, developers, institutional investors and land agents regarding demand and expected assistance.

Partnership with the LEP as the main route for additional funding for infrastructure through influencing the Strategic Growth Plan (in which Hemel Hempstead and the M1 corridor is a priority) and bidding for resources for infrastructure (such as the £5M achieved for West Herts College)

Working to create key partnerships to bring forward development capable of funding major infrastructure

# STRATEGIC RISK REGISTER

March 2016



Page 18	<p>(such as Gorhambury)</p> <p>These controls are exercised within the following:</p> <ul style="list-style-type: none"> <li>• Monthly reporting to Hemel Evolution Board and Corporate Regeneration Group</li> <li>• Fortnightly reporting on key projects to CMT</li> <li>• Reporting to Performance Board before each Cabinet Meeting</li> <li>• A clear programme for the Local Development Framework and CIL</li> <li>• Quarterly reporting to Overview and Scrutiny</li> <li>• Regular reporting to Cabinet</li> <li>• Adherence to the agreed performance and project management processes</li> </ul>	
	<b>Sign Off and Comments</b>	

Sign Off Complete

The announcement in the Chancellors Autumn Statement in 2015 that the Hertfordshire LEP's bid for an Enterprise Zone including Maylands (which DBC led on) is successful brings the potential to fund up to £100M of infrastructure much of which will benefit Hemel Hempstead. This will focus on resolving the inability of the current road structure to cope with demand and to deal with increased growth.

<b>R5 - The Council does not embrace the increased use of social media as a tool for social engagement and increased community engagement.</b>					
<b>Category:</b> Reputational	<b>Corporate Priority:</b> Dacorum Delivers		<b>Risk Owner:</b> Sally Marshall	<b>Portfolio Holder:</b> Cllr Neil Harden	<b>Tolerance:</b> Treating
<b>Inherent Probability</b>	<b>Inherent Impact</b>	<b>Inherent Risk Score</b>	<b>Residual Probability</b>	<b>Residual Impact</b>	<b>Residual Risk Score</b>
3 Likely	3 High	9 Amber	2 Unlikely	3 High	6 Amber
<b>Consequences</b>		<b>Current Controls</b>		<b>Assurance</b>	
The risk of not using social media		In order to mitigate these risks we have put in place a		o Corporate Information Security Management Policy	

# STRATEGIC RISK REGISTER

March 2016



<p>- This will mean that our approach to engagement (i.e. letters, workshops, printed magazines) is likely to exclude key demographic groups including younger residents and those who are more technologically minded.</p> <p>- We will not be able to respond to negative posts or views which could cause significant reputational damage or risk.</p> <p>- We will have less opportunity to influence Government and media through the use of targeted campaigns and communications.</p> <p>- The organisation may not be viewed as 'technologically forward thinking' which could lead to reputational risks. This includes more difficulty in attracting hi-tech investment or exclusion from innovation pilots.</p> <p>Managing the risk of social media</p> <p>- Members of the public can use DBC's profile to raise negative or incorrect statements that damage the reputation of DBC.</p> <p>- Employees may breach data security rules regarding the management of private or confidential information.</p> <p>- Inappropriate or unacceptable content posted by</p>	<p>number of controls:</p> <p>The risk of not using social media</p> <p>- Our social media strategy sets out how we will proactively engage with residents through Twitter, Facebook, Linked In, Instagram and using online videos.</p> <p>- We have 13 social media accounts covering corporate and operational services including from the CSU.</p> <p>- We regularly use social media to actively promote campaigns, events and messages.</p> <p>- We interact with partners and other third parties (eg HCC) to promote joint initiatives via social media</p> <p>- We generate reports and analysis on scale and content of Facebook and Twitter posts.</p> <p>Managing the risk of social media</p> <p>- We employ the Crowd Control system to enable the Communications team to manage and authorise services posts and tweets.</p> <p>- The Crowd Control system also enables the Communications team to monitor and respond to any negative posts.</p>	<ul style="list-style-type: none"> <li>o Corporate Information Technology Security Policy</li> <li>o Data Protection Act Policy</li> <li>o Freedom of Information Policy</li> <li>o PSN/Government Connect (GSx) Acceptable Usage Policy</li> <li>o Information Security Incident Procedure</li> <li>o Social Media Strategy</li> <li>o Facebook and Twitter accounts</li> <li>o Social Media Management System</li> </ul>
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# STRATEGIC RISK REGISTER

March 2016



<p>employees</p> <ul style="list-style-type: none"><li>- Our social media accounts are 'identity jacked' which occurs when fake accounts are set up to look like those of DBC. This is a risk because the fake accounts can post incorrect or inappropriate information which is then associated with DBC.</li><li>- Weak authentication in the use of social media accounts can lead to them being hacked. The hacked accounts are then used to post inappropriate, derogatory or libellous comments.</li><li>- The use of social media can make it easier for 'pressure groups' to generate support behind negative campaigns.</li></ul>	<ul style="list-style-type: none"><li>- Our system provides automatic moderation of abusive messages.</li><li>- We provide in-house training for all staff posting on DBC social media accounts.</li><li>- We use a subscription service that manages and secures accounts.</li><li>- All staff are required to read and sign-up to a range of policies including:<ul style="list-style-type: none"><li>Corporate Information Security Management Policy</li><li>Corporate Information Technology Security Policy</li><li>Data Protection Act Policy</li><li>Freedom of Information Policy</li><li>PSN/Government Connect (GSx) Acceptable Usage Policy</li><li>Information Security Incident Procedure</li></ul></li></ul>	
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Sign Off and Comments

Sign Off Complete

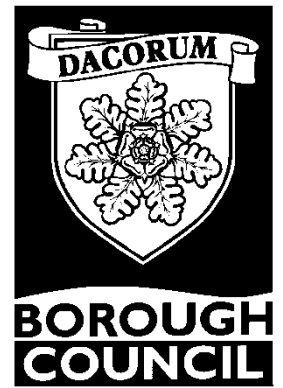
# STRATEGIC RISK REGISTER

March 2016



In the last three months we have continued to manage our social media presence in a positive and proactive way. During the reporting period we posted over 1,000 outbound messages, received over 250 direct messages and had a total twitter reach of 1.7million viewers. Most popular campaigns included Be like Bill (recycling), Hemel Evolution social media takeover day (recap on all projects under the Hemel Evolution programme and opportunity to ask any questions), launch of new bus interchange and the first “Clean for the Queen” events in 2016.

From a security perspective we have also continued to remind all staff of their responsibilities in relation to social media posts/comments and we have considered social media security as part of our new communication and consultation strategy and policy. This is an important issue but given the controls in place, we do not consider that any changes need to be made to the risk or the likelihood of it occurring.



## AGENDA ITEM: XX

### SUMMARY

<b>Report for:</b>	<b>Audit Committee</b>
<b>Date of meeting:</b>	<b>29 June 2016</b>
<b>PART:</b>	<b>I</b>
If Part II, reason:	

<b>Title of report:</b>	<b>Statement of Accounts 2015/16</b>
Contact:	<p>Cllr Graeme Elliot, Portfolio Holder for Finance and Resources</p> <p>James Deane, Corporate Director (Finance and Operations)</p> <p>David Skinner, Assistant Director (Finance and Resources)</p> <p>Richard Baker, Group Manager (Financial Services)</p>
Purpose of report:	<p>The purpose of this report is to present the Council's Statement of Accounts for 2015/16. It covers:</p> <ul style="list-style-type: none"> <li>· Account and Audit Regulations 2015</li> <li>· Section 21(2) Local Government Act 2003</li> <li>· Statement of Accounts</li> <li>· Commentary on financial statements</li> </ul>
Recommendations:	<p>It is recommended that Members of the Audit Committee:</p> <ol style="list-style-type: none"> <li>a) review the Statement of Accounts 2015/16 and raise any issues which will provide them with the assurance that they need to approve the Statements on behalf of the Council;</li> <li>b) approve the Annual Governance Statement included in the Accounts.</li> </ol>
Corporate objectives:	Corporate Governance
Statutory Officer Comments:	<p><b>Section 151 Officer :</b></p> <p>My comments are included within the body of this report and within the commentary and explanatory foreword to the Statement of Accounts.</p> <p><b>Monitoring Officer:</b></p> <p>The Council has a statutory duty to approve the Statement of Accounts by 30 September in accordance with the Account and Audit Regulations 2015.</p>

Consultees:	None
Background papers:	None

## **1 Background**

1.1 The Accounts and Audit Regulations 2015 require that the Council's Section 151 Officer must certify, by 30 June each year, that the pre-audit Statement of Accounts presents a true and fair view of the financial position as at the end of the previous financial year.

1.2 The Council must then approve their audited financial statements by 30 September. The Council must therefore work with its External Auditor, which is Ernst and Young, to enable them to present their audit opinion on:

a) Whether the Statement of Accounts presents a "true and fair" view of the financial position of the audited body and its expenditure and income for the year in question; and

b) Whether the Statement of Accounts has been prepared properly in accordance with relevant legislation and applicable accounting standards.

Once complete, the Auditor's opinion is added to the Statement of Accounts, with further detail of the audit findings provided in the Annual Audit Letter to the Council. The complete Statement of Accounts will be presented to the Audit Committee, for formal approval, at its meeting scheduled for 27 July 2016.

## **2 Final Outturn 2015/16**

2.1 The final outturn position is set out earlier on this agenda. The outturn is the fundamental basis for the Statement of Accounts. The Audit Committee is therefore requested to consider and approve final outturn prior to considering the Statement of Accounts.

## **3 Statement of Accounts**

3.1 The Council's Statement of Accounts (Appendix A) is an essential means by which it accounts for its stewardship of the resources at its disposal and it presents financial performance in the use of those resources. The following paragraphs provide a summary of the key information contained within the accounts.

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

4.1 The Comprehensive Income and Expenditure Statement (CIES) reports the net cost for the year of all functions for which the Council is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers.

4.2 The CIES for 2015/16 reflects a net gain of £143.4m and consists of the following:

- a) Surplus on the Provision of Services of (£23.9m) (2014/15 surplus of £25.5);
  - b) Other Comprehensive Income of (£119.5m) (2014/15 Income of £46.4m).
- 4.3 The change in the Deficit/(Surplus) on the Provision of Services of £1.6m between years is due to:
- a) An increase of £3.5m in the Revaluation of Property, Plant and Equipment credited to the CIES;
  - b) An increase of £1.7m in the expense charged for Revenue Expenditure funded from Capital Under Statute.
- 4.4 Other Comprehensive Income and Expenditure for the year was £119.5m and consists of:
- a) £99.4m Surplus on Revaluation of Property, Plant and Equipment;
  - b) £20.1m Actuarial gains on Pension Asset / Liabilities.

These movements are subtotalled separately from the Provision of Services to reflect the fact that they result primarily from movements in market prices and indices outside of the Council's control.

## **5 Balance Sheet**

- 5.1 The Balance Sheet is fundamental to understanding the Council's financial position at the year end. It shows the balances and reserves and its long-term indebtedness, and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.
- 5.2 The Council's net worth was £650.4m as at 31 March 2016, which represents an increase of £143.4m on the previous financial year. The key changes to this are as follows:
- a) An increase of £132m in long term assets following the revaluation of land and buildings;
  - b) An increase in net borrowing of (£11m) due to the Council entering into borrowing in May 2015 to fund the capital programme and to take advantage of historically low interest rates;
  - c) A decrease in the net pensions liability of £18m following an increase in the discount rate used in the long term actuarial assumptions.

## **6 Movement in Reserves Statement**

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



## **7 Cash Flow Statement**

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

## **8 Housing Revenue Account**

- 8.1 The Housing Revenue Account (HRA) is 'ring-fenced' from the General Fund. This reflects the Council's statutory obligation to maintain a separate revenue account for local authority housing provision in accordance with Part 6 of the Local Government and Housing Act 1989.
- 8.2 The HRA statement shows a surplus of £4.68m for 2015/16. This is a reduction to the surplus in 2014/15 of £29.6m. The larger surplus in 2014/15 was due to increases in dwelling valuations which were credited to the HRA, reversing previous downward valuations.

## **9 Collection Fund**

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

## **10 Conclusion**

- 10.1 The report represents a detailed picture of the Council's financial activity for 2015/16. I would like to thank all colleagues for their help, support and dedication in the preparation of the Statement of Accounts.



# **Dacorum Borough Council**

## **Draft Statement of Accounts 2015/16**

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## Introduction – Councillor Andrew Williams, Leader of the Council

Welcome to Dacorum Borough Council's Statement of Accounts for the financial year 2015/16.

It's been a very productive and exciting year for Dacorum and I am proud of everything we have achieved as a council. Following the General Election in May 2015, members have been working to ensure that the Council delivers on the new priorities set out in the Corporate Plan: Delivering for Dacorum.

The plan sets out our five main priorities based on what residents have told us are important to them:

- 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
- Delivering an efficient and modern council

We have made significant progress over the last few years to make Dacorum a thriving community and we are determined that it will continue to be a great place for people to live, work and enjoy. Our many successes over the past year reflect how far we have come:

- We received £25,000 in National Lottery Funding to revamp Berkhamsted Skate Park. Improvements works are currently underway to improve the facilities so they can be used all year round and are due to be completed during 2016.
- Following on from successfully hosting a stage of the Tour of Britain in 2014, we celebrated the Women's Tour when the fifth and final stage of the cycle race finished in Gadebridge Park in June.
- We received the news that we had been successful in becoming part of the West Herts Enterprise Zone. This will bring funding and jobs for the local economy along with money for essential infrastructure improvements.
- Our Hemel Evolution regeneration project saw the refurbishment of The Marlowes section of Hemel Hempstead town centre completed, along with a new modern bus interchange and town square.
- In July we celebrated the start of construction work on The Forum. Sharing a space with our colleagues in the public and voluntary sectors makes a lot of sense for the taxpayer and for the community. Your local services will all be available in one place and the council will make significant savings in running costs each year.
- We delivered our first council homes in over 20 years at St Peters Court, Hemel Hempstead. In recognition of the outstanding work carried out by our housing team to improve the lives of people in our communities, we have been shortlisted for two UK Housing Awards:
  - Outstanding New Developer of the Year
  - Outstanding Local Authority of the Year

The Elms homeless hostel was officially opened by Her Royal Highness the Duchess of Gloucester in September and is providing shelter and services to some of our most vulnerable residents.

In March we launched our new website as part of Digital Dacorum week. Through the week we gave residents the chance to access free computer skills courses and gave you the opportunity to get to know the new website, which gives residents and businesses easier access to our online services.

Although we face challenging times ahead, with reductions in funding from central government, we will continue to adapt the way we work through redesigning our services and using technology to

improve our efficiency and to continue to deliver excellent services for residents and business in the borough.

We have much to look forward to over the next 12 months including:

- Continuing to build new council homes across the borough;
- Completing the regeneration works in Hemel town centre including turning on the water feature in the town square and the restoration of Jellicoe Water Gardens;
- Moving into The Forum, the home for your local services.

With everything we have managed to achieve for Dacorum over the past year and with our plans for the future in place, I am sure that together we will continue to thrive and provide a borough that the residents of Dacorum can continue to be proud of.

**Councillor Andrew Williams**  
**Leader of the Council**

## **Introduction to the Statement of Accounts – James Deane, Corporate Director (Finance & Operations)**

As the Council's Chief Finance Officer, I have pleasure in writing the Explanatory Foreword to Dacorum Borough Council's Statement of Accounts for 2015/16.

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

Financial services have met the following key objectives over the year:

- to proactively support service delivery initiatives and innovation across the Council;
- to maintain sound financial management practices across the Council;
- to review the Medium Term Financial Strategy to provide a robust financial plan for the Council for the medium- to long-term;
- to advise the Council to ensure that money raised from public taxation is used efficiently and effectively to meet local needs as reflected in the Council's priorities;
- to ensure financial management plays a key role in the performance management of the Council.

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

We will respond to the economic challenges by ensuring that we regularly review our Medium Term Financial Strategy and ensure that our forecasts are both robust and prudent. At the same time we will continue adapting to maximise value for money for our tax-payers and aim to avoid impact on front-line service provision. To this end I believe that we have the financial governance structures in place that will enable the Council to remain successful throughout the medium term and beyond.

I hope that this Explanatory Foreword and the notes that follow give you a clear picture of how the figures make up our Statement of Accounts and show you how the cash you paid became the service you received. The Statement of Accounts is required by law and covers various statutory requirements and other relevant information.

The supporting notes are aimed at providing a more straightforward explanation of the often complicated local government financial arrangements. Please provide comments and feedback on the format of the statement of accounts to enable us to make them as user friendly as possible.

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

## **Borough Profile**

The Borough approximately has a population of around 150,000 living in around 63,000 homes and 112,000 residents on the Electoral Register.

The Council holds elections for all Members once every four years. As at 31 March 2016, the Council was made up of 46 Conservatives, 3 Liberal Democrats and 2 Labour Councillor with the last full election held in May 2015.

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

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

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

## **Corporate Plan 2012-2015**

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

The five priorities were:-

### **Regeneration**

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

### **Affordable Housing**

- Improve and increase affordable homes for local people

### **Safe and Clean Environment**

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

### **Building Community Capacity**

- Enable self-help and volunteering to build communities

### **Dacorum Delivers (internal operations)**

- Ensuring an efficient, effective and modern Council.

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

## The Statement of Accounts

The Dacorum Borough Council (the Council) Statement of Accounts (the Accounts) has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Corporate Director (Finance & Operations), is responsible for the proper administration of the Council's financial affairs, and is required by law to confirm that the Council's system of internal controls can be relied upon to produce an accurate Statement of Accounts. This confirmation is provided in the Statement of Responsibilities.

## Explanatory Foreword

This foreword provides an explanation of the documents incorporated within the Council's Statement of Accounts together with guidance on how best to interpret them. This is followed by a high-level analysis of the events which have had a significant impact on the Accounts.

## Statements

The Accounts report the financial activity of the Council over financial year 2015/16, and the financial position of the Council as at 31 March 2016. In order to present this information clearly, the Accounts encompasses the following elements:

- **Statement of Responsibilities**  
The Council is required to nominate an Officer with statutory responsibility for the proper administration of its financial affairs. For the Council this is the Corporate Director (Finance & Operations). This document explains the statutory responsibilities of this role.
- **Annual Governance Statement**  
The Council is responsible for implementing and maintaining proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which include the management of risk. This document describes the Council's approach to these responsibilities.
- **Core Financial Statements**  
These statements report the Council's performance for the year and its financial position as at 31 March 2016. Detail of the individual statements grouped under this heading can be seen below.
- **Supplementary Financial Statements**  
This section provides additional detail regarding significant elements of the Council's financial activity, e.g. the Housing Revenue Account and the Collection Fund.

The Core Financial Statements comprise the following elements:

- **Comprehensive Income and Expenditure Statement**  
This statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this is different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- **Balance Sheet**  
The Balance Sheet shows the value as at 31 March 2016 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.



- **Movement in Reserves Statement**  
This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be used to fund expenditure or reduce local taxation) and 'other reserves'.
- **Cash Flow Statement**  
The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during 2015/16. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.  
  
*Operating* cash flows are a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income, or from the recipients of Council services.  
  
*Investing* cash flows represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to the Council's future service delivery.  
  
*Financing* cash flows are useful in terms of predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.
- **Notes to the Core Financial Statements**  
These notes provide additional information relevant to the understanding of the Core Financial Statements.

The Supplementary Financial Statements comprise the following elements:

- **Housing Revenue Account and Notes**  
The Housing Revenue Account (HRA) reflects the Council's statutory duty to maintain a separate account to measure the resources generated and consumed in the provision of council housing during 2015/16, and the cumulative HRA balance.
- **Collection Fund and Notes**  
This note shows the income and expenditure transactions of the Council in respect of the collection and distribution of Council Tax and Non-Domestic (Business) Rates.
- **Audit Opinion**  
The independent auditor's report to the Members of the Council.
- **Glossary**  
A glossary is provided to give definitions for the technical terms used throughout this Statement of Accounts.

## Review of the Year

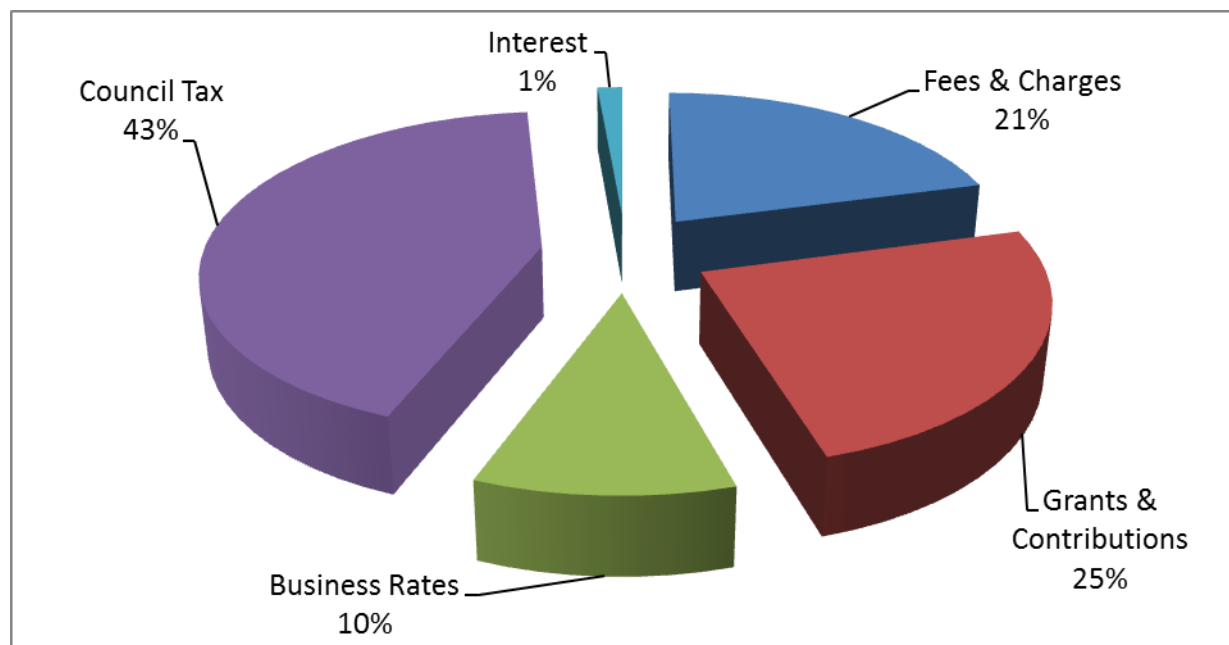
The review of the year for 2015/16 details performance within the Council's three main accounts:

- **General Fund Revenue Account**  
The General Fund incorporates all services not related to the Council's Housing Landlord function. Revenue expenditure is generally incurred on day to day items that are consumed within one year. Expenditure is financed principally from Government Grant, Taxation, and fees and charges.
- **Housing Revenue Account (HRA)**  
The HRA refers to services related to the Council's Housing Landlord function. HRA expenditure must be wholly funded from Rental and Service charge income generated from Council Houses. Rental income cannot be used to fund General Fund expenditure.
- **Capital Programme**  
Capital expenditure is incurred when an asset is acquired or enhanced and a benefit is derived for a period in excess of one year. Capital expenditure is financed from Capital Receipts, Government Grants, Revenue contributions and Borrowing.

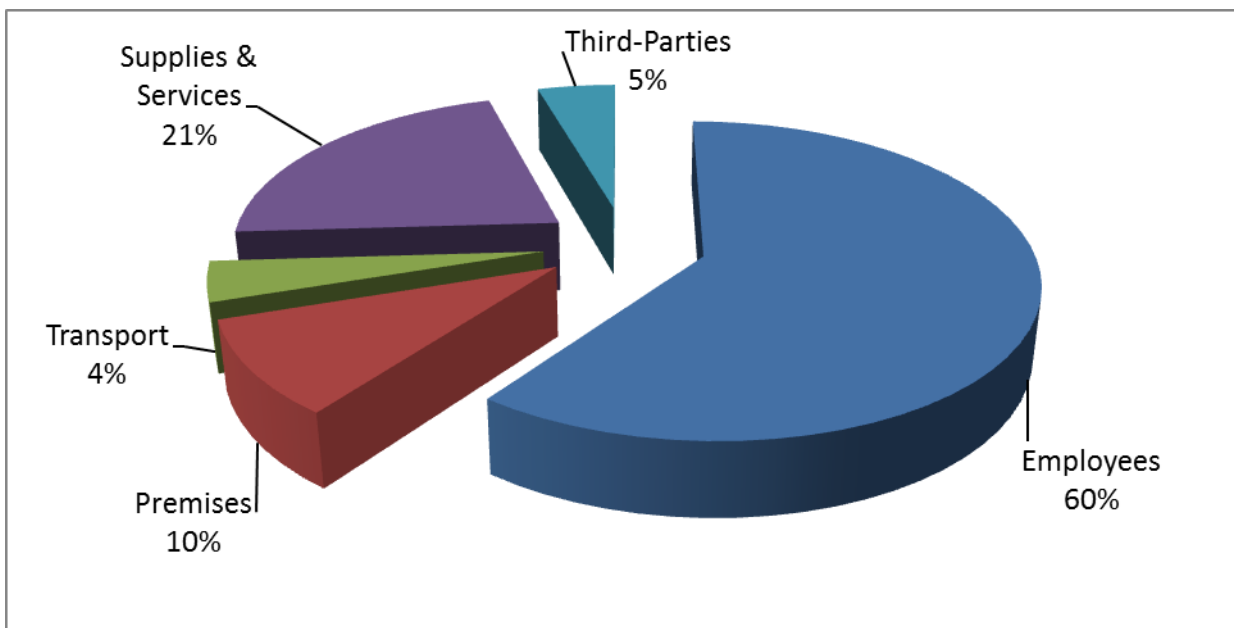
## General Fund Revenue Account

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

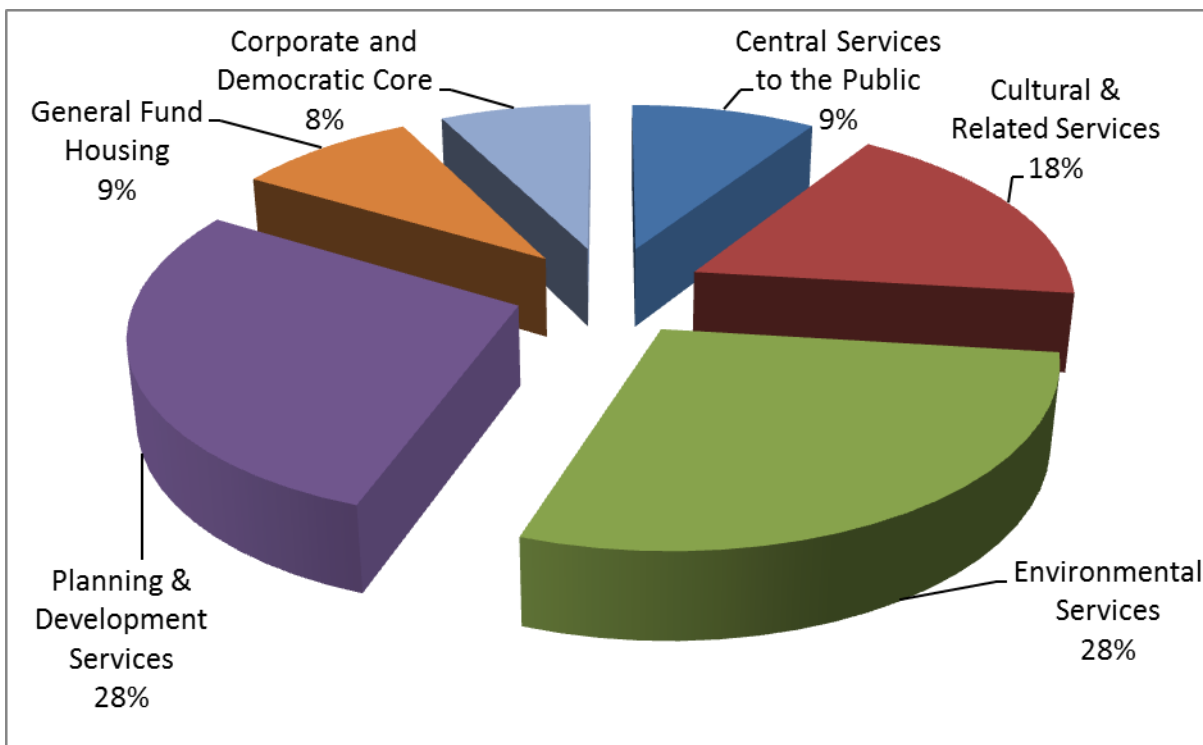
### Where the Money Came From



## How the Money was Spent



## What Services Have Been Provided with the Money?



The table below summarises the Council's General Fund Revenue Account for 2015/16:

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Net Cost of Services</b>	<b>19,248</b>	<b>(1,723)</b>	<b>(20,971)</b>
Interest (Receipts)/Payments	504	207	(297)
Capital Charge Adjustments	(4,125)	16,489	20,614
Other General Government Grants	(2,723)	(2,881)	(158)
Pension Adjustments	0	(325)	(325)
Revenue Contributions to Capital & MRP	4,106	4,754	648
Community Infrastructure Levy	0	(70)	(70)
Contributions to/(from) Earmarked Reserves	(897)	(115)	782
<b>Net Council Budget</b>	<b>16,113</b>	<b>16,336</b>	<b>223</b>
Parish Precepts	641	641	0
<b>Net Council Budget (Incl. Precepts)</b>	<b>16,754</b>	<b>16,977</b>	<b>223</b>
Revenue Support Grant	(2,070)	(2,070)	0
Retained Business Rates	(3,986)	(4,209)	(223)
Council Tax	(10,466)	(10,466)	0
Collection Fund Deficit/(Surplus)	(80)	(80)	0
<b>Total Income</b>	<b>(16,602)</b>	<b>(16,825)</b>	<b>(223)</b>
<b>(Surplus) / Deficit for the year</b>	<b>152</b>	<b>152</b>	<b>0</b>
Working Balance Brought Forward	(2,654)	(2,654)	
<b>Working Balance Carried Forward</b>	<b>(2,502)</b>	<b>(2,502)</b>	

The Council's working balance remains in line with the Council's Medium Term Financial Strategy. A detailed breakdown of the movements to and from reserves can be seen in Note 19 to the Accounts.

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

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

## **Controllable**

### **Employees - £256k above budget**

- An overspend arose within Waste Services of £140k. The budgeted efficiencies to be delivered through the new waste service (£420k budget reduction) were not fully realised from the start of the year, as the new structure took time to bed in.

A specific Waste Performance group was set up in June 2015 to address why productivity was below the anticipated level, and consequently why there was an overspend. During the first quarter of the financial year, two additional waste collection rounds were being utilised over and above the anticipated round structure. As at Quarter 2 this had been reduced to one additional round, and by the end of Quarter 3 this last additional round had been removed, to leave the service operating within budget at no additional resource or cost. Whilst the budget pressure cannot be reversed for this financial year, it is expected that the service will operate within budget for financial year 2016/17.

- An overspend of £95k arose in Planning and Building Control, due to a number of vacant posts within the services. This work has been carried out by agency staff, but at a more expensive rate. A service review is being undertaken with a view to improving processes within the service and making efficiency savings going forward.

## **Premises - £234k above budget**

- An overspend of £195k has arisen following the reimbursement made to Hertfordshire County Council for a share of the costs of the temporary relocation of the Library, prior to the move to The Forum. This move will generate longer term efficiency savings for the Council.
- An overspend of £60k has arisen due to the payment of utilities costs on the Planet Ice site at Jarman Park, where the Council acts as agent for the operator. These costs have been recovered from the tenant and a corresponding overachievement in income has been generated.

## **Supplies & Services - £126k above budget**

- An overspend of £120k has arisen in the budgets for uninsured losses in Environmental Service and in Planning, where a number of insurance claims have been received, particularly for damage to properties from subsidence due to tree roots.
- An overspend of £65k has arisen from the disposal of recycled material. This cost has arisen due to a downturn in the market for recycled materials due to the fall in the price of plastic, steel and glass.
- An overspend of £40k has arisen from the Council commissioning a firm to carry out a review of Waste Services, with a view to making service improvements. The initial findings of this review have been received and a number of the suggested improvements have been factored into the budget for 2016/17.
- An overspend of £60k has arisen in Development Control due to additional costs for consultancy support on more complex planning cases. There has also been an increase in the volume of challenges from the public which has led to higher than anticipated legal costs.
- Following a review of capital expenditure, annual licences for Microsoft Enterprise Agreements are now being treated as revenue expenditure. This cost had previously been budgeted in the capital programme. The cost of £90k for financial year 2015/16 has been charged to the General Fund revenue account, and this expenditure has been budgeted as a revenue cost in the 2016/17 budget.
- The Council was notified of a levy of £50k from Municipal Mutual Insurance. This is unbudgeted as this is only the second levy since 1992.
- Underspends of £207k were identified across various services through close scrutiny of the budgets, in preparation for the 2016/17 budget round. Following approval at Full Council on 20 January 2016, these savings were moved to a central area, and have been taken out of the base budget for 2016/17.

## Income - £905k over recovery

- Utilities costs of £60k on the Planet Ice site have been recovered from the tenant. In addition, £45k of service charges e.g. portering services provided to enable the Civic Centre to remain open to accommodate the library's opening hours, have been billed to Herts County Council following the relocation of the library into the Civic Centre.
- Additional income of £60k has been generated from service charges on commercial properties. The terms of individual leases have been reviewed to identify an improved methodology for charging, which has led to an increase in income.
- A surplus of £250k has been generated in Planning and Building Control. This is due to a high volume of large one-off applications having been received during the financial year.
- In Waste Services, there is a surplus of £115k from the Alternative Financial Model. This is an incentive payment made by the waste disposal authority Herts County Council, to reward local authorities for increases in their recycling rates which saves the county council in disposal costs.
- A surplus of £95k has arisen in the Waste Transfer Site at Cupid Depot from efficiencies implemented by the service in waste disposal. The variance has arisen in the Income category because of a new arrangement with Herts County Council concerning street sweepings.

## Non-Controllable

The Non-Controllable variances are set out below:

	<b>£'000</b>
Capital Charges (Reversed no impact on overall outturn)	(20,519)
Pension Adjustments (Reversed no impact on overall outturn)	325
Housing Benefits, Overpayments Provision and Subsidy	(318)
Bad Debt Provision for Impairment	47
Recharges (HRA / General Fund change)	(295)
<b>Total</b>	<b>(20,760)</b>

## HOUSING REVENUE ACCOUNT (HRA)

The Working Balance for the Housing Revenue Account is now £2.9m, which is consistent with the minimum target balance of 5% of income stated in the Medium Term Financial Strategy.

The table below summarises the Council's Housing Revenue Account for 2015/16:

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Dwelling Rents and Service Charges	(56,743)	(56,560)	183
Interest on Investment Income	(114)	(208)	(94)
Other Income	(908)	(1,476)	(568)
<b>Total Income</b>	<b>(57,765)</b>	<b>(58,244)</b>	<b>(479)</b>
Repairs & Maintenance	10,262	11,366	1,104
Supervision & Management	11,334	11,457	123
Revenue Contribution to Capital & Depreciation	24,017	23,191	(826)
Interest Payable	11,658	11,657	(1)
Other Expenditure	494	538	44
<b>Total Expenditure</b>	<b>57,765</b>	<b>58,209</b>	<b>444</b>
<b>Contributions to/(from) Earmarked Reserves</b>	<b>0</b>	<b>(12)</b>	<b>(12)</b>
<b>(Surplus) / Deficit for the year</b>	<b>0</b>	<b>(47)</b>	<b>(47)</b>
Working Balance Brought Forward	(2,846)	(2,846)	0
<b>Working Balance Carried Forward</b>	<b>(2,846)</b>	<b>(2,893)</b>	<b>(47)</b>

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

### Repairs & Maintenance - £1.1m above budget

The year end outturn position for 2015/16 shows an overspend of £1.1m in the repairs and maintenance budgets.

The four areas that have experienced the greatest pressure are Responsive Repairs, including small works, Asbestos surveys and removals, Health and Safety works and External redecorations.

The reasons for the main variances are:

#### Responsive Repairs, including small works - overspend £740k (9.6%)

- These are all demand led works, encompassing traditional responsive repairs, and small works including estate works such as rebuilding dangerous walls, fence renewals, and footpath works.
- In overall terms, in financial year 2015/16 28,534 responsive repair jobs were completed in comparison with 23,368 jobs in financial year 2014/15, which is an increase of 22%. Average job costs were at a 25% lower average cost in the first quarter of the year and it was

anticipated that this would continue over the rest of the year. High demand in small works was experienced in the second and third quarters of the year as a result of a backlog in work predating self-financing that has outstripped the savings anticipated from reduced average job costs.

- It was expected that these overspends could be offset by corresponding underspends on voids based on activity levels for the first two quarters of c£250k. However, due to increasing demand for homeless temporary accommodation, a number of HRA general needs properties have been converted into temporary accommodation during the year, thereby increasing the frequency and volume of voids. This has resulted in a swing in forecasts of c£500k based on the average unit cost of servicing a void of c£5k.
  - Voids 14-15 - 713 completed
  - Voids 15-16 - 766 completed

#### Health and Safety works – overspend £120k (7.6%)

- The poor summer followed by a persistently wet autumn/winter resulted in an increased demand for work to treat mould in the housing stock where the average rainfall was almost twice the normal average. An enhanced specification was developed and extensive work carried out to the affected properties to eradicate the mould and improve ventilation.
- The remainder of the works in this category relate to concrete repairs, trip hazards or other health and safety related issues and are demand led.

#### Asbestos surveys and removals - overspend £230k (5.7%)

- The impact of higher volumes of responsive small works and the enhanced specification for eradication of mould has resulted in a corresponding increase in the number of asbestos refurbishment and demolition surveys, as the enhanced specification leads to more invasive work requiring a greater number of surveys. Due to the age and poor condition a number of asbestos components have required removal.

#### External redecoration - overspend £180k (3.8%)

- External redecoration was undertaken to blocks where scaffold was in-situ for windows or roof renewals funded from capital to maximise the use of the scaffold in line with the objectives of the Total Asset Management (TAM) approach. The TAM approach resulted in bringing forward spend from future years of the business plan.

### **Revenue Contribution to Capital and Depreciation - £0.826m under budget**

- Revenue Contribution to Capital (RCC) is that amount of surplus revenue, generated over the course of the year, which is transferred out of the Housing Revenue Account into the Housing Capital Programme in order to fund capital projects.
- The Council accelerated spend of £630k on the Walkways project to upgrade the structural integrity of the balconies and walkways, which necessitates budget to be brought forward from 2016/17. This leaves a residual underspend of £481k on the capital scheme overall. This



underspend means that the Revenue Contribution to Capital can be reduced by a corresponding amount of £481k, as this amount is not required to fund the capital programme.

- The remaining change in the revenue contribution has been further reduced by to offset the deficit on the HRA.

## CAPITAL PROGRAMME

The table below summarises the Council's Capital Expenditure and Financing for 2015/16:

	Budget £'000	Actual £'000	C/Fwd £'000	Variance £'000
General Fund - Finance and Resources	12,712	10,423	1,936	(353)
General Fund - Housing and Community	1,855	1,539	113	(203)
General Fund - Strategic Planning & Environment	14,651	7,041	6,145	(1,465)
Housing Revenue Account	32,062	30,514	1,048	(500)
<b>Total Expenditure</b>	<b>61,280</b>	<b>49,517</b>	<b>9,242</b>	<b>(2,521)</b>
Capital Receipts		(12,250)		
Government Grants & Contributions		(3,860)		
Borrowing		(6,422)		
Revenue Contributions and Reserves		(26,985)		
<b>Total Funding</b>		<b>(49,517)</b>		

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

### General Fund Schemes

#### Finance & Resources

- An underspend of £121k arose on the Car Park Refurbishment project. The requirements for 2015/16 were refined, and 2 car parks have been refurbished this financial year at a cost of £116k, with slippage of £99k into 2016/17. A new capital bid has been approved for works to be carried out to further car parks in 2016/17.
- An underspend of £136k arose on Enterprise Licence Agreements. These ICT licences are now being treated as revenue expenditure, as they are incurred on an annual basis. The cost for financial year 2015/16 has been charged to the General Fund revenue account, and this expenditure has been budgeted as a revenue cost in the 2016/17 budget.

#### Housing & Community

- An underspend of £165k arose on the Affordable Housing Development Fund. This budget was previously allocated from General Fund capital receipts, but is now funded from Housing Revenue Account 1-4-1 receipts due to the high level of property sales under the Right to Buy scheme. The expenditure is based on the grant applications received from Housing Associations and is therefore demand led.

#### Strategic Planning & Environment

- An underspend of £403k arose on the Bus Interchange project. Following the issues identified during the course of the works at the Marlowes Shopping Zone, a large contingency was put in to the Bus Interchange project, with a high expectation that unforeseen issues might arise.

Fortunately this did not turn out to be the case and a large saving has been made. Unbudgeted grant funding of £180k from Herts County Council has also been secured which reduces the overall cost to the council.

- An underspend of £1m arose on the Heart of Maylands project. This scheme was intended to support the provision of highway access and infrastructure serving DBC's landholding on the Maylands Gateway, however this work is no longer required and the budget will not be spent.

## Housing Revenue Account Schemes

- A net overspend of £149k arose on Planned Fixed Expenditure. Within this net overspend there is accelerated spend of £630k on the Walkways project to upgrade the structural integrity of the balconies and walkways, which necessitates budget to be brought forward from 2016/17 (reducing the carry forward amount shown above). This leaves a residual underspend of £481k. The HRA Revenue Contribution to Capital has been reduced by this amount, as the budgeted contribution to capital is not required in full.

## The Council's Financial Outlook

The Council's budget for 2016/17 and Medium Term Financial Forecast were approved by Full Council in February 2016. Given the testing economic outlook, the Council is projecting further significant reductions in core grant funding and continuing pressures on income streams and services. The Council has plans and resources in place to manage successfully through the medium term.

The Council's medium term capital plans will provide a significant level of investment into the Borough. It is expected that this will have a positive impact on the local economy as well as acting as a catalyst to attract private sector investment and development in Dacorum. The aim of this is to have a further positive impact within the Borough and for the Council through increased business rates or New Homes Bonus.

## Council Tax Collection

The net collectable amount in respect of 2015/16 precepting and billing authority Council Tax was £82.0m. The Council achieved a collection rate of 98.0% (2014/15 97.7%). Council Tax arrears for precepting authorities (for all years) amounted to £6.1m as at 31 March 2016.

## Further Information

More detailed explanations for the Council's outturn are provided in the report to the Audit Committee meeting held on 29 June 2016, entitled 'Final Outturn 2015/16', which is available on the Council's website: [www.dacorum.gov.uk](http://www.dacorum.gov.uk).

Further information about the Statement of Accounts is available from the Financial Services section at Dacorum Borough Council, Civic Centre, Marlowes, Hemel Hempstead, Hertfordshire, HP1 1HH. In addition, interested members of the public have a statutory right to inspect the accounts before the annual audit is completed. The availability of the accounts for inspection is advertised in the local press.

**James Deane**

**Corporate Director (Finance & Operations)**

# Statement of Responsibilities

## **The Council's responsibilities**

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Corporate Director (Finance and Operations).
- Manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.
- Approve the Statement of Accounts by 30 September 2016. Approval of the Statement of Accounts has been delegated to the Audit Committee.

## **The Corporate Director's (Finance and Operations) responsibilities:**

The Corporate Director (Finance and Operations) is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Corporate Director (Finance and Operations) has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code

The Corporate Director (Finance and Operations) has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities

I certify that this Statement of Accounts presents a true and fair view of the financial position of the Council as at 31 March 2016, and its income and expenditure for the year ending 31 March 2016.

**James Deane**

**Corporate Director (Finance and Operations)**

**29 July 2016**

# Annual Governance Statement

## Annual Governance Statement 2015/16

### Introduction

Dacorum Borough Council is committed to ensuring that good governance principles and management practices are adopted. This Annual Governance Statement has been produced in accordance with the CIPFA/SOLACE<sup>1</sup> framework *Delivering Good Governance in Local Government (2007)* and meets the statutory requirement set out in Regulation 4(3) of the Accounts and Audit Regulations 2011, which requires authorities to prepare the statement in accordance with proper practices.

The statement is an open and honest self-assessment of the Council's performance across all of its activities and contains a statement of the actions being taken or required in the future to address areas of concern. It is inevitable that, during a rigorous review of the Council's operations, issues will be identified to be addressed and a key element of good governance is to ensure that there is a clear action plan for addressing these issues.

The governance statement covers all significant corporate systems, processes and controls, spanning the whole range of the Council's activities. The statement includes details of how the Council:

- implements its policies;
- delivers high quality services efficiently and effectively;
- meets its values and ethical standards;
- complies with laws and regulations;
- adheres to required processes;
- ensures financial statements and other published performance information are accurate and reliable;
- manages human, financial, environmental and other resources efficiently and effectively.

The self-assessment contained within this statement has been undertaken taking account of assurance statements provided by managers from across the organisation together with regular reviews of risk management. It has also taken account of Internal Audit reports. In preparing this statement, account has been taken of both the statutory codes and the ethical governance tool-kit produced by the IDEA<sup>2</sup> and the CIPFA Financial Advisory Network.

### The importance of Governance

Good governance leads to good management, good performance, good stewardship of public money, good public involvement and, ultimately, good results for residents and other service users. Good governance enables the Council to pursue its 'vision' (as defined in its corporate planning documents) as well as underpinning that vision with mechanisms for control and management of risk. Whatever our successes in the past, we can make no assumptions about the future. In a fast-changing world the maintenance of high standards of good governance requires constant vigilance.

Good governance means:

- focusing on the purpose of the authority and results for the community and creating and implementing a vision for the local area;
- members and officers working together to achieve a common purpose with clearly defined functions and roles;
- promoting the values of the Council and upholding high standards of conduct and behaviour;
- taking informed and transparent decisions which are subject to effective scrutiny, and managing risk;
- developing the capacity and capability of members and officers to be effective;
- involving local people and other stakeholders to ensure strong public accountability.

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<sup>1</sup> CIPFA – Chartered Institute of Public Finance and Accountancy  
SOLACE – Society of Local Authority Chief Executives and Senior Managers

<sup>2</sup> IDEA - Improvement and Development Agency

# Annual Governance Statement

## Scope of responsibility

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

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs including the management of risk.

Whilst the Cabinet and senior management are responsible for delivering the Council's services and activities within these arrangements, the Audit Committee is responsible for reviewing the effectiveness of these arrangements on behalf of the Council. The Committee is also responsible for making any recommendation necessary as a result of its review or of any issue it identifies as a result of reports from external agencies such as the Audit Commission or the Local Government Ombudsman.

## Purpose of the Governance Framework

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

The governance framework has been in place throughout the financial year which ended on 31 March 2016 and continues to be in place up to the date of the approval of the statement of accounts.

In drawing together this Statement, the Governance Framework has been examined by reviewing the Council's arrangements for the following issues:

- The arrangements for identifying and communicating Dacorum Borough Council's 'vision' and intended outcomes
- Reviewing the 'vision' and its implications for governance arrangements
- Measuring the quality of services for users, ensuring that they are delivered in accordance with our objectives and represent best value for money
- Defining and documenting the roles and responsibilities of members and officers
- Developing, communicating and embedding codes of conduct and defining standards of behaviour for members and staff
- Reviewing and updating the Constitution; Financial Regulations; Scheme of Delegation; and Commissioning & Procurement Standing Orders which clearly define how decisions are taken and the processes and controls to manage risks
- Undertaking the core functions of an Audit Committee
- Ensuring that laws, regulations and internal policies and procedures are complied with and that expenditure is lawful
- Whistle-blowing and investigating complaints from the public
- Identifying the development needs of Members and Senior Officers and providing appropriate training

# Annual Governance Statement

- 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.

The Council has worked with its partners in the Dacorum Strategic Network to develop the Community Strategy '*Towards 2021 – the Dacorum Sustainable Community Strategy*'. This provides long-term ambitions for the Borough through to 2021. The Dacorum Strategic Network has a specific remit for the health and wellbeing of the Borough whereas Dacorum Look No Further has a specific remit for the economic well-being of the Borough.

Within this context, during 2015/16 the Council reviewed its overall vision and priorities for its local communities. The Council's aims are captured within its Corporate Plan 2015-2020 which was adopted by the Council in February 2016 and sets out five local community priorities. The five priorities included in the 2015-20 Corporate Plan 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
- Delivering an efficient and modern Council

To help engage communities in setting and achieving this vision and priorities, Dacorum Borough Council is committed to reviewing and improving services to make sure it is providing the services needed by local people. Throughout the year an independent market research company, Opinion Research Services undertakes a residents' tracker survey on our behalf. It is part of our ongoing efforts to understand our residents' opinions and helps us track residents' changing perceptions of their local area. It is part of a Hertfordshire wide survey along with County Council and other districts. The Council has also taken steps to improve communications with service users through its website (to improve accessibility), the corporate complaints procedure, 'GovMetric' (to obtain customer satisfaction information), and the use of social media such as Facebook and Twitter.

To support its overall vision and aims, the Council has continued to review its Medium Term Financial Strategy and 5 year Capital Programme. Reviews were undertaken during 2015/16 and also as part of the budget preparation for 2016/17. With regard to the Capital Programme, this has included aligning resources to priorities through the appraisal of new schemes based on the Council's key priorities. Our 2016/17 budget consultation included a residents' deliberative forum held and facilitated by Opinion Research Services.

The organisation has a robust framework for project management which ensures that all project proposals follow a standard approval and review process involving four key stages. Every project is defined and resourced with named individuals responsible for project and programme delivery. In addition the organisation employs a specialist project management resource to promote high standards of project management across the organisation.

### Reviewing the 'vision' and its implications for governance arrangements

The Council's Corporate Plan is reviewed by Cabinet and then agreed by Council. The plan is designed to cover the five year period 2015-20 and is reviewed annually to ensure that it remains relevant. The latest Corporate Plan was updated and adopted by Council in February 2016.

Cabinet and the Corporate Management Team (CMT) also review performance indicators. All objectives included in business plans are aligned to the vision and priorities and are reviewed corporately by CMT and other senior managers to test completeness and consistency. A corporate



# Annual Governance Statement

review of 2015/16 performance objectives including setting new targets was undertaken by Assistant Directors and Corporate Directors in March 2016.

The Corporate Improvement and Innovation Team lead and advise on standards in relation to performance and project management and they have introduced a number of initiatives to ensure the organisation makes progress in this area. This includes performance clinics and reviews of operational performance management.

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

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

## **Measuring the quality of services for users, ensuring that they are delivered in accordance with our objectives and represent best value for money**

The Council specifies service standards for those aspects of service delivery which are reflected in Service Plans. Satisfaction surveys are undertaken by key services following the provision of services.

In the preparation of their service plans, managers are required to consider a number of items including measuring the value for money provided by their service and to set out measures for improving it in the future.

The Council has also rolled out a programme of actions to promote evidence based decision making which supports teams to make better use of data and ensure that actions are closely linked to outcomes and impacts.

In the External Auditor's Annual Governance Report for 2014/15, the most recent undertaken, (reported to the Audit Committee on 29 July 2015), the Auditor concluded that the Council had made appropriate arrangements to secure economy, efficiency and effectiveness of its resources, and to secure financial resilience.

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

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

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

Additionally, the Council appoints Committees to discharge the Council's regulatory and scrutiny responsibilities. These, together with the delegated responsibilities of officers, are set out in Part 3 of the Council's Constitution (Responsibility for Functions). Appropriate training for members is provided. All Committees and the various internal corporate officer groups supporting the Council's governance framework also have defined terms of reference. The officer groups include the five Corporate Working Groups. These are the Regeneration Corporate Working Group, the Environment Corporate Working Group, The Organisational Transformation Corporate Working Group, the Community and Localism Corporate Working Group. The Audit Committee provides assurance to the Council on the effectiveness of the governance arrangements and internal control environment.

The Council's Chief Executive, as the Council's Head of Paid Service, has overall corporate policy management and operational responsibility and chairs the Corporate Management Team. Cross-

# Annual Governance Statement

organisational management groups are also in place for Assistant Directors and Group Managers to address cross-directorate operational issues.

All staff have clear conditions of employment and job descriptions which set out their roles and responsibilities. Job descriptions are reviewed as part of the annual performance appraisal.

The Corporate Director (Finance & Operations), as the Council's Section 151 Officer, has overall responsibility for the administration of the financial affairs of the Council, for keeping proper financial records and accounts and for maintaining an effective system of internal financial control. The finance function provides support for the budget preparation and financial monitoring process. The Corporate Director (Finance & Operations) is the lead officer for the Audit Committee. The Corporate Director (Finance & Operations) has appointed the Assistant Director (Finance & Resources) as the Deputy Section 151 Officer in his absence.

The Assistant Director (Chief Executive's Unit), as the Council's Monitoring Officer, had overall responsibility for legal compliance during 2015/16 and appointed the Group Manager (Legal Governance) as the Deputy Monitoring Officer. All Legal Services staff work closely with departments to advice on legal requirements. The Assistant Director (Chief Executive's Unit) was also the lead officer on Member and employee conduct and supports the Standards Committee and its Sub-Committees during 2015/16.

## **Developing, communicating and embedding codes of conduct and defining standards of behaviour for Members and staff**

The Council has adopted a 'local' Code of Conduct for Members in accordance with the Localism Act 2011. The Code was adopted in July 2012 and includes the mandatory provisions relating to the registration and declaration of Disclosable Pecuniary Interests.

Rachel Keil is the Council's Independent Person for the purposes of the Localism Act as part of the Council's arrangements for dealing with complaints about Members.

All elected and co-opted Members are aware of the Code and have entered their interests in the Register of Members' Interests. The Register is published on the Council's website as required by the Localism Act.

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

Part 5 of the Constitution contains the Code of Conduct for Members. It sets out seven general principles: Selflessness, Honesty, Integrity, Objectivity, Accountability, Openness and Leadership. The Code requires Members to show respect for others and uphold the law. Compliance with the Code is monitored by the Standards Committee. Part 5 of the Constitution also contains sections on:

- Code of Conduct for Employees;
- Protocol for Member/Officer relations;
- Planning Code of Practice;
- Whistle Blowing Policy.

Training on the Employees' Code of Conduct as well as governance issues, has been provided during the year. The Employees' Code of Conduct is included within the officer Induction Training Programme for all new employees.

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

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



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2015/16 to enable the Constitution to remain fit for purpose. During 2015/16 the Scheme of Delegation has been amended in order to ensure that it is up to date. It has not been necessary to make more substantial changes to the Constitution during 2015/16.

Financial Regulations and Commissioning & Procurement policies were reviewed in July 2015.

During 2015/16 the Council reviewed the authorisation levels for awarding contracts. Previously any contract which was valued above £50,000 was subject to a Portfolio Holder decision.

After a review of this process it was agreed by Full Council that only contracts that were valued at £500,000 or above were subject to a Portfolio Holder Decision, for all contract values below this figure a certificate of authorisation must be signed by the officer with the relevant authority as stipulated in the Financial Regulations.

For contracts valued between £50,001 and £499,999 an officer decision record sheet is produced and is sent to Statutory Officers to review and comment upon before being signed by the officer with the relevant authority as stipulated in the Financial Regulations and is then sent to Member Support for publication.

The Council has overall responsibility for the approval of the financial and policy framework, namely: the Council's Budget, Medium Term Financial Strategy, the Corporate Plan, the Development Plan and other plans and strategies that have a borough-wide application.

The Cabinet is responsible for the discharge of most of the main functions of the authority that are not the responsibility of full Council. As such, the Cabinet is the main decision-making body of the Council and its decisions, whilst subject to scrutiny, are ultimately not capable of being overturned, other than through legal proceedings. The Cabinet also makes recommendations to Council for approval on financial and policy framework matters.

The decision-making process is reviewed by a scrutiny function which has the power to call in decisions made. It also undertakes some pre-decision scrutiny and some policy development work.

Authority to make day-to-day operational decisions is detailed in Part 3 of the Council's Constitution 'Responsibility for Functions'.

Procedures governing the Council's operations include Financial Regulations, Commissioning & Procurement Standing Orders and the Risk Management Strategy. Ensuring compliance with these procedures is the responsibility of managers across the Council. Internal Audit checks procedures are complied with as part of the Annual Audit Plan. In addition key corporate strategies provide the framework for key decisions: these include the Corporate Plan, Medium Term Financial Strategy, and Asset Management Plan.

The Finance & Resources Overview and Scrutiny Committee oversee the effectiveness of the risk management arrangements.

The Procurement Governance Framework includes the Commissioning & Procurement Standing Orders, Commissioning & Procurement Strategy, Selling to the Council Guide, Small and Medium Entity Protocol and Terms of Reference for the Procurement Board.

The Council's Corporate Business Continuity Plan was reviewed and updated in light of the programme of Information and Communications Technology (ICT) infrastructure improvements. The Council also has a number of service-specific business continuity plans in place which are updated annually as part of the service plan process.

# Annual Governance Statement

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

The Audit Committee has been established by the Council. When the Committee was established its terms of reference were prepared to ensure that it complies fully with the advice provided by CIPFA<sup>3</sup>. The key areas covered by the terms of reference of the Committee are Audit Activity, Regulatory Framework, Accounts and Ombudsman.

## **Ensuring that laws, regulations, internal policies and procedures are complied with and that expenditure is lawful.**

All reports going to Cabinet or Portfolio Holders are properly scrutinised for governance issues by the Statutory Officers. Reports to Council, Cabinet and Portfolio holders for Portfolio Holder decisions contain comments from the Monitoring Officer and the Section 151 Officer. In addition, all key executive decisions taken by officers under delegated powers are required to be recorded on an executive decision sheet which must include the comments of the section 151 officer and the Monitoring Officer.

All Cabinet draft reports are made available for the Statutory Officers to review and comment upon prior to submission to Member Support for publication. Any legal or financial issues arising out of the draft reports are discussed with the report author and resolved prior to the report being issued to Member Support who then compile the agenda and publish the reports.

The Report Template requires the report author to consider and provide the following information:

- Whether the report is part I or part II (part II items contain confidential or exempt information from which the general public are excluded – when an item is classified as part II then a reason has to be provided);
- Purpose of the report;
- Recommendations;
- Link to Corporate Objectives;
- Financial and Value For Money Implications;
- Risk Implications;
- Equalities Implications;
- Health and Safety Implications;
- Monitoring Officer Comments;
- S151 Officer Comments;
- Consultees;
- Background papers.

Statutory Officers, Corporate Directors and Assistant Directors provide further representations and assurances in the form of signed assurance statements, that sound systems of internal control and processes for managing risk have been implemented within the service areas for which they are responsible, and that the Council's own internal controls have been complied with. Assurance statements have to be submitted annually to the Assistant Director (Chief Executive's Unit).

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

The Council is required to monitor its use of covert surveillance under RIPA. The Assistant Director (Chief Executive's Unit) submits an annual statistical return to the Office of the Surveillance Commissioner (OSC) on the use of covert surveillance.

In compliance with the revised Home Office Codes of Practice the Assistant Director (Chief Executive's Unit) was designated as the Council's Senior Responsible Officer with overall

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<sup>3</sup> Audit Committee – Practical Guidance for Local Authorities published 2005.

# Annual Governance Statement

responsibility for ensuring that the Council complies with RIPA and with the Council's own policy and procedures on the use of covert surveillance during 2015/16.

During 2015/16 no 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. In November 2014 the Council received an inspection visit from the Assistant Surveillance Commissioner. The subsequent inspection report concluded that the Council's RIPA structure remains in good working order, with a sound Policy and good record keeping. The report contained three relatively minor recommendations which have been implemented.

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

Under the DPA 1998 the Council is required to take appropriate technical and organisational measures against the unauthorised or unlawful processing of personal data and against accidental loss or destruction of, or damage to, personal data and to ensure an appropriate level of security.

The Information Security Team Leader post, reporting to the Assistant Director (Chief Executive Unit) is the Council's designated Senior Information Risk Officer (SIRO). The SIRO has responsibility for managing information risk on behalf of the Chief Executive and Corporate Management Team. The Information Security Team Leader has adopted the ICO's reporting template for potential breaches.

In 2015/16 the Data Protection Act and Information Security workshop training was made mandatory and is provided on a quarterly basis to current and new staff. The training has been updated to focus on types of breaches, offences, and how to report a breach and direction is given to where the policies and procedures are located. All Data Protection and Information Security Policies are linked to the Council's conduct procedures.

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

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

The Council takes fraud, corruption and maladministration very seriously and has the following policies that aim to prevent or deal with such occurrences:

- Anti-fraud Policy
- Whistle-blowing Policy
- Human resources policies regarding the disciplining of staff involved in such incidents.

Fraud Awareness, Anti-Money Laundering and Whistle-blowing training are Compulsory Training Requirements for all staff.

A corporate complaints procedure is in place for the Council to receive and investigate any complaint made against it, or against a member of staff. Complaints against Members relating to alleged breaches of the Members Code of Conduct are subject to a separate complaints process for which the Monitoring Officer and Standards Committee are responsible for dealing with, as referred to above.

## **Identifying the development needs of Members and Senior Officers and providing appropriate training.**

The Council aims to ensure that Members and employees have the skills, knowledge and capacity they need to discharge their responsibilities and recognises the value of well trained and competent people in effective service delivery. All new Members and staff undertake an induction to familiarise them with protocols, procedures, values and aims of the Council.

In 2009/10 the Council achieved Elected Member Charter Status and, while not renewing the status this year the Council has continued to show the commitment to Member Development developed

# Annual Governance Statement

during this exercise. The Council is committed to developing and supporting elected members. The processes put in place to achieve the Charter have helped the Council adopt a structured approach to Councillor Development and to build elected member capacity. This is particularly important given the ever changing skills and competencies essential to fulfil the requirements of being a councillor and to deal with the influx of new Members as a result of all out elections in May 2015 .

As part of the commitment to the Member training programme, attendance is registered and monitored. During 2015/16, Members attended 20 specific events and also attended additional courses and conferences. Details of the events and attendance levels are set out in the table below:

Course	Date	Attendance
Induction Days	21/05/15 & 06/06/15	43
Development Control	26/05/15	12
Employment Appeals	08/06/15	8
Licensing Training	01/07/15	10
Community Infrastructure Levy Briefing	15/07/15	3
Housing Appeals Training	20/07/15	8
Media Training	22/07/15	3
Data Protection/ Info Security	23/07/15	17
Being an Effective Cllr Local Government Information Unit (LGIU)	24/07/15	2
Voluntary Sector Speed Dating	01/09/15	10
Community Infrastructure Levy training	09/09/15	4
Housing Allocations & Choice Based Lettings	10/09/15	10
Standards	17/09/15	4
Budget Setting Process	22/10/15	25
Development Control	29/10/15	11
Evidence Based Decision Making	03/11/15	9
Workshop to Raise Awareness of Prevent Training	18/01/16 & 01/02/16	2
Emergency Planning Awareness	20/01/16	14
Workshop to Raise Awareness of Prevent Training	11/02/16	11

Annual Performance Appraisals of staff are carried out which identify competencies and any training needs. These competencies have been developed to reflect skills and abilities needed to deliver services throughout the organisation. All Council employees have individual training records, held on the Council's Employee Information System providing details of the courses attended.

The Council sets standards of behaviour and performance for all staff and assessments of these standards are undertaken as part of annual performance reviews undertaken at year-end and interim reviews carried out during the year.

The Council has retained the Investors in People accreditation following reassessment in 2015/16. The accreditation lasts for three years.

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

The Council's planning and decision-making processes are designed to include consultation with local people and stakeholders and to take account of their views.

Arrangements for consultation and gauging local views include consultation with the Town and Parish Councils, the Tenant and Leaseholder Committee, Citizens Panel and resident associations.

The Council runs a Local Petition Scheme which helps neighbourhood action groups to set the agenda for future improvements to local areas. Our magazine Dacorum Digest and the Dacorum

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Borough Council website are the main methods for communicating with the Borough's residents about our roles and responsibilities and our plans for the future. We have also developed close relationships with local broadcast and newspaper journalists. We have social media accounts on Facebook, Twitter and YouTube. We also run campaigns on specific issues which make use of community noticeboards and campaign materials in our three Civic Centre reception areas, as well as occasionally making use of radio and newspaper advertising.

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

The Council participates in a number of partnerships aimed at improving services provided to the community, such as the Dacorum Strategic Network and Destination Dacorum and various Community Safety Partnerships.

When drawing together different partners with varying organisational cultures and methodologies for handling governance issues, it is important that clear protocols are established at an early stage to minimise and manage risk. The Council keeps its register of Partnerships under constant review.

## **A Review of the Effectiveness of the Governance Framework and System of Internal Control**

Dacorum Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Council who have responsibility for the development and maintenance of governance systems, the Internal Audit Annual Report, and also recommendations and comments made by the External Auditors and other review agencies and inspectorates.

Throughout 2015/16, the Council's Internal Audit service was provided by Mazars Public Sector Internal Audit Limited. The independent opinion on the adequacy and effectiveness of the Council's system of internal control has been provided by Mazars Public Sector Internal Audit Limited, and is based on an internal audit methodology that complies with international auditing standards.

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## The process applied in maintaining and reviewing the effectiveness of the governance framework

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

Key element	Role and Activity during the year
Council	<ul style="list-style-type: none"> <li>○ Approve Constitution including: Financial Regulations; Codes of Conduct; Commissioning &amp; Procurement Standing Orders; Scheme of Delegation</li> <li>○ Set budget and policy framework</li> </ul>
Cabinet	<ul style="list-style-type: none"> <li>○ Financial, performance and risk management of service delivery within the Budget and Policy Framework set by Council – quarterly reports</li> <li>○ Responsibility for key decisions and initiating corrective action in relation to risk and internal control issues</li> <li>○ Monthly public meetings (excluding any summer recess)</li> <li>○ Regular briefings with Chief Officers</li> </ul>
Audit Committee	<ul style="list-style-type: none"> <li>○ Five scheduled meetings per annum</li> <li>○ Review and scrutinise the outcome of Internal and External audit reports and those of other external agencies such as the Ombudsman</li> <li>○ Monitor the Governance arrangements within the Council</li> <li>○ Delegated responsibility to scrutinise and approve the Financial Statements on behalf of the Council</li> <li>○ To consider the External Auditor's report to those charged with Governance on issues arising from the audit of the accounts</li> </ul>
Overview and Scrutiny Committees: <ul style="list-style-type: none"> <li>○ Housing &amp; Community</li> <li>○ Strategic Planning &amp; Environment</li> <li>○ Finance &amp; Resources</li> </ul>	<ul style="list-style-type: none"> <li>○ To provide overview and scrutiny and policy development role in relation to business associated with the Cabinet Portfolios</li> <li>○ To monitor the performance of relevant Council services, including services which are provided under contract or agreement by external organisations or private sector companies</li> </ul>
Standards Committee	<ul style="list-style-type: none"> <li>○ Consider allegations of breaches of the Code of Conduct</li> <li>○ Promote and maintain high standards of conduct by the members of the Council</li> </ul>
Internal Audit – (outsourced service provided by Mazars)	<ul style="list-style-type: none"> <li>○ Set overall internal audit strategy to meet the Council's overall direction</li> <li>○ Undertake an annual programme of audits</li> <li>○ Present audit reports to Management and Audit Committee</li> <li>○ Present progress reports to Audit Committee measuring performance against the Audit Plan</li> </ul>
Chief Executive (Head of Paid Service)	<ul style="list-style-type: none"> <li>○ Overall corporate policy management and operational responsibility</li> <li>○ Chairman of Corporate Management Team</li> </ul>
Monitoring Officer (Assistant Director (Chief Executives Unit) (During 2015/16)	<ul style="list-style-type: none"> <li>○ Maintain the Constitution</li> <li>○ Ensure lawfulness and fairness of decision making</li> <li>○ Supporting the Standards Committee</li> </ul>



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	<ul style="list-style-type: none"> <li>○ Receive complaints and decide whether they merit further investigation. If the complaint is investigated to report the outcome to the Standards Committee for a decision and ensure the correct procedural steps are followed and appropriate assistance is given to the Committee throughout the process</li> <li>○ Act as the Senior Information Risk Officer</li> <li>○ Act as the Senior Responsible Officer (RIPA)</li> <li>○ Proper officer for access to information</li> <li>○ Advise whether Cabinet and Portfolio Holder decisions are within the Council's budget and policy framework</li> <li>○ Provide advice and contribute to corporate management as a member of Corporate Management Team</li> </ul>
Section 151 Officer (Corporate Director (Finance & Operations))	<ul style="list-style-type: none"> <li>○ Ensure lawfulness and financial prudence of decision making</li> <li>○ Responsibility for administration of financial affairs of the Council and keep proper financial records and accounts for maintaining an effective system of internal financial controls</li> <li>○ Contribute to corporate management as a member of Corporate Management Team</li> <li>○ Provide professional financial advice to Members including the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues</li> <li>○ Provide financial information to the media, members of the public and community</li> </ul>
Statutory Officers Comments – Monitoring Officer and Section 151 Officer	<ul style="list-style-type: none"> <li>○ Statutory officers review all Cabinet and Portfolio Holder Decision reports to consider and comment within the report on legal and financial implications arising out of the report</li> <li>○ Review of governance issues arising out of day to day working practices</li> <li>○ Consider issues arising out of the annual assurance statements</li> </ul>
Corporate Directors	<ul style="list-style-type: none"> <li>○ Overall strategic and operational management of those services falling within each individual directorate</li> <li>○ Contribute to corporate management as a member of Corporate Management Team</li> </ul>
Corporate Management Team	<ul style="list-style-type: none"> <li>○ Monthly review of budget, performance and Improving Dacorum Programme</li> <li>○ Quarterly review of strategic risk management</li> </ul>
Performance Board	<ul style="list-style-type: none"> <li>○ Review performance against Council Vision and Priorities</li> <li>○ Review Dacorum Delivers improvement programme projects</li> </ul>
Corporate Working Groups	<ul style="list-style-type: none"> <li>○ Officer/Member groups drawn from service directorates and including relevant Portfolio Holders as appropriate</li> <li>○ Oversee and review delivery of all relevant operational matters and establish and receive reports from sub-groups as necessary</li> <li>○ Consider options appraisals and make recommendations for CMT and Cabinet consideration</li> </ul>
Assistant Directors and Group Managers	<ul style="list-style-type: none"> <li>○ Operational management for the services falling within each individual service area</li> <li>○ Assurance Statements covering all of the Council's key internal controls, including: Financial Regulations; Commissioning &amp; Procurement Standing Orders; Employees Code of Conduct; Corporate Policies; and risk management.</li> </ul>

# Annual Governance Statement

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

We have been advised of the result of the review of the effectiveness of the governance framework by the Audit Committee and a plan to address the weaknesses and ensure continuous improvement of the system is in place. We have identified the significant governance issues below.

### Significant governance issues

The Council's Internal Audit service, Mazars Public Sector Internal Audit Limited, undertook a total of 16 reviews in 2015/16, of which 15 (94%) were rated as providing a full or substantial level of assurance, and one (6%) provided limited assurance.

The single Limited Assurance report included a Priority 1 recommendation. Priority 1 recommendations relate to issues that are deemed to be fundamental to the systems concerned and upon which immediate action has been taken. This related to:

**Right to Buy – Identity and Tenancy Checks.** Identity and Tenancy checks should be completed within four weeks of the Right to Buy applications being submitted. Consideration should be given to setting up a central e-mail account to which identity and tenancy check requests should be sent, and which should be monitored weekly to ensure that all requests are promptly processed.

The Internal Auditor has obtained satisfactory assurance that the system of internal control in place at the Council for the year ended 31 March 2016 accords with proper practice. Further details of the reviews undertaken by Internal Audit during 2015/16 are available upon request and are summarised within the Internal Auditor's draft Annual Report presented to the Audit Committee on 29 June 2016, and published on the Council's website.

Where this Governance Statement has identified other areas for improvement we propose to take steps to enhance our governance arrangements further. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

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

We give our further assurance that the Council's financial management arrangements conform to the governance requirements of the CIPFA *Statement on the role of the Chief Financial Officer in Local Government* (2010).

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

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



## Comprehensive Income & Expenditure Statement

	Note	2015/16			2014/15		
		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Central Services to the Public		3,507	(895)	2,612	4,059	(987)	3,072
Cultural and Related Services		9,329	(4,308)	5,021	9,250	(4,099)	5,151
Environmental and Regulatory Services		12,509	(4,459)	8,050	12,152	(4,554)	7,598
Planning Services		10,372	(2,372)	8,000	6,688	(2,106)	4,582
Highways, Roads & Transport Services		2,518	(2,111)	407	1,662	(2,450)	(788)
Local Authority Housing (HRA)		48,077	(58,037)	(9,960)	20,081	(56,476)	(36,395)
Other Housing Services		55,760	(53,224)	2,536	55,176	(51,796)	3,380
Corporate and Democratic Core		2,366	(235)	2,131	2,666	(259)	2,407
Non Distributed Costs		7	0	7	0	0	0
<b>Total Cost of Services</b>		<b>144,445</b>	<b>(125,641)</b>	<b>18,804</b>	<b>111,734</b>	<b>(122,727)</b>	<b>(10,993)</b>
Other Operating Expenditure	6			(3,825)			(3,292)
Financing and Investment Income and Expenditure	7			(16,107)			10,143
Taxation and Non Specific Grant Income	8			(22,776)			(21,326)
<b>(Surplus)/Deficit on Provision of Services</b>				<b>(23,904)</b>			<b>(25,468)</b>
(Surplus)/ Deficit on Revaluation of Property, Plant and Equipment	20/32			(99,386)			(59,628)
Actuarial (Gains)/Losses on Pension Asset / Liabilities	15			(20,143)			13,249
<b>Other Comprehensive Income and Expenditure</b>				<b>(119,529)</b>			<b>(46,379)</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>(143,433)</b>			<b>(71,847)</b>

## Movement in Reserves Statement

	Note	General Fund £'000	Earmarked Reserves General Fund £'000	Housing Revenue Account £'000	Earmarked Reserves HRA £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Council Reserves £'000
<b>Balance at 31 March 2015</b>		<b>2,654</b>	<b>12,534</b>	<b>2,846</b>	<b>7,194</b>	<b>17,570</b>	<b>531</b>	<b>314</b>	<b>43,643</b>	<b>463,327</b>	<b>506,970</b>
Movement in Reserves During 2015/16:											
Surplus or (Deficit) on Provision of Services		19,220	0	4,684	0	0	0	0	23,904		23,904
Other Comprehensive Income and Expenditure										119,529	119,529
<b>Total Comprehensive Income and Expenditure</b>		<b>19,220</b>	<b>0</b>	<b>4,684</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>23,904</b>	<b>119,529</b>	<b>143,433</b>
Adjustments Between Accounting Basis and Funding Basis Under Regulations:	18	(19,487)	0	(4,649)	0	961	70	(314)	(23,419)	23,419	0
<b>Net Increase/(Decrease) Before Transfers to Earmarked Reserves</b>		<b>(267)</b>	<b>0</b>	<b>35</b>	<b>0</b>	<b>961</b>	<b>70</b>	<b>(314)</b>	<b>485</b>	<b>142,948</b>	<b>143,433</b>
Transfer (to)/from Earmarked Reserves	19	115	(115)	12	(12)	0	0	0	0	0	0
<b>Increase/(Decrease) in Year</b>		<b>(152)</b>	<b>(115)</b>	<b>47</b>	<b>(12)</b>	<b>961</b>	<b>70</b>	<b>(314)</b>	<b>485</b>	<b>142,948</b>	<b>143,433</b>
<b>Balance at 31 March 2016</b>		<b>2,502</b>	<b>12,419</b>	<b>2,893</b>	<b>7,182</b>	<b>18,531</b>	<b>601</b>	<b>0</b>	<b>44,128</b>	<b>606,275</b>	<b>650,403</b>

	Note	General Fund £'000	Earmarked Reserves General Fund £'000	Housing Revenue Account £'000	Earmarked Reserves HRA £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Council Reserves £'000
<b>Balance at 31 March 2014</b>		<b>2,654</b>	<b>12,534</b>	<b>2,846</b>	<b>7,194</b>	<b>17,570</b>	<b>531</b>	<b>314</b>	<b>43,643</b>	<b>463,327</b>	<b>506,970</b>
Movement in Reserves During 2014/15:											
Surplus or (Deficit) on Provision of Services		(4,191)	0	29,659	0	0	0	0	25,468	0	25,468
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0	0	46,379	46,379
<b>Total Comprehensive Income and Expenditure</b>		<b>(4,191)</b>	<b>0</b>	<b>29,659</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>25,468</b>	<b>46,379</b>	<b>71,847</b>
Adjustments Between Accounting Basis and Funding Basis Under Regulations:	18	2,350	0	(29,692)	0	6,450	(255)	(10,006)	(31,153)	31,153	0
<b>Net Increase/(Decrease) Before Transfers to Earmarked Reserves</b>		<b>(1,841)</b>	<b>0</b>	<b>(33)</b>	<b>0</b>	<b>6,450</b>	<b>(255)</b>	<b>(10,006)</b>	<b>(5,685)</b>	<b>77,532</b>	<b>71,847</b>
Transfer (to)/from Earmarked Reserves	19	1,798	(1,798)	156	(156)	0	0	0	0	0	0
<b>Increase/(Decrease) in Year</b>		<b>(43)</b>	<b>(1,798)</b>	<b>123</b>	<b>(156)</b>	<b>6,450</b>	<b>(255)</b>	<b>(10,006)</b>	<b>(5,685)</b>	<b>77,532</b>	<b>71,847</b>
<b>Balance at 31 March 2015</b>		<b>2,654</b>	<b>12,534</b>	<b>2,846</b>	<b>7,194</b>	<b>17,570</b>	<b>531</b>	<b>314</b>	<b>43,643</b>	<b>463,327</b>	<b>506,970</b>

## Balance Sheet

	Note	31 March 2016 £'000	31 March 2015 £'000
<b>Long-term Assets</b>			
Property, Plant & Equipment	20	941,879	845,789
Investment Property	17	74,293	46,123
Heritage Assets	39	9,030	1,649
Intangible Assets	22	799	1,009
Long-term Debtors	24	1,062	1,085
<b>Total Long Term Assets</b>		<b>1,027,063</b>	<b>895,655</b>
<b>Current Assets</b>			
Short-term Investments	38	44,124	34,032
Assets Held for Sale	23	1,478	0
Inventories		177	180
Short-term Debtors	25	14,586	13,489
Cash and Cash Equivalents	26	20,622	23,467
<b>Total Current Assets</b>		<b>80,987</b>	<b>71,168</b>
<b>Current Liabilities</b>			
Short-term Creditors	27	(18,081)	(19,724)
Short-term Borrowing	38	(894)	(128)
Revenue Grants and Contributions	30	(102)	(269)
Capital Grants and Contributions	29	(766)	(2,838)
Short-term Provisions	31	(4,722)	(5,472)
<b>Total Current Liabilities</b>		<b>(24,565)</b>	<b>(28,431)</b>
<b>Long-term Liabilities</b>			
Long-term Creditors	28	(7,107)	(7,158)
Long-term Borrowing	38	(365,754)	(346,739)
Net Pension Liability	15	(60,221)	(77,525)
<b>Total Long-term Liabilities</b>		<b>(433,082)</b>	<b>(431,422)</b>
<b>Net Assets (Assets Less Liabilities)</b>		<b>650,403</b>	<b>506,970</b>
<b>Usable Reserves</b>			
General Fund		2,502	2,654
Earmarked Reserves – General Fund	19	12,419	12,534
Housing Revenue Account		2,893	2,846
Earmarked Reserves – Housing Revenue Account	19	7,182	7,194
Major Repairs Reserve	HRA4	18,531	17,570
Capital Grants Unapplied Account		601	531
Capital Receipts Reserve		0	314
<b>Total Usable Reserves</b>		<b>44,128</b>	<b>43,643</b>
<b>Unusable Reserves</b>			
Revaluation Reserve	32	209,122	112,656
Capital Adjustment Account	33	459,360	429,289
Deferred Capital Receipts	34	4	10
Collection Fund Adjustment Account	35	(1,761)	(900)
Pension Reserve	15	(60,221)	(77,525)
Accumulated Absences Account	36	(229)	(203)
<b>Total Unusable Reserves</b>		<b>606,275</b>	<b>463,327</b>
<b>Total Reserves</b>		<b>650,403</b>	<b>506,970</b>

## Cash Flow Statement

	Note	2015/16 £'000	2014/15 £'000
<b>Cash Flows from Operating Activities</b>			
Net Surplus/(Deficit) on Provision of Services		23,904	25,468
Depreciation & Impairment	20	14,685	13,002
Changes in Market Value of Property, Plant & Equipment	20	14,664	(13,047)
Amortisation of Intangible Assets	22	547	326
Changes in Fair Value of Investment Properties	17	(27,170)	(1,047)
Disposal of Assets	18	7,464	6,820
Changes in Inventory		3	(6)
Changes in Debtors		(1,487)	(2,113)
Changes in Creditors		(1,695)	6,529
Changes in Provisions	31	(750)	2,337
Changes in Deferred Capital Receipts	34	(6)	(20)
Changes in Net Pension Liability	15	2,839	2,018
Other non-cash Movements		4	(6)
Capital Grants Recognised	8	(3,930)	(3,214)
Proceeds on Disposal of Property, Plant & Equipment	18	(13,517)	(12,133)
<b>Net Cash Flows from Operating Activities</b>		<b>15,555</b>	<b>24,913</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of Property, Plant & Equipment	20	(41,506)	(37,459)
Purchase of Investment Property	17	(695)	(70)
Purchase of Intangible Assets	22	(247)	(204)
Purchase of Heritage Assets	39	(1,264)	0
Proceeds from the Disposal of Property, Plant and Equipment	18	13,517	12,153
Net Changes in Short-term and Long-term Investments		(10,092)	(11,422)
<b>Net Cash Flows from Investing Activities</b>		<b>(40,287)</b>	<b>(37,002)</b>
<b>Cash Flows from Financing Activities</b>			
Changes in Grants and Contributions		(2,239)	48
Capital Grants and Contributions Recognised	8	3,930	3,214
Cash Receipts of Short-term and Long-term Borrowing		19,781	1
Changes in Council Tax and Business Rates Collected for Third Parties		415	702
<b>Net Cash Flows from Financing Activities</b>		<b>21,887</b>	<b>3,965</b>
<b>Net Increase/Decrease in Cash and Cash Equivalents in the Period</b>		<b>(2,845)</b>	<b>(8,124)</b>
<b>Cash and Cash Equivalents at the Beginning of the Period</b>		<b>23,467</b>	<b>31,591</b>
<b>Cash and Cash Equivalents at the End of the Period</b>		<b>20,622</b>	<b>23,467</b>
The cash flows for operating activities include the following items:		2015/16	2014/15
	Note	£'000	£'000
Interest Receivable and Similar Income	7	(552)	(456)
Interest Payable and Other Similar Charges	7	12,208	11,681

# Notes to the Core Financial Statements

## 1. Accounting Policies

### Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of the Statement of Accounts (the Accounts) are set out below.

### Basis of Preparation

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting 2015/16 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The functional and presentational currency of Dacorum Borough Council (the Council) is pounds sterling.

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

The preparation of the Accounts in conformity with the Code requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies.

### Going Concern

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

### Accruals of Income and Expenditure

Activity is accounted for within the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser, and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

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

### Exceptional Items

Items are presented as exceptional when that degree of prominence is necessary in order to give a fair presentation of the financial statements. A description of each exceptional item is given within the notes to the Accounts.

# Notes to the Core Financial Statements

## **Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

## **Community Infrastructure Levy**

The Community Infrastructure Levy (CIL) which was introduced by the planning Act 2008 and the Community Infrastructure Levy Regulations 2010(SI 2010/948) as amended, is a discretionary charge which the Council charges on new development in the area from 1 July 2015.

CIL charges are based on a formula which relates the charge to the size of the development. The proceeds of the levy are spent on infrastructure to support the development of the borough. Dacorum Borough Council is the chargeable body and collects the levy on behalf of Town and Parish councils.

CIL is recognised on an accruals basis at the commencement date of the development as part of Taxation and Non Specific Grant Income in the Comprehensive Income and Expenditure Statement.

CIL income applied to meet the administrative expenses of the scheme is recognised immediately in the Comprehensive Income and Expenditure Statement. Administrative expenses are charged to service revenue accounts in accordance with the requirements of the CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP).

## **Government Grants and Other Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as Creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

# Notes to the Core Financial Statements

## Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the SeRCOP. The total absorption costing principle is used – the full cost of overheads and support service are shared between users in proportion to the benefits received with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional democratic organisation; and
- Non Distributable Costs – the costs of discretionary benefits awarded to employees retiring early and any impairment losses chargeable on Assets Held for Sale.

These two costs categories are defined in SeRCOP and accounted for as separate headings on the Comprehensive Income and Expenditure Statement, as part of the Surplus or Deficit on the Provision of Services.

## Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations depreciation, revaluations, impairment losses and amortisations are therefore reversed by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

## 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 and, non-current assets held for sale shall be measured at highest and best use.

## Property, Plant and Equipment

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

Expenditure on Property, Plant and Equipment is capitalised at cost when it will bring benefits to the Council for more than one reporting period, subject to a de-minimis capitalisation threshold of £10,000 per scheme. Items below this limit are charged to the Comprehensive Income and Expenditure Statement. The Council does not capitalise borrowing costs incurred whilst assets are under construction.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Comprehensive Income and Expenditure Statement during the financial period in which they are incurred.

Land and buildings are subsequently measured at fair value.



# Notes to the Core Financial Statements

Fair value is estimated using a depreciated replacement cost approach when the asset is specialised and/or rarely sold.

Council dwellings are subsequently measured at fair value determined using the Existing Use Value for Social Housing (EUV-SH) method. Fair value is primarily based on the amount that would be paid for the asset in its existing use.

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

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

When an asset's carrying amount decreases as a result of a revaluation, the decrease is debited directly to the Revaluation Reserve to the extent of any credit balance existing in respect of that asset. Any remaining decrease is recognised against the relevant service lines in the Comprehensive Income and Expenditure Statement.

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

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

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

## Revenue Expenditure Funded From Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

## Impairment

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

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

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

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



# Notes to the Core Financial Statements

## 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 as follows:

Buildings	Remaining useful life is provided by the external valuers
Community Assets	Shorter of remaining life or 30 years
Infrastructure Assets	Shorter of remaining life or 30 years
Council Dwellings	Remaining useful life is provided by the external valuers
Vehicles, Plant and Equipment	Remaining lease period, or remaining life as advised by a suitable officer

Where an asset comprises two or more major components with substantially different useful economic lives, each component is accounted for separately for depreciation purposes and depreciated over its individual useful life. The requirement for componentisation for depreciation purposes is only applicable to enhancement, purchases, or revaluations after 1 April 2010.

No depreciation is charged on land or assets under construction.

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

Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the Comprehensive Income and Expenditure Statement, and depreciation based on the asset's historic cost, is transferred from the Revaluation Reserves to the Capital Adjustment Account.

## **Heritage Assets**

The Council holds various items classified as Heritage Assets. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses, acquisitions and disposals) in accordance with the Council's accounting policies on Property, Plant and Equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets.

The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment, e.g. where the item has suffered physical deterioration or breakage, or where doubt arises to its authenticity. Impairments are recognised and measured in accordance with the Council's general policies on impairment. Disposals are dealt with in line with the accounting policies relating to the disposal of Property, Plant and Equipment. The groups of Heritage Assets along with the measurement basis are as follows:

## Land

The Council holds three areas of land which form part of the Borough's history. Within these areas of land various sculptures and other cultural assets are on display. These assets are valued at fair value. Fair value is primarily based on the amount that would be paid for the asset in its existing use. As with Property, Plant and Equipment, assets are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years.

## Civic Regalia/Treasuries

The Council holds various items of Regalia and Treasuries, many of which are on display at The Civic Centre, Hemel Hempstead. These include the Mayoral Chain, Badges, Silver Mace and the Charters. These items are reported in the Balance Sheet at insurance valuation which is based on market values. Valuations are reviewed sufficiently regularly to ensure that their carrying amount is not materially different from their valuation at the year-end, but as a minimum every five years.

# Notes to the Core Financial Statements

## Sculptures/Statues/Artwork

The Council holds numerous sculptures and pieces of artwork located throughout the Borough. Those that are deemed to have historical, artistic or cultural significance are valued, and carried on the Balance Sheet. Where possible, these valuations are based on cost when acquired. For those items where cost information is unavailable, no value is reported in the Balance Sheet as it would involve incurring a disproportionate cost to value the assets in comparison to the benefits of the users of the accounts.

## Other Heritage Assets

In addition to the previous groups, the Council holds a range of miscellaneous assets. The majority of these assets are held and managed by the Dacorum Heritage Trust (DHT), which makes them available for public viewing on request. These assets are held on the Balance Sheet at insurance valuation. Valuations are reviewed sufficiently regularly to ensure that their carrying amount is not materially different from their valuation at the year-end, but as a minimum every five years. The remaining miscellaneous assets not managed by the DHT are not reported on the Balance Sheet as the cost of valuation would be disproportionate to the benefits of the users of the accounts.

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

## **Lease Classification**

Leases are classified as either finance leases or operating leases based on the substance of the arrangement. The lease of land and building is split at inception of the lease into a separate lease of land and a lease of buildings which are independently classified. Unless title is expected to pass to the lessee at the end of the lease term, leases of land have been classified as operating leases.

Arrangements that do not have the legal status of a lease but convey a right to use a specific asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

## Operating Leases (Council as Lessee)

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged on a straight-line basis over the term of the lease to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Contingent rent is recognised in the period in which it arises.

## Finance Leases (Council as Lessee)

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

Finance leased assets are capitalised at the commencement of the lease at the lower of the fair value of the leased Property, Plant and Equipment and the present value of the minimum lease payments. Up-front payments for a leasehold interest classified as a finance lease are capitalised as part of the asset.

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

# Notes to the Core Financial Statements

The corresponding lease obligations, net of finance charges, are included in Creditors. Interest is charged to the Comprehensive Income and Expenditure Statement over the lease period at a constant periodic rate of interest on the remaining balance of the liability for each period. Contingent rent is recognised as an expense in the period in which it arises.

## Operating Leases (Council as Lessor)

Where the Council grants an operating lease over an Investment Property, the leased asset remains within Investment Property on the Balance Sheet. The lease income is recognised over the term of the lease on a straight-line basis in the Income and Expenditure in Relation to Investment Properties line in the Comprehensive Income and Expenditure Statement and result in a gain for the General Fund Balance. Contingent rent is recognised in the period in which it arises.

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

## Finance Leases (Council as Lessor)

Where the Council grants a finance lease over an Investment Property, the leased asset is derecognised from Investment Property as a disposal and a lease receivable is recognised for any leases with rental payments in excess of peppercorn rent. Peppercorn rents are recognised in the Income and Expenditure in Relation to Investment Properties line in the Comprehensive Income and Expenditure Statement.

## **Investment Property**

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

Investment Property is measured initially at cost and subsequently at fair value.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Investment Properties are not depreciated but are revalued annually.

Revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

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

Assets are reclassified as an Asset Held for Sale when the following criteria are met:

- The asset must be available for immediate sale in its present condition
- The sale must be highly probable
- The asset must be actively marketed
- The sale should be expected to qualify for recognition as a completed sale within one year

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. When applying the definition of fair value, as non-financial assets, non-current assets held for sale shall be measured at highest and best use. Fair value for social housing being disposed of under Right to Buy (RTB) legislation is the discounted RTB value.

Where there is a subsequent decrease to the fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

# Notes to the Core Financial Statements

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Assets Held for Sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Assets Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals may be payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

## **Intangible Assets**

The Council accounts for its purchased software licences as intangible assets; to the extent it will bring benefits to the Council for more than one reporting period.

The intangible assets held by the Council are measured at amortised historical cost as readily ascertainable market values are not available.

Intangible assets are amortised on a straight-line basis over the shorter of remaining useful life or 5 years to the relevant service line in the Comprehensive Income and Expenditure Statement.

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## **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 either an amount calculated on a prudent basis or as determined by the Council in accordance with statutory guidance.

# Notes to the Core Financial Statements

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

## **Inventory**

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

## **Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

## **Accounts Payable and Accrued Expenditure**

A creditor is recognised in the Balance Sheet when goods and services are received prior to the reporting date and payment occurs after the reporting date.

## **Leave Accrual**

The accrual represents leave earned as of the reporting date that will be utilised in the next reporting period. The leave accrual is measured at the amount of the benefit earned by the employees of the Council. The accrual is charged to Surplus or Deficit on the Provision of Services so that leave benefits are charged to expense in the financial year in which the leave absence occurs. To remove any impact on Council Tax Payers it is then reversed out through the Movement in Reserves Statement to the Accumulated Absences Account.

## **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an employee or group of employees or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

## **Pensions**

The Council provides retirement benefits as part of the terms and conditions of employment through the Local Government Pension Scheme, administered by Hertfordshire County Council. The benefits (retirement lump sums and pensions), which are based on pay and service, are earned over the term of employment.

The Local Government Scheme is accounted for as a defined benefits scheme as follows:

## Notes to the Core Financial Statements

- The liabilities of the Hertfordshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and projections of projected earnings for current employees;
- Liabilities are discounted to their value at current prices, using a discount rate annually reviewed and recommended by the Actuary;
- The assets of Hertfordshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price;
  - unquoted securities – professional estimate;
  - unitised securities – current bid price; and
  - property – market value.
- The change in the net pensions liability is analysed into the following components:
  - Service cost comprising:
    - current service cost - the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
    - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
    - net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that rises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate use to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
  - Re-measurements comprising:
    - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
    - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as the benefits are earned by employees.



# Notes to the Core Financial Statements

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the policies above.

## Provisions

Provisions are recognised when:

- the Council has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. Where the effect is material, the estimated cash flows are discounted. The increase in the provision due to the passage of time is recognised as interest expense.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Provisions are not recognised for future operating losses.

## Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

## Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

## Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund or Housing Revenue Account Balances in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund or Housing Revenue Account Balance in the Movement in Reserves Statement so that there is no net charge against council tax or housing rent for the expenditure.

# Notes to the Core Financial Statements

Certain reserves are kept to manage the accounting processes which represent unusable resources for the Council. These are the Revaluation Reserve, Capital Adjustment Account, Short-term Accumulating Compensated Absences Account, Collection Fund Adjustment Account and Pension Reserve, all of which are explained in the relevant policies and notes to the Accounts.

## Financial Instruments

### Recognition

Financial assets and financial liabilities which arise from contracts for the purchase and sale of non-financial items (such as goods or services), which are entered into in accordance with the Council's normal purchase, sale or usage requirement, are recognised when, and to the extent which, performance occurs. All other financial assets and liabilities are recognised when the Council becomes party to the contractual provisions to receive or make cash payments.

### Classification and Measurement

Financial assets, other than cash and cash equivalents, are classified as loans and receivables, initially measured at fair value and subsequently measured at amortised cost.

Financial liabilities are classified as creditors, initially measured at fair value and subsequently measured at amortised cost.

### Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. Loans and receivables are initially recognised at fair value and then measured at amortised cost using the effective interest rate method. The effective interest rate is a method of calculating the amortised cost of a financial asset and of allocating the interest income to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement over the relevant period using the estimated future cash flows.

At the end of each reporting period, the Council assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if there is:

- objective evidence of impairment as a result of a loss event that occurred after the initial recognition of the asset and up to the end of the reporting period ('a loss event');
- the loss event had an impact on the estimated future cash flows of the financial asset or the group of financial assets; and
- a reliable estimate of the amount can be made.

Financial assets are recorded in the Balance Sheet net of any impairment. The asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

A financial asset is considered for de-recognition when the contractual rights to the cash flows from the financial asset expire, or the Council has either transferred the contractual right to receive the cash flows from the asset, or has assumed an obligation to pay those cash flows to one or more recipients, subject to certain criteria. The Council de-recognises a transferred financial asset if it transfers substantially all the risks and rewards of ownership. Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### Financial Liabilities



# Notes to the Core Financial Statements

All financial liabilities are recognised initially at fair value, net of any material transaction costs incurred, and then measured at amortised cost using the effective interest rate method. They are included in Short-term Creditors except for the amounts payable more than twelve months after the end of the reporting period, which are classified as Long-term Creditors.

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

The Councils borrowings, are presented in the Balance Sheet as the outstanding principal repayable (plus any accrued interest); and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year. Exceptions to this would be where material costs are incurred when the liability is initially recognised.

## Value Added Tax (VAT)

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

## Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

## 2. Accounting standards issued but not yet adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

The following are the accounting policies that have been issued but as yet have not been adopted by the Council as at the Balance Sheet date.

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs 2010 – 2012 Cycle (see Appendix A of the Invitation to Comment (ITC) on the 2016/17 Code for further details)
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible assets (Clarification of Acceptable Methods of Depreciation and Amortisation Annual Improvements to IFRSs 2012 – 2014 Cycle (see Appendix B of the ITC on the 2016/17 Code for further details)
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis
- The changes to the format of the Pension Fund Account and the Net Assets Statement.

# Notes to the Core Financial Statements

The above amendments are not expected to have a material impact on the information provided in local authority financial statements in 2016/17

## **Adoption of the measurement requirements of the Code of Practice on Transport Infrastructure Assets in the 2016/17 Code**

The 2016/17 edition of accounting code of practice will adopt the measurement requirements of the CIPFA Code of Practice on Transport Infrastructure Assets.

This change to the Code will require the establishment of a separate class of assets for transport infrastructure for assets meeting the definition of a Network Asset as set out in the Code of Practice on Transport Infrastructure Assets.

It is not anticipated at this stage that Dacorum Borough Council will have assets meeting the definition of the Highways Network Asset.

### **3. Critical judgements in applying Accounting Policies**

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are as follows:

#### Lease Accounting

Judgement is required in the initial classification of leases as either operating leases or finance leases. Where a lease is taken out for land and buildings combined, the buildings element of the lease may be capitalised as a finance lease if it meets the criteria for a finance lease, but the land element will be classed as an operating lease by the Council unless title transfers at the end of the lease. If the contracted lease payments are not split between land and buildings in the lease contract, the split is made based on the market values of the land and buildings at the inception of the lease. The accounting policy for leases is set out in Note 1.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Balance Sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

#### Valuation of Property, Plant and Equipment

Council dwellings are shown at fair value, based on professional valuations. The valuations are carried out in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual, known as the "Red Book".

The value of Council dwellings fluctuates with changes in the current market value of residential properties. A 5% increase in property prices would increase the carrying value of the council dwellings by £41.0m in the Balance Sheet and increase the annual depreciation charge by £0.678m in the Comprehensive Income and Expenditure Statement. A 5% decrease in property prices would decrease the carrying value of the council dwellings by £41.0m in the Balance Sheet and decrease the annual depreciation charge by £0.678m in the Comprehensive Income and Expenditure Statement. The accounting policy for Council dwellings is set out in Note 1 and information on Council dwellings is set out in Note 20.

# Notes to the Core Financial Statements

## Provision for Outstanding Business Rates Appeals

On 1 April 2013, Local Authorities assumed the liability for refunding ratepayers who have successfully appealed against the Business Rates rateable value of their properties. This will include amounts that were paid over (to Central Government) in respect of 2012/13 and prior years. It is unknown how many of the outstanding appeals will be successful, though estimation techniques have been applied to the outstanding appeals using historic success rate data, including for those that may be speculative claims. The carrying amount of the Provision is £9.7m, of which the Councils share of £3.9 m is reflected in the Accounts. An increase in the success rate by 5% would change the required provision by £1.9m, affecting the surplus/deficit on the Collection Fund, to be distributed to the preceptors and Central Government.

## Measurement of Pension Liability

The present value of the pension liability depends on a number of factors that are determined on an actuarial basis and the value of the underlying assets. The actual liability of the Council will continue to be subject to volatility, as a result of a number of factors.

The estimated effects of the changes in the key individual assumptions in determining the net pension liability would increase the Council's pension liability as of 31 March 2016 as follows:

	£'m
0.5% decrease in the real discount rate	20.3
1 year increase in member life expectancy	6.1
0.5% increase in the salary increase rate	4.9
0.5% increase in the pension increase rate	15.2
<b>Total</b>	<b>46.5</b>

The above table presents the changes in key assumptions in isolation. The information is only indicative of the estimated impact as the assumptions interact in complex ways. The accounting policy for pensions is set out in Note 1 and further information on the pension liability is set out in Note 15.

## **5. Amounts Reported for Resource Allocation Decisions**

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

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

## Notes to the Core Financial Statements

2015/16 Committee Income & Expenditure	Finance & Resources	Strategic Planning & Environment	Housing & Community - General Fund	Housing & Community - Housing Revenue Account	Total
	£'000	£'000	£'000	£'000	£'000
Employees	9,052	10,258	2,729	5,633	27,672
Premises	2,569	643	643	11,634	15,489
Transport	49	2,423	13	100	2,585
Supplies & Services	4,312	4,387	2,875	4,844	16,418
Contributions to/(from) Provisions	141	0	0	233	374
Third Party Payments	664	128	830	1	1,623
Transfer Payments	47,261	0	6	0	47,267
Support Services	9,290	3,749	1,628	2,942	17,609
Payments to Housing Capital Receipts Pool	1,586	0	0	0	1,586
Capital Charges/Revaluations	(24,723)	4,519	3,809	31,771	15,376
Minimum Revenue Provision (MRP)	72	0	0	0	72
Interest Payments	550	0	0	11,657	12,207
<b>Total Expenditure</b>	<b>50,823</b>	<b>26,107</b>	<b>12,533</b>	<b>68,815</b>	<b>158,278</b>
Fees, Charges & Other Service Income	(7,057)	(3,796)	(3,370)	(57,190)	(71,413)
Recharge Income	(15,803)	(4,474)	(2,266)	(1,991)	(24,534)
Interest & Investment Income	(344)	0	0	(208)	(552)
Income from Council Tax	(10,543)	0	0	0	(10,543)
Income from Business Rates	(2,517)	0	0	0	(2,517)
Government Grants & Other Contributions	(59,547)	(2,008)	(297)	(1,143)	(62,995)
Other Items	22,030	0	0	(1,701)	20,329
(Gains)/Losses on Disposal of Assets	527	0	0	(6,580)	(6,053)
<b>Total Income</b>	<b>(73,254)</b>	<b>(10,278)</b>	<b>(5,933)</b>	<b>(68,813)</b>	<b>(158,278)</b>
<b>Net Income/Expenditure</b>	<b>(22,431)</b>	<b>15,829</b>	<b>6,600</b>	<b>2</b>	<b>0</b>

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

	£'000
Net Expenditure in the Directorate Analysis	0
Items Included in the Analysis not Included in the CI&E	18,804
<b>Comprehensive Income &amp; Expenditure Net Cost of Services</b>	<b>18,804</b>

Reconciliation to Subjective Analysis 2015/16	Committee Analysis	Amounts not Included in the CI&E	Amounts in CI&E not in Subjective	Total
	£'000	£'000	£'000	£'000
Employees	27,672	0	0	27,672
Premises	15,489	0	0	15,489
Transport	2,585	0	0	2,585
Supplies & Services	16,418	0	0	16,418
Contributions to Provisions	302	0	0	302
Third Party Payments	1,623	0	0	1,623
Transfer Payments	47,267	0	0	47,267
Support Services	17,609	0	0	17,609
Capital Charges/Revaluations	15,376	0	0	15,376
Income	(95,947)	0	0	(92,947)
Interest & Investment Income	(552)	0	0	(552)
Income from Council Tax	(10,543)	0	0	(10,543)
Income from Business Rates	(2,517)	0	0	(2,517)
Government Grants & Other Contributions	(62,995)	0	0	(62,995)
Minimum revenue Provision (MRP)	72	0	0	72
Interest Payments	12,279	0	0	12,279
Payments to Housing Capital Receipts Pool	1,586	0	0	1,586
Below the Line Entries	20,329	(23,904)	(119,529)	(123,104)
(Gains)/Losses on Disposal of Assets	(6,053)	0	0	(6,053)

## Notes to the Core Financial Statements

Total	0	(23,904)	(119,529)	(143,433)	
2014/15 Committee Income & Expenditure	Finance & Resources	Strategic Planning & Environment	Housing & Community - General Fund	Housing & Community - Housing Revenue Account	Total
	£'000	£'000	£'000	£'000	£'000
Employees	9,173	8,720	3,461	5,142	26,496
Premises	2,449	1,666	625	11,831	16,571
Transport	61	3,083	59	106	3,309
Supplies & Services	5,451	4,720	1,980	5,330	17,481
Contributions to/(from) Provisions	(73)	(102)	37	71	(67)
Third Party Payments	1,780	113	26	0	1,919
Transfer Payments	46,429	0	0	0	46,429
Support Services	10,873	2,961	1,587	3,168	18,589
Payments to Housing Capital Receipts Pool	1,394	0	0	0	1,394
Capital Charges/Revaluations	1,747	2,157	1,948	(2,559)	3,293
Interest Payments	21	0	0	11,660	11,681
<b>Total Expenditure</b>	<b>79,305</b>	<b>23,318</b>	<b>9,723</b>	<b>34,749</b>	<b>147,095</b>
Fees, Charges & Other Service Income	(4,639)	(5,835)	(3,536)	(55,306)	(69,316)
Recharge Income	(18,410)	(5,436)	(939)	(2,433)	(27,218)
Interest & Investment Income	(283)	0	0	(173)	(456)
Income from Council Tax	(10,215)	0	0	0	(10,215)
Income from Business Rates	(212)	0	0	0	(212)
Government Grants & Other Contributions	(59,701)	(1,616)	(114)	(1,640)	(63,071)
Other Items	(1,448)	0	0	30,157	28,709
(Gains)/Losses on Disposal of Assets	38	0	0	(5,354)	(5,316)
<b>Total Income</b>	<b>(94,870)</b>	<b>(12,887)</b>	<b>(4,589)</b>	<b>(34,749)</b>	<b>(147,095)</b>
<b>Net Income/Expenditure</b>	<b>(15,565)</b>	<b>10,431</b>	<b>5,134</b>	<b>0</b>	<b>0</b>

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

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

Reconciliation to Subjective Analysis 2014/15	Committee Analysis	Amounts not included in the CI&E	Amounts in CI&E not in Subjective	Total
	£'000	£'000	£'000	£'000
Employees	26,496	0	0	26,496
Premises	16,571	0	0	16,571
Transport	3,309	0	0	3,309
Supplies & Services	17,481	0	0	17,481
Contributions to Provisions	(67)	0	0	(67)
Third Party Payments	1,919	0	0	1,919
Transfer Payments	46,429	0	0	46,429
Support Services	18,589	0	0	18,589
Capital Charges/Revaluations	3,293	0	0	3,293
Income	(96,534)	0	0	(96,534)
Interest & Investment Income	(456)	0	0	(456)
Income from Council Tax	(10,215)	0	0	(10,215)
Income from Business Rates	(212)	0	0	(212)
Government Grants & Other Contributions	(63,071)	0	0	(63,071)
Interest Payments	11,681	0	0	11,681
Payments to Housing Capital Receipts Pool	1,394	0	0	1,394
Below the Line Entries	28,709	(25,468)	(46,379)	(43,138)

## Notes to the Core Financial Statements

(Gains)/Losses on Disposal of Assets	(5,316)	0	0	(5,316)
<b>Total</b>	<b>0</b>	<b>(25,468)</b>	<b>(46,379)</b>	<b>(71,847)</b>

### 6. Other Operating Expenditure

	Note	2015/16 £'000	2014/15 £'000
Parish Council Precepts		641	628
Payments to the Government Housing Capital Receipts Pool		1,586	1,394
(Gains)/Losses on the Disposal of Non Current Assets	18	(6,052)	(5,314)
<b>Total</b>		<b>(3,825)</b>	<b>(3,292)</b>

### 7. Financing and Investment Income & Expenditure

	Note	2015/16 £'000	2014/15 £'000
Interest Payable and Other Similar Charges		12,208	11,681
Interest Receivable and Similar Income		(552)	(456)
Net Interest on the Net Defined Benefit Liability/Asset	15	2,486	2,662
Income and Expenditure in Relation to Investment Properties and Changes in their Fair Value	17	(30,249)	(3,744)
<b>Total</b>		<b>(16,107)</b>	<b>10,143</b>

### 8. Taxation and Non Specific Grant Income

	Note	2015/16 £'000	2014/15 £'000
Council Tax Income		(10,543)	(10,215)
Non Domestic Rates Income & Expenditure		(2,517)	(212)
Non-ringfenced Government Grants	10	(5,786)	(7,685)
Capital Grants and Contributions		(3,930)	(3,214)
<b>Total</b>		<b>(22,776)</b>	<b>(21,326)</b>

### 9. Members' Allowances

The Council paid the following amounts to 72 (2014/15 51) elected Members of the Council during the year. There was a maximum of 51 members at any point during 2015/16.

	2015/16 £'000	2014/15 £'000
Salaries	370	376
Allowances	3	3
Expenses	2	2
<b>Total</b>	<b>375</b>	<b>381</b>

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

# Notes to the Core Financial Statements

## 10. Grant Income

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

<b>Non Specific Grant Income</b>	<b>2015/16</b>	<b>2014/15</b>
	<b>£'000</b>	<b>£'000</b>
Revenue Support Grant	(2,070)	(3,017)
New Homes Bonus	(2,620)	(2,143)
Business Rates Retention	(836)	(2,295)
Other	(260)	(230)
<b>Total</b>	<b>(5,786)</b>	<b>(7,685)</b>
<b>Grants Credited to Services</b>	<b>2015/16</b>	<b>2014/15</b>
	<b>£'000</b>	<b>£'000</b>
Benefits Subsidy and Administration	(48,823)	(47,927)
Other	(323)	(201)
<b>Total</b>	<b>(49,145)</b>	<b>(48,128)</b>

## 11. Building Control

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the Building Control function. The Council sets charges for work carried out in relation to Building Regulations, with the aim of recovering all costs incurred over a three year cycle. The cumulative surplus for Chargeable services for the three year period ending 31 March 2016 was £69k, compared with a deficit of £527k for the period to 31 March 2015. The statement below shows the total cost of operating the Building Control unit divided between the chargeable and non-chargeable activities for 2015/16.

<b>Building Control 2015/16</b>	<b>2015/16 Chargeable £'000</b>	<b>2015/16 Non Chargeable £'000</b>	<b>2015/16 Total £'000</b>	<b>2014/15 Total £'000</b>
Employees	390	132	522	432
Premises	0	0	0	0
Transport	3	1	4	7
Supplies & Services	35	12	47	56
Support Services	161	54	215	149
Depreciation	0	0	0	0
Bad Debts Provision	0	0	0	(3)
<b>Total Expenditure</b>	<b>589</b>	<b>199</b>	<b>788</b>	<b>641</b>
Building Regulation Charges	(571)	0	(571)	(565)
Other Income	0	(2)	(2)	(4)
<b>Total Income</b>	<b>(571)</b>	<b>(2)</b>	<b>(573)</b>	<b>(569)</b>
<b>Building Control (Surplus)/Deficit</b>	<b>18</b>	<b>197</b>	<b>215</b>	<b>72</b>

# Notes to the Core Financial Statements

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

The Council has elected to charge a Community Infrastructure Levy (CIL) from 1<sup>st</sup> July 2015. The levy is charged on new builds (chargeable developments within the Council's administrative area) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, health, and education projects) to support the development of the area.

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.

The Council received £81k CIL of which £12k (15%) will be paid to Parish and Town Councils and £4k (5%) applied to costs of administration and collection. The balance of £70k has been retained and is unapplied Capital contributions in 2015/16.



## Notes to the Core Financial Statements

### 13. Remuneration of Employees

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

<b>Total Remuneration</b>	<b>Number of Employees 2015/16</b>	<b>Number of Employees 2014/15</b>
£50,000 - £54,999	9	8
£55,000 - £59,999	4	6
£60,000 - £64,999	6	4
<b>Total</b>	<b>19</b>	<b>18</b>

The number of exit packages, with total cost per band and total cost of compulsory/other redundancies are set out in the table below.

<b>Exit Package Cost Band (including special payments)</b>	<b>Number of Compulsory Redundancies</b>		<b>Number of Other Departures Agreed</b>		<b>Total number of Exit Packages by Cost Band</b>		<b>Total Cost of Exit Packages in Each Band £'000</b>	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
£0 - £20,000	2	6	0	0	2	6	10	42
£20,001 - £40,000	0	2	0	1	0	3	0	68
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,000 - £100,000	0	0	0	0	0	0	0	0
£100,000 - £150,000	0	0	0	0	0	0	0	0
£150,000<	0	0	0	0	0	0	0	0
<b>Total</b>	<b>2</b>	<b>8</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>9</b>	<b>10</b>	<b>110</b>

## Notes to the Core Financial Statements

The remuneration paid to the Council's senior employees in 2015/16 was as follows:

	Salary (Including Fees & Allowances)	Expenses Reimbursed	Benefits in Kind (e.g. Lease Car)	Total Remuneration Excluding Pension Contributions	Pension Contributions	Total Remuneration
2015/16	£	£	£	£	£	£
<b><u>Posts Employed for Full Year</u></b>						
Chief Executive	128,456	66	0	128,522	19,785	<b>148,307</b>
Corporate Director (Housing & Regeneration)	99,558	171	5,062	104,791	15,724	<b>120,515</b>
Corporate Director (Finance & Operations)	96,450	421	0	96,871	14,696	<b>111,567</b>
Assistant Director (Chief Executive's Unit)	83,838	0	6,833	90,671	14,495	<b>105,166</b>
Assistant Director (Neighbourhood Delivery)	79,183	203	0	79,386	12,102	<b>91,488</b>
Assistant Director (Housing Landlord)	75,636	610	5,091	81,337	0	<b>81,337</b>
Assistant Director (Planning, Development & Regeneration)	74,169	525	2,691	77,385	11,867	<b>89,252</b>
Assistant Director (Performance & Projects)	71,004	0	0	71,004	10,761	<b>81,765</b>
<b><u>Posts Employed for Part Year</u></b>						
Assistant Director (Finance & Resources) - (June 2015 until March 2016)	62,248	360	0	62,608	9,471	<b>72,079</b>

The annualised salaries for posts employed during part of the year were: (1) Assistant Director (Finance & Resources) - (June 2015 until March 2016) - £88,284

## Notes to the Core Financial Statements

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

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

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

# Notes to the Core Financial Statements

## 14. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts and certification of grant claims by the Council's external auditors, Ernst & Young:

	2015/16 £'000	2014/15 £'000
External audit services carried out by the appointed auditor for the year	73	98
External audit services carried out by the auditor for an earlier year	4	(13)
Certification of grant claims and returns for the year	23	23
<b>Total</b>	<b>100</b>	<b>108</b>

## 15. Pensions

### Local Government Pension Scheme

As part of the terms and conditions of employment for employees, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments for those benefits, and to disclose them at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered by Hertfordshire County Council (HCC). This is a funded benefit career average salary scheme, meaning that the Council and its employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee of HCC. Policy is determined in accordance with the Local Government Pension Scheme Regulations 2013. The investment managers of the fund are appointed by the Investment sub-committee of HCC and consist of the fifteen Investment Fund Managers.

The principal risks relating to the Council of the scheme are longevity assumptions, statutory changes to the scheme, structural changes to the scheme, changes to inflation, bond yields and the performance of equity investments held by the scheme.

### Transactions Relating to Post-employment Benefits

The following transactions have been made in the Comprehensive Income and Expenditure Statement, General Fund Balance and Housing Revenue Account via the Movement in Reserves Statement during the year:

	2015/16 £'000	2014/15 £'000
<b>Comprehensive Income &amp; Expenditure Statement</b>		
<b>Cost of Services:</b>		
Current Service Cost	5,006	3,966
Past Service Cost/(Gain) – Including Curtailments	7	0
<b>Financing and Investment Income and Expenditure:</b>		
Net Interest Expense	2,486	2,662
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>7,499</b>	<b>6,628</b>
<b>Other Comprehensive Income &amp; Expenditure:</b>		
Return on Plan Assets (excluding amounts included in net interest expense)	2,394	(12,274)
Actuarial (Gains) & Losses Arising on Changes in Demographic Assumptions	0	0
Actuarial Gains & Losses Arising on Changes in Financial Assumptions	(19,431)	27,440
Other	(3,106)	(1,917)
<b>Total Post Employment Benefit Charged to the Comprehensive</b>	<b>(20,143)</b>	<b>13,249</b>

## Notes to the Core Financial Statements

<b>Income &amp; Expenditure Statement</b>	<b>2015/16</b>	<b>2014/15</b>
<b>Movement in Reserves Statement</b>	<b>£'000</b>	<b>£'000</b>
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for Post Employment Benefits in accordance with the Code	(7,499)	(6,628)
Employer's Contributions Payable to the Pension Scheme	4,660	4,610
<b>Total</b>	<b>(2,839)</b>	<b>(2,018)</b>

### Transactions Relating to Post-employment Benefits

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plan is as follows:

<b>Pension Assets &amp; Liabilities Recognised in the Balance Sheet</b>	<b>2015/16</b>	<b>2014/15</b>
	<b>£'000</b>	<b>£'000</b>
Present value of the defined benefit obligation	(203,699)	(219,940)
Fair value of plan assets	143,478	142,416
<b>Sub-total</b>		
Other movements in the liability	0	0
<b>Net liability arising from defined benefit obligation</b>	<b>(60,221)</b>	<b>(77,524)</b>

### Assets and Liabilities in relation to Retirement Benefits

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

<b>Reconciliation of Present Value of Scheme Liabilities</b>	<b>2015/16</b>	<b>2014/15</b>
	<b>£'000</b>	<b>£'000</b>
Liabilities as of the Beginning of the Period	(219,940)	(188,143)
Current Service Cost	(5,006)	(3,966)
Interest Cost	(7,026)	(8,047)
Contributions by Scheme Participants	(1,118)	(1,104)
Actuarial (Losses)/Gains	22,536	(25,523)
Losses on Curtailments	0	0
Benefits Paid	6,862	6,842
Past Service Costs	(7)	0
<b>Liabilities as of the End of the Period</b>	<b>(203,699)</b>	<b>(219,940)</b>

<b>Reconciliation of Fair Value of Scheme Assets</b>	<b>2015/16</b>	<b>2014/15</b>
	<b>£'000</b>	<b>£'000</b>
Assets as of the Beginning of the Period	142,416	125,885
Expected Rate of Return	4,540	5,385
Actuarial Gains/(Losses)	(2,394)	12,274
Employer Contributions	4,660	4,610
Contributions by Scheme Participants	1,118	1,104
Benefits Paid	(6,862)	(6,842)
<b>Assets as of the End of the Period</b>	<b>143,478</b>	<b>142,416</b>

# Notes to the Core Financial Statements

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

## Fair Value of Employer's Assets

The fair value of the plan assets is shown in the table below:

Fair Value of Employer's Assets	2015/16 £'000	2014/15 £'000
<b>Quoted Prices in Active Markets</b>		
<u>Equity Securities</u>		
Consumer	11,656	12,575
Manufacturing	10,634	14,897
Energy and Utilities	2,493	4,111
Financial Institutions	10,903	12,800
Health and Care	1,900	2,112
Information Technology	6,786	8,845
Other	331	1,050
<u>Debt Securities</u>		
Corporate Bonds (Investment Grade)	0	0
UK Government	0	0
Other	0	0
<u>Private Equity</u>		
All	6,159	0
<u>Real Estate</u>		
UK Property	6,408	0
Overseas Property	3,745	0
<u>Investment Funds and Unit Trusts</u>		
Equities	29,125	20,463
Bonds	39,286	37,988
Commodities	678	617
Infrastructure	184	0
Other	9,157	447
<u>Derivatives</u>		
Foreign Exchange	(527)	0
<u>Cash and Cash Equivalents</u>		
All	4,561	3,758
<b>Total of Assets with Prices Quoted in Active Markets</b>	<b>143,478</b>	<b>119,661</b>
<b>Quoted Prices not in Active Markets</b>		
<u>Private Equity</u>		
All	0	5,899
<u>Real Estate</u>		
UK Property	0	0
Overseas Property	0	0
<u>Investment Funds and Unit Trusts</u>		
Infrastructure	0	127
Other	0	17,037
<u>Derivatives</u>		
Foreign Exchange	0	(309)
<b>Total of Assets with Prices Quoted not in Active Markets</b>	<b>0</b>	<b>22,755</b>
<b>Total Fair Value of Employers Assets</b>	<b>143,478</b>	<b>142,416</b>

# Notes to the Core Financial Statements

## Basis for Estimating Asset and Liabilities

Liabilities have been assessed on an actuarial basis using the Projected Unit Credit Method, an estimate of the pensions that will be payable in future years is dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Fund being based on the latest full revaluation of the scheme as at 31 March 2013.

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

<b>Principal Assumptions</b>	<b>2015/16 %</b>	<b>2014/15 %</b>
Rate of inflation	3.1	3.1
Rate of increase in salaries	3.7	3.8
Rate of increase in pensions	2.2	2.4
Rate of discounting scheme liabilities	3.5	3.2
Allowance for future retirees to elect to take additional tax-free cash up to HMRC limits pre April 2008 Service	50	50
Allowance for future retirees to elect to take additional tax-free cash up to HMRC limits post April 2008 Service	75	75

<b>Mortality Assumptions</b>	<b>2015/16 Years</b>	<b>2014/15 Years</b>
Longevity at 65 for current pensioners		
Men	22.3	22.3
Women	24.5	24.5
Longevity at 65 for future pensioners		
Men	24.3	24.3
Women	26.7	26.7

## Impact on the Council's Cash Flow

The liabilities show the underlying commitments that the Council has to pay retirement benefits. The total liability of £60.2m has an impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the LGPS will be funded by improved investment returns or increased contributions over the remaining working lives of employees, as assessed by the scheme's actuary.

Funding levels are monitored on an annual basis, and the next triennial review is due to be based on 31 March 2016. The fund liability may go up or down based on this review, and a sensitivity analysis is set out in note 4. The total value of contributions expected to be made by the Council in 2016/17 is £4.7m.

# Notes to the Core Financial Statements

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

	Liability Split	Weighted Average Duration
Active Members	41.0%	23.5
Deferred Members	21.3%	22.4
Pensioner Members	37.7%	11.2
<b>Total</b>	<b>100%</b>	

## Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned, to be financed as the Council makes employer's contributions to pension funds, or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. A detailed analysis of movements in the Pensions Reserve is provided below:

<b>Reconciliation of Fair Value of Scheme Assets</b>	<b>2015/16 £'000</b>	<b>2014/15 £'000</b>
Surplus /(Deficit) as of Beginning of the Period	(77,525)	(62,258)
Actuarial Gains/(Losses) on Pension Assets and Liabilities	20,143	(13,249)
Reversal of Items Relating to Retirement Benefits Debited or Credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(7,499)	(6,628)
Employer's Pension Contributions	4,660	4,610
<b>Surplus/(Deficit) as of End of the Period</b>	<b>(60,221)</b>	<b>(77,525)</b>

## Management of Pension Risks

Hertfordshire County Council, having taken appropriate professional advice, has taken steps to mitigate investment risk and to set an investment strategy that is appropriate for the Fund's liabilities. A summary of the key steps taken is provided below:

1. Diversification – the Fund has adopted a strategy that is diversified by asset class, region, sector and investment manager.
2. De-risking plan – the Fund is moving towards a lower risk strategy that will comprise 65% in “growth” assets and 35% in “defensive” assets. The allocation between growth and defensive assets as at the accounting year end date was approximately 74% growth / 26% defensive.
3. Defensive asset portfolio – the Fund has appointed three specialist mandates to manage the defensive assets (absolute return, UK corporate bonds, and liability matching). The liability matching mandate will seek to offer some protection from changes in inflation and interest rates



# Notes to the Core Financial Statements

4. Monitoring – the Fund’s investment arrangements are regularly monitored. The Council receives independent reporting from the custodian and the Fund’s investment Consultant and the Pensions Committee meets the investment managers on an ongoing basis.

## 16. Leases

### Operating Leases - Council as Lessee

The Council leases various land and/or buildings under non-cancellable operating lease agreements. The lease terms range between 3 and 999 years. The operating leases do not have purchase options, although some have rent escalation clauses. The Council paid no contingent rent during the year 2015/16 (2014/15 no contingent rent paid).

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

<b>Operating Lease Commitments</b>	<b>2015/16 £'000</b>	<b>2014/15 £'000</b>
Not later than one year	51	1
Later than one year but not later than five years	205	5
Later than five years	334	35
<b>Total Commitments under Operating Leases</b>	<b>590</b>	<b>41</b>

### Operating Leases - Council as Lessor

The Council leases various land and/or buildings under non-cancellable operating lease agreements. The lease terms range between 1 and 399 years. The operating leases do not have purchase options, although most have rent escalation clauses. The total future minimum lease payments receivable under non-cancellable operating leases for each of the following periods are as follows:

<b>Operating Lease Income – Other Land &amp; Buildings</b>	<b>2015/16 £'000</b>	<b>2014/15 £'000</b>
Not later than one year	39	128
Later than one year but not later than five years	111	221
Later than five years	277	390
<b>Total Minimum Lease Income under Operating Leases</b>	<b>427</b>	<b>739</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2015/16 £Nil contingent rents were receivable by the Council (2014/15 £6k)

The Council leases its Investment Properties to lessees under non-cancellable operating lease agreements. The lease terms are between 1 and 200 years. The leases do not have purchase options, although most have escalation clauses.

The total future minimum lease payments to be received by the Council for investment properties under non-cancellable operating leases for each of the following periods as of 31 March are as follows:

<b>Operating Lease Income – Investment Property</b>	<b>2015/16 £'000</b>	<b>2014/15 £'000</b>
Not later than one year	3,028	3,051
Later than one year but not later than five years	9,673	9,869

## Notes to the Core Financial Statements

Later than five years	43,195	45,034
<b>Total Minimum Lease Income under Operating Leases</b>	<b>55,896</b>	<b>57,954</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into. The Council received contingent rent during the year of £0.7m (2014/15 £0.7m).

### Finance Leases - Council as Lessee

The Council leases three properties under non-cancellable finance lease agreements. The property lease terms range between 125 and 899 years. The leases do not have purchase options, although the lease payments under one of the leases are tied to the sub-lease rental income.

The assets acquired under these leases are carried as Investment Property in the Balance Sheet at the following net amounts:

<b>Finance Lease Assets</b>	<b>2015/16 £'000</b>	<b>2014/15 £'000</b>
Investment Property	188	188
<b>Finance Lease Assets (Council as Lessee)</b>	<b>188</b>	<b>188</b>

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

<b>Finance Lease Minimum Payments</b>	<b>2015/16 £'000</b>	<b>2014/15 £'000</b>
Current	0	0
Non-current	188	188
Finance Costs Payable in Future Years	1,672	1,692
<b>Minimum Lease Payments</b>	<b>1,860</b>	<b>1,880</b>

The total future minimum lease payments to be paid under non-cancellable finance leases for each of the following periods are as follows:

<b>Commitments Under Finance Leases</b>	<b>2015/16 £'000</b>	<b>2014/15 £'000</b>
Not later than one year	20	20
Later than one year but not later than five years	80	80
Later than five years	1,760	1,780
<b>Total Commitments Under Finance Leases</b>	<b>1,860</b>	<b>1,880</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into. The Council paid contingent rent during the year of £22k (2014/15 £25k). The Council has sub-let these properties held under finance leases. At 31 March 2016 the minimum payments expected to be received under non-cancellable agreements was £294k (£343k at 31 March 2015).

### 17. Investment Property

<b>Investment Property – Balance Sheet</b>	<b>2015/16 £'000</b>	<b>2014/15 £'000</b>
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## Notes to the Core Financial Statements

As of the beginning of the period	46,123	45,004
Additions (Purchases/construction)	464	0
Additions (Subsequent expenditure)	231	70
Reclassifications from Property Plant & Equipment	305	2
Disposals	0	0
Net gains/(losses) from fair value movements	27,170	1,047
<b>As at the End of the Period</b>	<b>74,293</b>	<b>46,123</b>

There are no restrictions on the Council's ability to realise the value inherent in its Investment Property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has a contractual obligation to repair and maintain its investment properties. The properties were valued by an independent external valuer using market information to determine the values of the properties as at 31 March 2016.

The following items of income and expense in relation to Investment Property have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

<b>Investment Property – Comprehensive Income &amp; Expenditure Account</b>	<b>2015/16 £'000</b>	<b>2014/15 £'000</b>
Rental Income From Investment Property	(4,696)	(4,086)
Direct Operating Expenses Arising From Investment Property	1,617	1,389
Changes in Fair Value of Investment Property	(27,170)	(1,047)
<b>Net Gain</b>	<b>(30,249)</b>	<b>(3,744)</b>

### 18. Usable Reserves

This note details the adjustments that are made to the Comprehensive Income and Expenditure recognised by the Council in the year in accordance with proper accounting practice. These adjustments are made through the usable and unusable reserves as set out by statutory provisions. Descriptions of each of the reserves are set out below:

#### General Fund Balance

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

#### Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority housing provision in accordance with part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function.

#### Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at year end.

# Notes to the Core Financial Statements

## **Useable Capital Receipts Reserve**

The Useable Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historic capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at year end.

## **Capital Grants Unapplied Reserve**

The Capital Grants Unapplied Reserve holds the grants and contributions received towards capital projects for which the Council has met the appropriate conditions but which has yet to be spent. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

# Notes to the Core Financial Statements

2015/16	General Fund Balance £'000	Major Repairs Reserve £'000	Housing Revenue Account £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	Total Impact - Usable Reserves £'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of Items debited or credited to the Comprehensive Income &amp; Expenditure Account:</b>						
Capital grants and contributions applied	(3,905)	0	(25)	70	0	(3,860)
Amortisation of Intangible Assets	325	0	0	0	0	325
Charges for depreciation and impairment of Non-current Assets	4,647	0	0	0	0	4,647
Revaluation losses on Property Plant & Equipment (HRA impairment reversal)	0	0	14,176	0	0	14,176
Revenue Expenditure Funded From Capital Under Statute	5,804	0	0	0	0	5,804
Movements in market value of Investment Properties	(27,170)	0	0	0	0	(27,170)
Amounts of non-current assets written off on sale as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	606	0	6,858	0	0	7,464
Minimum Revenue Provision	(72)	0	0	0	0	(72)
Lease prepayment amortization	(51)	0	0	0	0	(51)
<b>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>						
Capital expenditure charged to the General Fund	(4,683)	0	(12,442)	0	0	(17,125)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(79)	0	(13,438)	0	13,517	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	5	5
Use of Capital Receipts Reserve to finance capital expenditure.	0	0	0	0	(12,250)	(12,250)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	1,586	0	0	0	(1,586)	0
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
HRA Depreciation	0	10,749	0	0	0	10,749
Use of the Major Repairs Reserve to Finance Capital Expenditure	0	(9,788)	0	0	0	(9,788)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and expenditure Statement	6,912	0	587	0	0	7,499
Employer's pension contributions to pension fund payable in the year	(4,295)	0	(365)	0	0	(4,660)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	861	0	0	0	0	861
<b>Adjustments primarily involving the Accumulated Absences Reserve:</b>						
Employee Absences Accrual transferred to the Accumulated Absences Account	27	0	0	0	0	27
<b>Adjustments Between Accounting Basis &amp; Funding Basis Under Regulations</b>	<b>(19,487)</b>	<b>961</b>	<b>(4,649)</b>	<b>70</b>	<b>(314)</b>	<b>(23,419)</b>

# Notes to the Core Financial Statements

2014/15	General Fund Balance £'000	Major Repairs Reserve £'000	Housing Revenue Account £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	Total Impact - Usable Reserves £'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of Items debited or credited to the Comprehensive Income &amp; Expenditure Account:</b>						
Capital grants and contributions applied	(3,050)	0	(164)	(255)	0	(3,469)
Amortisation of Intangible Assets	307	0	0	0	0	307
Charges for depreciation and impairment of Non-current Assets	2,529	0	0	0	0	2,529
Revaluation losses on Property Plant & Equipment (HRA impairment reversal)	0	0	(12,275)	0	0	(12,275)
Revenue Expenditure Funded From Capital Under Statute	4,063	0	0	0	0	4,063
Movements in market value of Investment Properties	(1,047)	0	0	0	0	(1,047)
Amounts of non-current assets written off on sale as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	270	0	6,550	0	0	6,820
Lease prepayment amortization	(51)	0	0	0	0	(51)
<b>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>						
Capital expenditure charged to the General Fund	(2,205)	0	(12,263)	0	0	(14,468)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(230)	0	(11,903)	0	12,133	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	20	20
Use of Capital Receipts Reserve to finance capital expenditure.	0	0	0	0	(20,765)	(20,765)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	1,394	0	0	0	(1,394)	0
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
HRA Depreciation	0	9,715	0	0	0	9,715
Use of the Major Repairs Reserve to Finance Capital Expenditure	0	(3,265)	0	0	0	(3,265)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and expenditure Statement	5,390	0	1,238	0	0	6,628
Employer's pension contributions to pension fund payable in the year	(3,749)	0	(861)	0	0	(4,610)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	(1,235)	0	0	0	0	(1,235)
<b>Adjustments primarily involving the Accumulated Absences Reserve:</b>						
Employee Absences Accrual transferred to the Accumulated Absences Account	(36)	0	(14)	0	0	(50)
<b>Adjustments Between Accounting Basis &amp; Funding Basis Under Regulations</b>	<b>2,350</b>	<b>6,450</b>	<b>(29,692)</b>	<b>(255)</b>	<b>(10,006)</b>	<b>(31,153)</b>

## 19. Earmarked Reserves

## Notes to the Core Financial Statements

The Council voluntarily earmarks resources for future spending plans. This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure. The following sums have been earmarked as of the reporting date:

	Balance at 31 March 2015	Transfers Out	Transfers In	Transfers to Other Reserves	Balance at 31 March 2016
	£'000	£'000	£'000	£'000	£'000
<b>General Fund Reserves:</b>					
Management of Change	1,356	(270)	354	0	1,440
Local Development Framework	666	(300)	0	0	366
Vehicle Replacement	0	0	350	0	350
Business Rates Equalisation Reserve	1,338	(150)	1,756	0	2,944
Commuted Sums	609	(0)	0	(609)	0
Uninsured Loss	586	0	0	0	586
Technology	348	(185)	0	0	163
Earmarked Grants	299	(30)	5	0	274
Public Service Quarter (PSQ)	2,050	(44)	0	0	2,006
Pensions Reserve	1,773	0	0	0	1,773
Dacorum Development Reserve	2,046	(1,478)	0	0	568
Invest to Save Reserve	0	(198)	0	609	411
Other Reserves (Under £250k)	1,463	(179)	254	0	1,538
<b>Total General Fund Reserves</b>	<b>12,534</b>	<b>(2,834)</b>	<b>2,719</b>	<b>0</b>	<b>12,419</b>
<b>Housing Revenue Account Reserves:</b>					
Estate Remodelling Reserve	5,000	0	0	0	5,000
Construction Reserve	1,795	0	0	0	1,795
Other HRA reserves (Under £250k)	400	(34)	21	0	387
<b>Total HRA Reserves</b>	<b>7,195</b>	<b>(34)</b>	<b>21</b>	<b>0</b>	<b>7,182</b>
<b>Total Earmarked Reserves</b>	<b>19,728</b>	<b>(2,868)</b>	<b>2,741</b>	<b>0</b>	<b>19,601</b>

## Notes to the Core Financial Statements

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



## Notes to the Core Financial Statements

### 20. Property, Plant & Equipment

2015/16	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
<b>Cost/Valuation (Note 22)</b>						
As of the beginning of the period	732,760	85,496	15,540	1,310	20,998	856,104
Depreciation written out to Gross Carrying Amount on Revaluation	(10,626)	(1,106)	0	0	0	(11,732)
Revaluation increases recognised in the Revaluation Reserve	85,757	12,845	0	0	0	98,602
Revaluation decreases recognised in the Revaluation Reserve	0	(5,334)	0	0	0	(5,334)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	7,165	(487)	0	0	0	6,678
Additions	22,391	921	2,285	134	15,775	41,506
Impairment recognised in the Surplus/Deficit on the Provision of Services	(21,342)	0	0	0	0	(21,342)
Reclassifications	4,611	4,802	1,324	0	(11,131)	(394)
Disposals (to Assets Held for Sale)	(6,908)	(1,481)	(206)	0	0	(8,595)
Disposals (Other)	0	(630)	(106)	(595)	0	(1,331)
<b>As of the end of the period</b>	<b>813,808</b>	<b>95,026</b>	<b>18,837</b>	<b>849</b>	<b>25,642</b>	<b>954,162</b>
<b>Accumulated Depreciation</b>						
As of the beginning of the period	0	(967)	(8,739)	(608)	0	(10,314)
Depreciation charge	(10,676)	(2,017)	(1,970)	(22)	0	(14,685)
Reclassifications	0	0	0	0	0	0
Depreciation written out to Gross Carrying Amount on Revaluation	10,626	1,106	0	0	0	11,732
Disposals (to Assets Held for Sale)	50	0	199	0	0	249
Disposals (Other)	0	40	100	595	0	735
<b>As of the end of the period</b>	<b>0</b>	<b>(1,838)</b>	<b>(10,410)</b>	<b>(35)</b>	<b>0</b>	<b>(12,283)</b>
<b>Net Book Value at 31 March 2015</b>	<b>813,808</b>	<b>93,188</b>	<b>8,427</b>	<b>814</b>	<b>25,642</b>	<b>941,879</b>
<b>Nature of Asset Holding</b>						
Owned	813,808	93,188	8,427	814	25,642	941,879
Finance Lease	0	0	0	0	0	0
<b>Net Book Value as of 31 March 2015</b>	<b>813,808</b>	<b>93,188</b>	<b>8,427</b>	<b>814</b>	<b>25,642</b>	<b>941,879</b>

## Notes to the Core Financial Statements

2014/15	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost/Valuation (Note 22)</b>						
As of the beginning of the period	658,657	83,939	12,856	1,117	9,436	766,005
Depreciation written out to Gross Carrying Amount on Revaluation	(9,601)	(2,269)	0	0	0	(11,870)
Revaluation increases recognised in the Revaluation Reserve	57,743	3,319	0	0	0	61,062
Revaluation decreases recognised in the Revaluation Reserve	0	(1,434)	0	0	0	(1,434)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	32,551	789	0	0	0	33,340
Additions	20,288	382	3,844	193	12,752	37,459
Impairment recognised in the Surplus/Deficit on the Provision of Services	(20,288)	(5)	0	0	0	(20,293)
Reclassifications	0	831	22	0	(1,190)	(337)
Disposals (to Assets Held for Sale)	(6,591)	0	(922)	0	0	(7,513)
Disposals (Other)	0	(57)	(259)	0	0	(316)
<b>As of the end of the period</b>	<b>732,759</b>	<b>85,495</b>	<b>15,541</b>	<b>1,310</b>	<b>20,998</b>	<b>856,103</b>
<b>Accumulated Depreciation</b>						
As of the beginning of the period	0	(1,266)	(8,386)	(545)	0	(10,197)
Depreciation charge	(9,643)	(1,976)	(1,320)	(63)	0	(13,002)
Reclassifications	0	0	0	0	0	0
Depreciation written out to Gross Carrying Amount on Revaluation	9,601	2,269	0	0	0	11,870
Disposals (to Assets Held for Sale)	42	7	884	0	0	933
Disposals (Other)	0	0	82	0	0	82
<b>As of the end of the period</b>	<b>0</b>	<b>(966)</b>	<b>(8,740)</b>	<b>(608)</b>	<b>0</b>	<b>(10,314)</b>
<b>Net Book Value at 31 March 2015</b>	<b>732,759</b>	<b>84,529</b>	<b>6,801</b>	<b>702</b>	<b>20,998</b>	<b>845,789</b>
<b>Nature of Asset Holding</b>						
Owned	732,759	84,529	6,801	702	20,998	845,789
Finance Lease	0	0	0	0	0	0
<b>Net Book Value as of 31 March 2015</b>	<b>732,759</b>	<b>84,529</b>	<b>6,801</b>	<b>702</b>	<b>20,998</b>	<b>845,789</b>

# Notes to the Core Financial Statements

## 21. Property, Plant and Equipment Valuations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The independent external valuer uses market information to determine the values of the properties. The basis for valuation is set out in Note 1.

The following statement shows the progress of the Council's rolling programme for the revaluation of Property, Plant and Equipment.

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Carried at Historic Cost:	0	0	18,837	849	0	25,642	45,328
Valued at fair value as at:							
2015/16	813,808	60,828	0	0	0	0	874,636
2014/15	0	10,488	0	0	0	0	10,488
2013/14	0	21,757	0	0	0	0	21,757
2012/13	0	1,596	0	0	0	0	1,596
2011/12	0	357	0	0	0	0	357
<b>Total Cost or Valuation</b>	<b>813,808</b>	<b>95,026</b>	<b>18,837</b>	<b>849</b>	<b>0</b>	<b>25,642</b>	<b>954,162</b>

## 22. Intangible Assets

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

Intangible Assets	2015/16 £'000	2014/15 £'000
As of the beginning of the Period		
Gross Carrying Amounts	3,273	2,733
Accumulated Amortisation	(2,264)	(1,937)
<b>Net Carrying Amount as of the Beginning of the Period</b>	<b>1,009</b>	<b>796</b>
Purchases	247	204
Reclassifications	89	335
Impairment Losses	(473)	0
Amortisation for the Period	(73)	(326)
<b>Net Carrying Amount as of the End of the Period</b>	<b>799</b>	<b>1,009</b>

## Notes to the Core Financial Statements

Comprising:

Gross Carry Amounts	3,136	3,273
Accumulated Amortisation	(2,337)	(2,264)
<b>Net Carrying Amount as of the End of the Period</b>	<b>799</b>	<b>1,009</b>

### 23. Assets Held For Sale

The Council sold surplus properties during 2015/16. The Council realised a net profit on disposal of £6.6m (2014/15 £5.3m) which is included in Profit on the Disposal of Non-current Assets in the Comprehensive Income and Expenditure Statement.

<b>Assets Held For Sale</b>	<b>2015/16 £'000</b>	<b>2014/15 £'000</b>
As of the Beginning of the Period	0	0
Assets Transferred	6,868	6,580
Reclassification	1,478	0
Sold to Other Entities and Individuals	(6,868)	(6,580)
<b>As at the end of the Period</b>	<b>1,478</b>	<b>0</b>

### 24. Long-term Debtors

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

<b>Long-term Debtors</b>	<b>2015/16 £'000</b>	<b>2014/15 £'000</b>
Other Entities and Individuals	1,062	1,085
<b>Total Long-term Debtors</b>	<b>1,062</b>	<b>1,085</b>

### 25. Short-term Debtors

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

<b>Short-term Debtors</b>	<b>2015/16 £'000</b>	<b>2014/15 £'000</b>
Central Government Bodies	2,862	2,924
Other Local Authorities	2,299	3,270
Other Entities and Individuals	9,425	7,295
<b>Total Short-term Debtors</b>	<b>14,586</b>	<b>13,489</b>

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

<b>Bad Debt Impairment Allowances</b>	<b>2015/16 £'000</b>	<b>2014/15 £'000</b>
Sundry Debtors	471	426
Housing Rents	1,879	1,891
Council Tax/Summons Fees	394	378
Business Rates/Summons Fees	254	387
Benefits Overpayments	2,172	2,113
<b>Total Bad Debt Provisions</b>	<b>5,170</b>	<b>5,195</b>

## Notes to the Core Financial Statements

26. Cash and Cash Equivalents	2015/16 £'000	2014/15 £'000
Investments with Original Maturities of 3 Months or Less	23,219	25,253
Cash held by the Council	2	1
Bank Account Balance/(Overdraft)	(2,599)	(1,788)
<b>Total Cash and Cash Equivalents</b>	<b>20,622</b>	<b>23,466</b>

27. Short-term Creditors	2015/16 £'000	2014/15 £'000
Central Government Bodies	3,581	4,296
Other Local Authorities	1,143	1,498
Other Entities and Individuals	13,357	13,930
<b>Total Short-term Creditors</b>	<b>18,081</b>	<b>19,724</b>

28. Long-term Creditors	2015/16 £'000	2014/15 £'000
Other Entities and Individuals	7,107	7,158
<b>Total Long-term Creditors</b>	<b>7,107</b>	<b>7,158</b>

### 29. Capital Grants and Other Contributions

The Council has received a number of grants and other contributions that have yet to be recognised as income as they have conditions attached to them which have not been satisfied as of the Balance Sheet date. The in year movements on the account are as follows:

Capital Grants and Other Contributions	2015/16 £'000	2014/15 £'000
As of the Beginning of the Period	2,838	3,059
Receipts	1,631	542
Conditions Satisfied	(3,703)	(636)
Amounts Repaid	0	(127)
<b>Closing Balance</b>	<b>766</b>	<b>2,838</b>

The balances of the grants are as follows:

Capital Grants Yet to be Recognised as Income	2015/16 £'000	2014/15 £'000
Growth Area Fund	486	2,568
Local Sustainable Transport Fund and Other Contributions	280	271
<b>Total</b>	<b>766</b>	<b>2,838</b>

# Notes to the Core Financial Statements

## 30. Revenue Grants and Other Contributions

The Council has received a number of grants and other contributions that have yet to be recognised as income as they have conditions attached to them which have not been satisfied as of the Balance Sheet date. The in year movements on the account are as follows:

<b>Revenue Grants and Other Contributions</b>	<b>2015/16 £'000</b>	<b>2014/15 £'000</b>
As of the Beginning of the Period	269	0
Receipts	156	344
Conditions Satisfied	(323)	(75)
<b>Closing Balance</b>	<b>102</b>	<b>269</b>

The balances of the grants are as follows:

<b>Revenue Grants Yet to be Recognised as Income</b>	<b>2015/16 £'000</b>	<b>2014/15 £'000</b>
Statutory Notices for the 21 <sup>st</sup> Century	21	118
Public Health District Officer	39	69
Other	42	82
<b>Total</b>	<b>102</b>	<b>269</b>

## 31. Provisions

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

	<b>Balance as at 31 March 2015 £'000</b>	<b>Contribution to Provision £'000</b>	<b>Use of Provision £'000</b>	<b>Amounts Reversed Unused £'000</b>	<b>Balance as at 31 March 2016 £'000</b>
<b>Short-term General Fund Provisions</b>					
Insurance	460	341	(206)	(200)	395
Litigation Provision	169	0	(143)	0	26
Pension Strain	7	0	0	0	7
Business Rates Appeals	4,456	620	(1,066)	(121)	3,889
Committed Redundancy	41	0	(41)	0	0
<b>Total Short-term General Fund Provisions</b>	<b>5,133</b>	<b>961</b>	<b>(1,456)</b>	<b>(321)</b>	<b>4,317</b>
<b>Short-term HRA Provisions</b>					
Insurance	339	449	(167)	(216)	405
<b>Total Short-term HRA Provisions</b>	<b>339</b>	<b>449</b>	<b>(167)</b>	<b>(216)</b>	<b>405</b>
<b>Total Short-term Provisions</b>	<b>5,472</b>	<b>1,410</b>	<b>(1,623)</b>	<b>(537)</b>	<b>4,722</b>

# Notes to the Core Financial Statements

The Insurance Provisions (General Fund and HRA) represent the Council's view as to liabilities that have been incurred, but have yet to be settled, for insurance excess payments relating to claims made against the Council.

The Litigation Provision represents outstanding litigation claims against the Council as at the end of the financial year.

On 1 April 2013, Local Authorities assumed the liability for refunding ratepayers who have successfully appealed against the Business Rates rateable value of their properties. This includes amounts that were paid over (to Central Government) in respect of 2012/13 and prior years. The Business Rates provisions (short and long-term) represent the Council's share of the estimated liability of successful appeals.

The Pension Strain provision relates to the additional payments required to be made into the pension fund in relation to early retirements granted or committed by the Balance Sheet date. The sums involved have been confirmed by the administrators of the pension scheme in which the Council participates and are payable within the next financial year.

The Committed Redundancy provisions work on a similar basis, making provision for redundancy costs committed, but not yet paid, by the balance sheet date. The sums involved are payable within the next financial year.

## 32. Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance of the Capital Adjustment Account.

<b>Revaluation Reserve</b>	<b>2015/16 £'000</b>	<b>2014/15 £'000</b>
Balance as of the beginning of the period	112,656	54,413
Upward revaluation of assets	104,720	61,268
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(5,334)	(1,640)
Surplus/(Deficit) on Revaluation of Non-Current Assets not posted to the Surplus/Deficit on the Provision of Services	99,386	59,628
Difference between fair value depreciation and historical cost depreciation	(2,168)	(1,230)
Amount written-off to Comprehensive Income and Expenditure Statement	(752)	(155)
<b>Closing Balance</b>	<b>209,122</b>	<b>112,656</b>

## 33. Capital Adjustment Account

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

## Notes to the Core Financial Statements

<b>Capital Adjustment Account</b>	<b>2015/16 £'000</b>	<b>2014/15 £'000</b>
As of the beginning of the period	429,289	395,998
Capital grants and contributions applied	3,860	3,469
Amortisation of intangible assets	(325)	(307)
Charges for depreciation and impairment of Non-current Assets	(4,647)	(2,529)
Revaluation losses on Property Plant & Equipment (HRA impairment reversal)	(14,176)	12,275
Difference between fair value depreciation and historical cost depreciation	2,168	1,230
HRA depreciation	(10,749)	(9,715)
Amounts of non-current assets written off on sale as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	(7,464)	(6,820)
Transfer from the Revaluation Reserve on Disposal of Assets	752	155
Revenue Expenditure Funded From Capital Under Statute	(5,804)	(4,063)
Movements in market value of Investment Properties	27,170	1,047
Capital Receipts applied to capital expenditure	12,250	20,765
Revenue contribution to capital	17,125	14,468
Use of MRR to finance capital expenditure	9,788	3,265
Minimum Revenue Provision(MRP)	72	0
Lease prepayment amortization	51	51
<b>Closing Balance</b>	<b>459,360</b>	<b>429,289</b>

### 34. Deferred Capital Receipts

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the authority does not treat these gains as useable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

<b>Deferred Capital Receipts</b>	<b>2015/16 £'000</b>	<b>2014/15 £'000</b>
As of the Beginning of the Period	10	30
Transfer to the Capital Receipts Reserve	(6)	(20)
<b>Balance as at End of the Period</b>	<b>4</b>	<b>10</b>

### 35. Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Business Rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax and Business Rates payers, compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

<b>Collection Fund Adjustment Account</b>	<b>2015/16 £'000</b>	<b>2014/15 £'000</b>
As of the beginning of the period	(900)	(2,135)



## Notes to the Core Financial Statements

Amount by which Business Rates income credited to the Comprehensive Income and Expenditure Statement is different from Business Rates income calculated for the year in accordance with statutory requirements	(856)	1,263
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(5)	(28)
<b>Balance as at End of the Period</b>	<b>(1,761)</b>	<b>(900)</b>

### 36. Accumulated Absences Account

The Accumulated Absences Account represents payments to be made to employees by the Council in the future years for leave earned prior to the reporting date. It absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year (e.g. annual leave entitlement carried forward at 31 March). Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

<b>Accumulated Absences Account</b>	<b>2015/16 £'000</b>	<b>2014/15 £'000</b>
As of the Beginning of the Period	203	253
Net Change During the Year	26	(50)
<b>Balance as at End of the Period</b>	<b>229</b>	<b>203</b>

### 37. Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the following table (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

<b>Capital Financing Requirement</b>	<b>2015/16 £'000</b>	<b>2014/15 £'000</b>
Opening Capital Financing Requirement	346,728	346,899
<b>Capital Investment:</b>		
Property, Plant and Equipment	41,506	37,459
Capital Loans	0	0
Investment Property	695	70
Intangible Assets	247	204
Heritage Assets	1,264	0
Revenue Expenditure Funded from Capital under Statute	5,804	4,063
<b>Total Expenditure</b>	<b>49,516</b>	<b>41,796</b>
<b>Sources of Finance:</b>		
Capital Receipts	(12,250)	(20,765)
Government Grants and Other Contributions	(3,860)	(3,469)
Sums Set Aside ( MRR, Deferred Capital Receipts etc)	(9,788)	(3,265)
Direct Revenue Contributions	(17,125)	(14,468)
<b>Total Financing</b>	<b>(43,094)</b>	<b>(41,967)</b>
<b>Closing Capital Financing Requirement</b>	<b>353,150</b>	<b>346,728</b>
<b>Capital Financing Requirement</b>	<b>2015/16 £'000</b>	<b>2014/15 £'000</b>
Increase/(Decrease) in underlying need to borrow (Supported by government financial assistance)	(19,781)	0

## Notes to the Core Financial Statements

Increase/(Decrease) in underlying need to borrow (Unsupported by government financial assistance)	13,360	171
Assets Acquired Under Finance Lease	0	0
<b>Increase in Capital Financing Requirement</b>	<b>(6,421)</b>	<b>171</b>

### 38. Financial Instruments

The Council is obliged to analyse any Financial Instruments that it holds (whether liabilities such as borrowings or assets such as investments) into certain categories.

The Investments and Debtors disclosed in the Balance Sheet, as set out below (adjusted to exclude statutory debtors), are all categorised as Loans and Receivables, and are carried in the Balance Sheet at amortised cost.

<b>Financial Assets – Amortised Cost</b>	<b>2015/16 £'000</b>	<b>2014/15 £'000</b>
Short-term Debtors	8,873	7,435
Long-term Debtors	1,062	1,085
Short-term Investments	44,124	34,032
Long-term Investments	0	0
<b>Total</b>	<b>54,059</b>	<b>42,552</b>

The investments, cash at bank and accrued interest are not yet due for repayment. No breaches of the Council's counterparty criteria occurred during the reporting period, and the Council does not expect to suffer any financial losses from default on its financial instruments. The Council's maximum potential exposure to credit risk is the carrying value of the financial assets in the Balance Sheet.

Amounts owed by customers represent sums which have been reviewed for impairment and are presented net of any impairment in the Balance Sheet.

The Short-term Creditors are carried at contract value, Long-term Creditors and Long-term Borrowings are carried at amortised cost in the Balance Sheet, as set out in the following table.

<b>Financial Liabilities – Amortised Cost</b>	<b>2015/16 £'000</b>	<b>2014/15 £'000</b>
Short-term Creditors	17,486	18,604
Long-term Creditors	188	188
Short-term Borrowings	894	128
Long-term Borrowings	365,754	346,739
<b>Total</b>	<b>384,322</b>	<b>365,659</b>

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

- Ranges of premature repayment discount rates as at 31 March 2015 between 0.21% and 2.20% for loans from the Public Works Loan Board (PWLB).
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate fair value.
- Trade and other receivables are taken to be the invoiced or billed amount.

The fair values are as follows:

<b>Financial Liabilities – Fair Value</b>	<b>2015/16 £'000</b>	<b>2014/15 £'000</b>
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# Notes to the Core Financial Statements

Short-term Creditors	17,486	18,604
Long-term Creditors	188	188
Short-term Borrowings	896	128
Long-term Borrowings	445,906	423,847
<b>Total</b>	<b>464,476</b>	<b>442,767</b>

The Authority has used a transfer value for the fair value of financial liabilities. The exit price fair value of £446.84m has been calculated using early repayment discount rates. The Authority has no contractual obligation to pay these penalty costs and would not incur any additional cost if the loans run to their planned maturity date.

## Refinancing and Maturity Risk

The Council maintains a significant investment portfolio. The prudential indicator limiting the amount of funds placed in investments for terms exceeding one year is a key factor limiting this risk, as is the medium term financial policy on reducing the Council's reliance on interest earnings to fund its core activities.

Trade creditors and debtors are due to be settled within one year. The long-term debtors principally comprise amounts owed by banks under the LAMS scheme, by parish councils (under the Council's small loan scheme) and amounts due under council mortgages. These are considered to be low risk payments as local parish councils are traditionally accorded low risk of default on payments, while the mortgages are secured by first charges on the proceeds of the sale of the property concerned.

All current borrowing by the Council is fixed-term from the PWLB in relation to Self Financing at a preferential fixed rate. The repayment of these loans is factored into the Housing Revenue Account 30-year plan and as such there is minimal risk that the Council will need to refinance these loans at a time of unfavourable interest rates.

The following table sets out the maturity analysis of financial liabilities held by the Council:

Duration	Repayment Type	Interest Frequency	2015/16 £'000	2015/16 £'000
Less than 1 Year	On Maturity	Half Yearly	894	0
Between 1 and 2 Years	On Maturity	Half Yearly	938	567
Between 2 and 5 Years	On Maturity	Half Yearly	11,314	10,244
Between 5 and 10 years	On Maturity	Half Yearly	16,604	14,937
More than 10 Years	On Maturity	Half Yearly	336,898	320,991
<b>Total</b>			<b>366,647</b>	<b>346,739</b>

## Liquidity Risk

The Council has access to the money markets for short-term debt to cover revenue expenditure and to the money markets and PWLB for longer-term borrowing. The Council's short and medium term cash forecasting procedures are aimed at ensuring that sufficient funds mature at the right time to cover expenditure. There is no significant risk that the Council would be unable to raise finance to meet its commitments under financial instruments.

## Interest Rate/Credit Risk

The Council is exposed to interest rate movements on its investments, and has a number of strategies for managing interest rate risk. The annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. As part of this strategy, the Council sets the prudential indicators which provide maximum and minimum limits for fixed and variable interest rate exposure.

# Notes to the Core Financial Statements

The in-house Treasury Team monitors market and forecast interest rate movements, and selects the most advantageous investments allowed within the limits of the Council's treasury policies.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be easily assessed, generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all the Council's deposits, but there was no evidence at the 31 March 2016 that this risk was likely to crystallise.

## **Price Risk**

The Council does not invest in equity holdings or in financial instruments whose capital value is subject to market fluctuations. It therefore has no exposure to losses arising through price valuations.

## **Foreign Exchange Risk**

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

## **Gains and Losses on Financial Instruments**

Gains and losses on financial instruments are limited to interest received and paid on Loans and Receivables (investments) and Borrowings. The gain arising from interest income, as recorded in the Comprehensive Income and Expenditure Statement, was £0.55m (£0.46m 2014/15). The expense arising from interest payments, as recorded in the Comprehensive Income and Expenditure Statement, was £12.2m (£11.7m 2014/15).

# Notes to the Core Financial Statements

## Notes to the Core Financial Statements

### 39. Heritage Assets

#### 39a. Reconciliation of the Carrying Value of Heritage Assets Held by the Council

2015/16	Sculptures/ Artwork £'000	Land Assets £'000	Managed by Dacorum Heritage Trust £'000	Civic Treasuries / Regalia £'000	Total Heritage Assets £'000
Cost/Valuation					
<b>1 April 2015</b>	483	990	3	173	1,649
Additions	1,264	0	0	0	1,264
Revaluation increases recognised in the Revaluation Reserve	0	6,079	0	38	6,117
Depreciation	0	0	0	0	0
<b>31 March 2016</b>	<b>1,747</b>	<b>7,069</b>	<b>3</b>	<b>211</b>	<b>9,030</b>

2014/15	Sculptures/ Artwork £'000	Land Assets £'000	Managed by Dacorum Heritage Trust £'000	Civic Treasuries / Regalia £'000	Total Heritage Assets £'000
<b>Cost/Valuation</b>					
<b>1 April 2015</b>	483	990	3	173	1,649
Additions	0	0	0	0	0
Revaluation increases recognised in the Revaluation Reserve	0	0	0	0	0
Depreciation	0	0	0	0	0
<b>31 March 2015</b>	<b>483</b>	<b>990</b>	<b>3</b>	<b>173</b>	<b>1,649</b>

# Notes to the Core Financial Statements

## **39b. Five Year Movements**

Heritage Assets held by the Council and its policy for recognition and measurement are outlined in the accounting policies of Note 1. The following table provides details of the valuations of the different groups of assets. There have been no disposals, revaluations or impairments of Heritage Assets.

	<b>2015/16</b>	<b>2014/15</b>	<b>2013/14</b>	<b>2012/13</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Assets Valued at Cost – Sculptures/Artwork	1,747	483	483	483
Assets Valued on Existing Use – Land (Valued March 2016)	7,069	990	990	990
Assets Valued on Insurance Valuations – Assets managed by Dacorum Heritage Trust (Valued March 2012)	3	3	3	3
Assets Valued by Specialist Valuation - Civic Treasuries/Regalia (Valued May 2016)	211	173	173	173
<b>Total</b>	<b>9,030</b>	<b>1,649</b>	<b>1,649</b>	<b>1,649</b>

### **Further Information on Land Heritage Assets**

The Council holds three areas of land which form part of the Borough's history. These are Gadebridge Park, Tring Park and The Water Gardens. These areas of land are constantly accessible by the public. Within these areas of land various sculptures and other cultural and historical assets are on display. These include the Walled Garden and a re-interred Roman archaeological site. These sites have been valued by a qualified external valuer using the Existing Use Valuation method as at 31 March 2016.

Tring Park is managed by the Woodland Trust. It is believed to date back to 1066. Wealthy banker Lionel de Rothschild bought the estate at auction in 1872 and his son Nathaniel – the first Lord Rothschild – made sweeping changes to the mansion, and surrounding farms and cottages. Lord Rothschild opened a zoological museum on the site as a gift to his son Walter, who was responsible for introducing numerous exotic animals to the park.

Gadebridge is managed and preserved by the Council. It is sited on the northern edges of Hemel Hempstead and is Dacorum's principal park, forming a green wedge of urban countryside running into the heart of the town. The history of the area dates back to the late Iron Age. Excavations in 1963 and 2000 on the field north of Galley Hill revealed a farmhouse which was extended after the Roman invasion of AD43 to include stone built wings around a courtyard, a bathhouse, heated rooms and, unusually, a large swimming pool. The Walled Garden is the location of the original Bury House. The first Bury was referred to in the 1289 Ashridge Charter where "Burymilne", the Mill near the Bury, was included. Prior to 1539 the Bury was the home of the Waterhouse family, whose name today is remembered by Waterhouse Street. The Walled Garden is sometimes also known as the Charter Gardens, after the stone porch-way leading to the gardens. The Charter Tower was originally the entrance into the second Bury House, which was rebuilt between 1540 and 1595.

The Water Gardens were designed by Geoffrey Jellicoe as an integral part of his master plan for Hemel Hempstead New Town and were placed on English Heritage's Register of Parks and Gardens of Special Historic Interest in 2010 as one of the very important post war urban landscapes. The Council manages and preserves the site. This site is currently closed to the public whilst renovation works are carried out.

# Notes to the Core Financial Statements

## **Further Information on Assets managed by The Dacorum Heritage Trust**

The Dacorum Heritage Trust is the accredited museum organisation for the borough of Dacorum, based at the Museum Store in Clarence Road, Berkhamsted. The Museum Store is the home of over 100,000 objects relating to Dacorum. Of these objects, 2,859 belong to the Council. All items are accessible to the public by appointment. In addition, some of these objects are displayed in the Reception at the Civic Centre Hemel Hempstead. These items have been valued based on the insured value as assessed by The Dacorum Heritage Trust.

## **Further Information on Civic Regalia and Treasuries**

Dacorum holds, manages and preserves various items of Civic Regalia with historical relevance to the Borough. Most of these items are displayed in units outside the Council Chamber at the Civic Centre Hemel Hempstead, and are accessible for viewing by the public during office hours. These include objects such as a silver mace, silver candlesticks, silver cups, the Mayors badges and Chains of Office and various other smaller items. These were valued In May 2016 by external valuers that specialise in antiques and fine arts.

## **Further Information on Sculptures and Artwork Held at Cost**

There are various sculptures and pieces of art work which hold historical and cultural value to the Borough. For five of these historical cost information is available, and so the assets are held on the Balance Sheet at cost. These are all preserved and managed by the Council, and are constantly accessible to the public.

The Residents' Rainbow is located in the centre of the Royal British Legion's Memorial Garden in Hemel Hempstead Town Centre. The 9ft x 18ft sculpture was originally created by artist Colin Lambert, and was installed in 1993. The piece symbolised the optimism and aspirations of the first people to settle in the New Town after the Second World War.

The Water Feature, by Michael Rizzello OBE, celebrates youth and sport with a bronze sculpture of three children playing in the water. The location of the water feature at the junction of Marlowes and Bank Court was chosen to provide views from both ends of Marlowes as well as from the water gardens.

The steel tree stands 6 metres (20 feet) high and is located near the Roundhouse in Hemel Hempstead Town Centre. The tree, named 'New Town Growth', was designed by Peter Parkinson and created by Richard Quinnell OBE. Each panel of the tree represents a different aspect of Hemel Hempstead's past and present.

The bronze relief map depicting Hemel Hempstead as it was in 1947 is another art feature representing the past. The designer was Graham Thompson and the sculptor was John Ravera. This is located in Hemel Hempstead Town Centre.

;The Phoenix Sculpture was designed to reflect the recovery of Hemel Hempstead, and the Maylands business estate in particular, from the Buncefield oil depot explosion in 2005. It was designed by Jose Zavala. It is situated on the roundabout at the entrance to Hemel from the M1 Motorway at Junction 8, which is visible in the distance.

## **Further Information on Sculptures and Artwork not Held on Balance Sheet**

The Council holds a further seventeen pieces of artwork and sculptures for which no historic cost information is available. These are managed and preserved by the Council. These include sculptures and artwork in Highfield, Adeyfield and the Town Centre. There are also seven posters depicting types of music hall acts framed and displayed at the Old Town Hall, Hemel Hempstead. The majority of these are constantly available to the public, the exceptions being the few held at the Old Town Hall which are on display during opening hours. As no historic cost is available, and these assets cannot be valued at a cost which is commensurate to the users of the accounts, these are not held on the Balance Sheet.



# Notes to the Core Financial Statements

## Further Information on Other Heritage Assets not Held on Balance Sheet

The Council manages and preserves 29 war memorials throughout the Borough and two stone carved memorials in Little Gaddesden. It also holds seven miscellaneous assets including Cranstone's Water Fountain in Boxmoor, Cranstone's Pump in the High Street and a Milestone in Little Gaddesden. These are managed and preserved by the Council. As no historic cost is available, and these assets cannot be valued at a cost which is commensurate to the users of the accounts, these are not held on the Balance Sheet.

## 40. Contingencies

### Contingent Liabilities

Dacorum Sports Trust has identified an increase in its pension fund deficit for employees' service as at 31 March 2016. The deficit of 0.135m, whilst a notional one based on actuarial assumptions, will be borne by the Council if the Sports Trust were to cease trading.

The Council is involved in a number of court cases the outcome of which may require the payment of compensation and/or costs. Total liabilities in this area are not material to the Council.

### Contingent Assets

The Council is currently holding negotiations with a company regarding the share of proceeds from the potential disposal of a plot of land. Should these negotiations fail, the Council may choose to take legal action. These negotiations and potential legal action could provide the Council with a receipt of anything up to £4m.

## 41. Related Party Transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

### Central Government

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides a large proportion of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from Government departments are set out in Notes 8 and 10. Grant receipts unapplied are set out in Note 29.

### Dacorum Sports Trust

With effect from 1 April 2004 Dacorum Sports Trust, a registered charity and company limited by guarantee, was established to manage some of Dacorum Borough Council's leisure facilities including its leisure centres. The Trust is a separate legal entity and is not restricted from managing other facilities within Dacorum or elsewhere. The Trust uses Council support services (Legal Services, Insurance, and Landscape and Recreation services) paying for these under Service Level Agreements totalling £16k.

# Notes to the Core Financial Statements

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

- Councillor Michael Hicks
- Councillor Peter Mathews
- Councillor Israel Imarni
- Councillor Denise Rance
- Councillor Graeme Elliot

Dacorum Borough Council and the Sports Trust are obliged under the transfer to agree a Development Plan and Funding Agreement. Under the Funding Agreement the Council paid a grant of £0.425m to the Trust in 2015/16 towards managing those facilities (2014/15: £0.575m). Under the transfer agreement the ownership of the Council assets, leased to the Trust at a peppercorn rent, remain with the Council. Thus, the capital charges for the Council-owned assets continue to be included in the Council's accounts. The assets also remain in the Council's Fixed Assets. Hertfordshire County Council owns Longdean and Tring Sports Centre; under a joint use agreement with the Borough Council, the Trust manages the leisure services at those venues.

As there is no group relationship between the Council and the Trust, the Trust's accounts are not consolidated with the Council's own Accounts.

## Members and Senior Officers of the Council

Members and Senior Officers of the Council have direct control over the Council's financial and operating policies. Disclosures of interest have been made in respect of the following organisations to which payments were made or from which payments were received (payments to major and local precepting authorities are excluded). The payments are not exclusively in respect of grants but where grants were given, they were made with proper consideration of declarations of interest and the relevant Members did not take part in any discussion or decision relating to the grants. In addition, two Members are trustees of the Dacorum Sports Trust (see above). The Register of Members' Interests shows both potential financial and other interests, including involvement with voluntary organisations, public authorities and representation on various bodies. It is open to public inspection by appointment – email [member.support@dacorum.gov.uk](mailto:member.support@dacorum.gov.uk) or telephone 01442 228222.

Organisation	Name	Payable	Receivable	Amount	Nature of Payment
		£	£	£	
Stage Two	Cllr Terence Douris	576	0	576	Supplies & Services
South Hill Centre	Cllr Neil Harden	5,139	0	5,139	Supplies & Services
The Receipt Book Company	Julie Still (Group Manager Resident Services)	6,208	0	6,208	Supplies & Services
Suttons Envelopes Ltd	Cllr Graham & Rosie Sutton	278	0	278	Supplies & Services
DP Taylor	Chris Taylor (Group Manager Strategic Planning & Regeneration)	7,343	0	7,343	Supplies & Services
Tring Market Auctions	Cllr Penelope Hearn	0	(768)	(768)	Supplies & Services

# Notes to the Core Financial Statements

## 42. Capital Commitments

The estimated maximum contractual commitments for capital expenditure for significant schemes (annual value over £250k) that had started, or where legal contracts had been entered into, as of 31 March 2016 are as follows:

<b>Contract</b>	<b>Contractor</b>	<b>End Date</b>	<b>Maximum Estimated Annual Value £'000</b>
Total Asset Management	Osborne Property Services	30/06/2019	23,500
Replacement, repair and maintenance services of boilers	Sun Realm Ltd	31/03/2019	3,859
Supply of Refuse Vehicles	Dennis Eagle Limited	16/11/2017	2,225
The Forum	Gade Zone Developments	31/12/2016	19,850
Water Gardens	Casey group	31/03/2017	3,400
Maylands Urban Realm	T. Loughman	31/03/2017	1,600

## 43. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Corporate Director (Finance and Operations) on 29 June 2016. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place after this date provided information about conditions existing at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

# Housing Revenue Account

## Housing Revenue Account – Income & Expenditure Account

HRA Note	2015/16 £'000	2014/15 £'000
<b>Income</b>		
Dwelling Rents (Gross)	(56,094)	(54,471)
Non Dwelling Rents (Gross)	(70)	(110)
Charges for Services & Facilities	(847)	(738)
Contributions Received Towards Expenditure	(1,026)	(1,157)
Sums Directed by Secretary of State that are Income in Accordance with the Code	0	0
<b>Total Income</b>	<b>(58,037)</b>	<b>(56,476)</b>
<b>Expenditure</b>		
Repairs and Maintenance	11,366	11,666
Supervision and Management	11,484	10,690
Rents, Rates, Taxes and Other Charges	13	24
Negative Subsidy – Payments to Secretary of State	0	0
Increase in Allowance for Bad and Doubtful Debts	289	259
Depreciation and Impairment of Fixed Assets	8 24,925	(2,559)
Exceptional Item – Self Financing Payment	0	0
Sums Directed by Secretary of State that are Expenditure in Accordance with the Code	0	0
<b>Total Expenditure</b>	<b>48,077</b>	<b>20,080</b>
<b>Net Expenditure/(Income) of HRA Services as Included in the Comprehensive Income &amp; Expenditure Statement</b>	<b>(9,960)</b>	<b>(36,396)</b>
Non-distributable Costs – Pensions Past Service Cost	1	0
HRA Share of Corporate and Democratic Core	236	269
<b>Net Expenditure/(Income) of HRA Services</b>	<b>(9,723)</b>	<b>(36,127)</b>
<b>HRA Share of Operating Income and Expenditure Included in the Comprehensive Income &amp; Expenditure Account</b>		
(Gain)/Loss on Disposal of Non-Current Assets	(6,580)	(5,354)
Interest and Investment Income	(208)	(173)
Interest Payments	11,657	11,660
Net Interest on the Net Defined Benefit Liability	195	497
Capital Grants and Contributions Received	(25)	(164)
<b>(Surplus)/Deficit for the Year on HRA Services</b>	<b>(4,684)</b>	<b>(29,659)</b>

# Housing Revenue Account

## Statement of Movement on the Housing Revenue Account

HRA Note	2015/16 £'000	2014/15 £'000
<b>Balance as at 1 April</b>	<b>2,846</b>	<b>2,723</b>
Movement in Reserves:		
Surplus/(Deficit) on Provision of Services	4,684	29,659
Other Comprehensive Income & Expenditure		
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>4,684</b>	<b>29,659</b>
<b>Adjustments Between Accounting Basis and Funding Basis Under Regulations:</b>		
Capital Grants and Contributions Applied	(25)	(164)
Revenue Expenditure Funded from Capital Under Statute	0	0
Depreciation and Impairment of Non-current Assets	0	0
Reversal of Employee Leave Accrual	0	(14)
Reversal Revaluation & Impairment (Gains)/Losses on Property Plant & Equipment	14,176	(12,275)
Amounts of non-current assets written off on sale as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	6,858	6,550
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(13,438)	(11,903)
Revenue Contribution to Capital	(12,442)	(12,263)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and expenditure Statement	587	1,238
Employer's Pension Contributions to Pension Fund Payable in the year	(365)	(861)
<b>Total Adjustments Between Accounting Basis and Funding Basis Under Regulations</b>	<b>(4,649)</b>	<b>(29,692)</b>
<b>Net Increase/(Decrease) Before Transfers to Earmarked Reserves</b>	<b>35</b>	<b>(33)</b>
Transfer (to)/from Earmarked Reserves	12	156
<b>Increase/(Decrease) in Year</b>	<b>47</b>	<b>123</b>
<b>Balance as at 31 March</b>	<b>2,893</b>	<b>2,846</b>

# Housing Revenue Account

## 1. Balance Sheet Value of HRA Assets

During 2015/16, it was identified that 53 General Fund assets used by the Housing Revenue Account as dwellings, had been included in the balance sheet value of HRA assets. As these are General Fund assets, the 2014/15 note has been restated to reduce the brought forward values by 53 properties.

2015/16	<u>Operational Assets</u>				<u>Non-Operational Assets</u>	
	Council Dwellings RESTATED £'000	Vehicle Plant & Equipment £'000	Intangible Assets	Other Land & Buildings £'000	Assets Under Construction £'000	Total Assets £'000
As at 1 April 2015	730,032	215	99	1,242	14,272	745,860
Additions	22,391	0	2	0	8,114	30,507
Assets Previously Omitted	0	0	0	0	0	0
Disposals	(6,908)	0	0	0	0	(6,908)
Disposals – Appropriations to General Fund	0	0	0	0	0	0
Impairment	(21,342)	0	0	0	(17)	(21,359)
Reclassifications	4,611	0	0	0	(8,694)	(4,083)
Depreciation written out to Carrying Value on Revaluation	(10,587)	0	0	0	0	(10,587)
Revaluations to the Income & Expenditure Account	7,157	0	0	0	0	7,157
Revaluations to the Revaluation Reserve	85,419	0	0	0	0	85,419
<b>As at 31 March 2016</b>	<b>810,773</b>	<b>215</b>	<b>101</b>	<b>1,242</b>	<b>13,675</b>	<b>826,006</b>
<b>Depreciation and Other Impairment</b>						
As at 1 April 2015	0	(99)	(50)	(18)	0	(167)
Charge for the Year	(10,676)	(36)	(20)	(17)	0	(10,749)
Disposals	51	0	0	0	0	51
Disposals – Appropriations to General Fund	0	0	0	0	0	0
Other Impairment	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Depreciation written out to Carrying Value on Revaluation	10,625	0	0	0	0	10,625
<b>As at 31 March 2016</b>	<b>0</b>	<b>(135)</b>	<b>(70)</b>	<b>(35)</b>	<b>0</b>	<b>(238)</b>
<b>Net Book Value as at 31 March 2016</b>	<b>810,773</b>	<b>80</b>	<b>31</b>	<b>1,207</b>	<b>13,675</b>	<b>825,768</b>
<b>Net Book Value as at 1 April 2015</b>	<b>730,032</b>	<b>116</b>	<b>49</b>	<b>1,224</b>	<b>14,272</b>	<b>745,693</b>

## Housing Revenue Account

### Balance Sheet Value of HRA Assets (continued)

2014/15 Restated	<u>Operational Assets</u>				<u>Non-Operational Assets</u>	
	Council Dwellings £'000	Vehicle Plant & Equipment £'000	Intangible Assets	Other Land & Buildings £'000	Assets Under Construction £'000	Total Assets £'000
<b>Certified Value</b>						
As at 1 April 2014 (restated)	656,221	168	99	1,288	5,872	663,648
Additions	20,288	50	0	0	8,400	28,738
Assets Previously Omitted	0	(3)	0	0	0	(3)
Disposals	(6,591)	0	0	0	0	(6,591)
Disposals – Appropriations to General Fund	0	0	0	0	0	0
Impairment	(20,288)	0	0	0	0	(20,288)
Reclassifications	0	0	0	0	0	0
Depreciation written out to Carrying Value on Revaluation	(9,566)	0	0	(56)	0	(9,622)
Revaluations to the Income & Expenditure Account	32,509	0	0	11	0	32,520
Revaluations to the Revaluation Reserve	57,459	0	0	(1)	0	57,458
<b>As at 31 March 2015</b>	<b>730,032</b>	<b>215</b>	<b>99</b>	<b>1,242</b>	<b>14,272</b>	<b>745,860</b>
<b>Depreciation and Other Impairment</b>						
As at 1 April 2014 (restated)	0	(70)	(30)	(54)	0	(154)
Charge for the Year	(9,608)	(32)	(20)	(20)	0	(9,680)
Disposals	42	3	0	0	0	45
Disposals – Appropriations to General Fund	0	0	0	0	0	0
Other Impairment	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Depreciation written out to Carrying Value on Revaluation	9,566	0	0	0	0	9,566
<b>As at 31 March 2016</b>	<b>0</b>	<b>(99)</b>	<b>(50)</b>	<b>(18)</b>	<b>0</b>	<b>(167)</b>
<b>Net Book Value as at 31 March 2015</b>	<b>730,032</b>	<b>116</b>	<b>49</b>	<b>1,224</b>	<b>14,272</b>	<b>745,693</b>
<b>Net Book Value as at 1 April 2014</b>	<b>656,221</b>	<b>98</b>	<b>69</b>	<b>1,233</b>	<b>5,872</b>	<b>663,493</b>

# Housing Revenue Account

## 2. Vacant Possession Value of HRA Dwellings

Council dwellings had a valuation of £1,872 million as at 1 April 2015 on the basis of existing use value assuming vacant possession. To comply with the requirements of the Resource Accounting regulations, a regional adjustment factor of 39% has to be applied to the Existing Use Value for Social Housing (EUV-SH) valuation. This is to reflect the fact that local authority housing is let at sub-market rents. The reduction in value shows the economic cost to the Government of providing council housing at less than open market rents.

## 3. Number and type of dwelling

During 2015/16, it was identified that 53 General Fund assets used by the Housing Revenue Account as dwellings, had been included in the number and type of dwellings. As these are General Fund assets, the 2014/15 note has been restated to reduce the brought forward values by 53 properties.

2015/16	31 March 2015	Reclassified	Additions	Sales & Demolitions	31 March 2016
1 bedroom flats	2,451	0	16	(19)	2,448
2 bedroom flats	1,075	0	19	(9)	1,085
3 bedroom flats	166	0	0	0	166
1 bedroom houses	583	0	0	(1)	582
2 bedroom houses	1,669	0	0	(30)	1,639
3 bedroom houses	3,825	0	6	(32)	3,799
4+ bedroom houses	450	0	0	(4)	446
Chiltern Hostel – equivalent	17	0	0	0	17
<b>Total Dwellings</b>	<b>10,236</b>	<b>0</b>	<b>41</b>	<b>(95)</b>	<b>10,182</b>

2014/15 (restated)	31 March 2014	Reclassified	Additions	Sales & Demolitions	31 March 2015
1 bedroom flats	2,467	0	0	(16)	2,451
2 bedroom flats	1,096	0	0	(21)	1,075
3 bedroom flats	170	0	0	(4)	166
1 bedroom houses	583	0	0	(0)	583
2 bedroom houses	1,680	0	0	(11)	1,669
3 bedroom houses	3,873	0	6	(48)	3,825
4+ bedroom houses	452	0	0	(2)	450
Chiltern Hostel – equivalent	17	0	0	0	17
<b>Total Dwellings (restated)</b>	<b>10,338</b>	<b>0</b>	<b>0</b>	<b>(102)</b>	<b>10,236</b>

## 4. Major Repairs Reserve (MRR)



## Housing Revenue Account

Regulation 7(5) of the Accounts and Audit Regulations 2003 (as amended) establishes arrangements for the Major Repairs Reserve (MRR) under which the MRA is effectively restricted to being applied towards new capital expenditure, the repayment of debt or meeting liabilities under credit arrangements. The regulation requires a credit to the MRR of an amount in respect of the depreciation charged to the Housing Revenue Account for the year. Together with the Item 8 Determination provisions for transferring the difference between the MRA and depreciation to the MRR, the net effect is to credit a net amount equal to the MRA each year to the MRR.

	2015/16 £'000	2014/15 £'000
Balance as at 1 April	17,570	11,120
<b>Income</b>		
Release from Capital Adjustment Account	10,749	9,715
<b>Expenditure</b>		
Financing of Capital Expenditure	(7,041)	(2,803)
Transfers to Capital Adjustment Account	(2,747)	(462)
<b>Balance as at 31 March</b>	<b>18,531</b>	<b>17,570</b>

### 5. Rent Arrears

	2015/16 £'000	2014/15 £'000
Rents - Current Tenants	1,838	1,779
Rents - Former Tenants	792	781
Supporting People and Other	180	187
<b>Total Arrears</b>	<b>2,810</b>	<b>2,747</b>
Provision for Bad and Doubtful Debts	(1,879)	(1,891)
<b>Total Housing Arrears</b>	<b>931</b>	<b>856</b>

### 6. Capital Expenditure and Financing

	2015/16 £'000	2014/15 £'000
<b>Capital Expenditure</b>		
Reroofing	2,317	2,213
New Build Housing	9,188	5,181
Aids & Adaptations	1,209	1,284
Kitchens & Bathrooms	3,933	3,326
Doors, Windows, Soffits and Fascias	1,444	2,343
Heating	2,433	2,728
Balconies and Walkways	2,410	0
Decent Homes and Other Capital Schemes	8,589	8,537
<b>Total Capital Expenditure</b>	<b>31,523</b>	<b>25,612</b>
<b>Financed by:</b>		
Capital Receipts	(12,015)	(10,382)
Major Repairs Reserve	(7,041)	(2,803)
Capital Grants	(25)	(164)
Revenue Contributions	(12,442)	(12,263)
<b>Total Financing</b>	<b>(31,523)</b>	<b>(25,612)</b>

### 7. Capital Receipts

# Housing Revenue Account

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

	2015/16 £'000	2014/15 £'000
Sale of Land and Freehold	0	0
Easements Granted	45	49
Sales of HRA Dwellings	12,911	11,854
Discounts Repaid and Miscellaneous Dwelling Sales	0	0
<b>Total Capital Receipts</b>	<b>12,956</b>	<b>11,903</b>

Mortgage capital receipts of £5k were released in 2015/16 (2014/15 £20k) from the Deferred Capital Receipts Reserve to the Useable Capital Receipts Reserve in respect of mortgage repayments received during the year.

## 8. Depreciation and Impairment

Depreciation is charged on Housing Revenue Account assets in accordance with IAS 16. Depreciation is charged with reference to Balance Sheet values and the expected life remaining on the housing stock and other assets. Impairment arises when assets are revalued at a figure below their carrying value. In certain circumstances this fall in carrying value is chargeable to the Income and Expenditure Account.

	2015/16 £'000	2014/15 £'000
<b>Operational Assets</b>		
Depreciation on Council Dwellings	10,676	9,643
Revaluation on Council Dwellings	(7,166)	(32,551)
Impairment	21,342	20,288
Depreciation on Vehicles Plant and Equipment	36	32
Amortisation of Intangible Assets	20	20
Depreciation on Other Land and Buildings	17	20
<b>Total Depreciation and Impairment</b>	<b>24,925</b>	<b>(2,548)</b>

Depreciation on council dwellings has been charged on a straight line basis over the life of the dwellings, estimated by the valuer of the dwellings at 60 years.

## Collection Fund – Income and Expenditure Account 2015/16

	Council Tax £'000	Business Rates £'000	Total £'000
<b>Income:</b>			
Council Tax Receivable	81,957	0	81,957
Business Rates Receivable	0	61,715	61,715
<b>Total Income</b>	<b>81,957</b>	<b>61,715</b>	<b>143,672</b>
<b>Expenditure</b>			
<u>Precepts, Demands and Shares</u>			
Hertfordshire County Council	62,346	6,018	68,364
Hertfordshire Police & Crime Commissioner (Council Tax Only)	8,076	0	8,076
Dacorum Borough Council	10,467	24,073	34,540
Central Government (Business Rates Only)	0	30,092	30,092
<u>Charges to Collection Fund</u>			
Less Transitional Payment Protection receivable	0	420	420
Less costs of collection	0	218	218
Less write offs of uncollectable amounts	396	1,152	1,548
Less increase/(decrease) allowances for impairment	57	(335)	(278)
Less increase/(decrease) provision for appeals	0	(1,415)	(1,415)
<u>Contribution towards previous year surplus/deficit</u>			
Hertfordshire County Council	450	363	813
Hertfordshire Police & Crime Commissioner (Council Tax Only)	60	0	60
Dacorum Borough Council	80	1,453	1,533
Central Government (Business Rates Only)	0	1,817	1,817
<b>Total Expenditure</b>	<b>81,932</b>	<b>63,856</b>	<b>145,788</b>
Movement on fund balance	(25)	2,141	2,116
Balance at beginning of year	(402)	2,395	1,993
<b>Balance at end of year</b>	<b>(427)</b>	<b>4,536</b>	<b>4,109</b>
<b>Shares of balance</b>			
Hertfordshire County Council	(332)	453	121
Hertfordshire Police & Crime Commissioner (Council Tax Only)	(42)	0	(42)
Dacorum Borough Council	(53)	1,815	1,762
Central Government (Business Rates Only)	0	2,268	2,268
	(427)	4,536	4,109

## Collection Fund – Income and Expenditure Account 2014/15

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

## 1. General

This account represents the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Non-Domestic Rates, council tax and the distribution to the major preceptors and the General Fund. The account is consolidated with other accounts of the Council.

In 2013/14 there was a change to the method for distributing and accounting for business rates income. Prior to 1<sup>st</sup> April 2013 Non-Domestic Rates were collected by the Council and then completed paid over to the Government, who then redistributed these sums across the country in the form of the Non-Domestic rates grant.

From 1<sup>st</sup> April 2013 Business Rates Retention applies, whereby local authorities Dacorum Borough Council (40%) and Hertfordshire County Council (10%) retain 50% of the business rates collected for the area and pay the remaining 50% to central government. In addition the government has set a level of business rates funding deemed to be applicable to each area and every Council receives a top-up (if business rates collected are below this deemed level of funding) or pays a tariff (if business rates collected are above this deemed level of funding).

With the introduction of business rates retention if a local authority increases its business rates base, and thereby increases its business rate income, it is allowed to retain a proportion of this increased income, whilst paying up to a maximum of 50% across to central government. This payment where it occurs is known as a levy payment.

The Government has also stated that no local authority will suffer a reduction in business rate income or more than 7.5% of its Business Rates funding baseline. If business rates income falls below this 7.5% level (£150k for Dacorum Borough Council) then the Government will make a safety net payment.

## 2. Business Rates

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

Business rates are calculated and collected by the Council. The Government specifies an amount (49.3p in 2015/16; 48.0p for small businesses) and, subject to the effects of transitional arrangements, local businesses pay NNDR calculated by multiplying their rateable value by that amount. The income raised in Dacorum is distributed between Dacorum Borough Council, Hertfordshire County Council and Central Government in line with the distribution rules set out in Business Rates legislation.

NNDR income was £61.7m in 2015/16. The rateable value for the Council's area was £151m at 31 March 2016 VOA valuation (2014/15: £151.1m).

### 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 2015/16 was calculated as 54,251.06 dwellings as follows:

Band	Estimated equivalent no. of taxable properties after effect of discounts	Ratio	Band D Equivalent Dwellings
A*	1.00	5/9ths	0.56
A	989.25	6/9ths	659.50
B	6,456.25	7/9ths	5,021.53
C	16,874.75	8/9ths	15,075.33
D	13,567.50	9/9ths	13,625.00
E	7,854.50	11/9ths	9,599.94
F	5134.25	13/9ths	7,416.14
G	4,509.75	15/9ths	7,516.25
H	684.50	18/9ths	1,369.00
<b>Totals</b>	<b>56,071.75</b>		<b>60,283.25</b>
Adjustment for collection rate and contributions in lieu (0.5%)			(330.09)
Council Tax Support			(5,315.46)
<b>Council Tax Base 2015/16</b>			<b>54,637.70</b>
<b>Council Tax Base 2014/15</b>			<b>53,809.20</b>

A\* = Disabled Band A

The total collectable income from Council Tax for 2015/16 was £82 million.

The Council Tax payable at each band is shown below. This does not include parishes.

Band	Multiplier	Dacorum Borough Council	Hertfordshire County Council	Hertfordshire Police & Crime Commissioner	Total
A	6/9	119.89	760.73	98.55	979.17
B	7/9	139.87	887.51	114.97	1,142.35
C	8/9	159.85	1,014.30	131.40	1,305.55
D	9/9	179.83	1,141.09	147.82	1,468.74
E	11/9	219.79	1,394.67	180.67	1,795.13
F	13/9	259.75	1,648.24	213.52	2,121.51
G	15/9	299.72	1,901.82	246.37	2,447.91
H	18/9	359.66	2,282.18	295.64	2,937.48

## Glossary of Terms

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

<b>Accounting Period</b>	The period of time covered by the accounts, normally a period of twelve months, commencing on 1 April for local authority accounts. The end of the accounting period is the Balance Sheet date.
<b>Accrual</b>	A sum included in the final accounts attributable to the accounting period but for which payment has yet to be made or income received.
<b>Appointed Auditors</b>	The Council's appointed auditors are Ernst and Young (E&Y).
<b>Approved Institutions</b>	Funds that are not immediately required may be invested but only with third parties meeting the credit rating criteria approved annually as part of the Council's Treasury Management Policies and Practices.
<b>Asset</b>	An item having value measurable in monetary terms. Assets can either be defined as fixed or current. A fixed asset has use and value for more than one year whereas a current asset (e.g. stocks or short-term debtors) can readily be converted into cash.
<b>Audit of Accounts</b>	An independent examination of the Council's accounts to ensure that the relevant legal obligations, accounting standards and codes of practice have been followed.
<b>Balance Sheet</b>	A financial statement that summarises the Council's assets, liabilities and other balances at the end of the accounting period.
<b>Budget</b>	A budget is a financial statement that expresses an organisation's service delivery plans and capital programme in monetary terms.
<b>SeRCOP</b>	Service Reporting Code of Practice. The system of local authority accounting and reporting which reflects, in particular, the duty to secure and demonstrate 'best value' in the provision of services. SeRCOP lays down the required content and presentation of costs of service activities.
<b>Capital Expenditure</b>	Expenditure to acquire or enhance fixed assets that will be used in providing services for more than one year.
<b>Capital Financing</b>	The raising of money to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, direct revenue financing, usable capital receipts, capital grants, capital contributions and revenue reserves. Dacorum is debt free and does not borrow to meet capital expenditure.
<b>Capital Programme</b>	The capital schemes the Council intends to carry out over a specified time period.
<b>Capital Receipt</b>	The proceeds from the disposal of land and other assets, as long as the amount is £10,000 or more. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government, but they cannot be used for revenue purposes.
<b>Cashflow Statement</b>	A statement that summarises the inflows and outflows of cash within the Council's accounts.
<b>CIPFA</b>	Chartered Institute of Public Finance and Accountancy. The principal accountancy body dealing with local government finance.

## Glossary of Terms

<b>Collection Fund</b>	A separate fund maintained by a billing authority that records the expenditure and income relating to council tax and non-domestic rates, including the amounts raised on behalf of Precepting Authorities
<b>Community Assets</b>	Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions in their disposal. Examples of community assets are parks and historical buildings. The value of the assets in the Balance Sheet is usually nil.
<b>Contingent Liability</b>	A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. Alternatively, a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of that obligation cannot be measured with sufficient reliability.
<b>Contingent Asset</b>	A possible asset that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.
<b>Core Financial Statements</b>	The main accounting statements of the Council comprising the Comprehensive Income and Expenditure Statement, Statement of the Movement on the General Fund Balance, Balance Sheet and Cash Flow Statement. Together with the Supplementary Financial Statements these comprise the Council's Accounting Statements.
<b>Council Tax</b>	This is one of the main sources of income to a local authority. Council tax is levied on households within its area by the billing authority and the proceeds are paid into the Collection Fund for distribution to precepting authorities and for use by the billing authorities own General Fund
<b>Creditor</b>	Amounts owed by the Council for works done, goods received or services rendered before the end of the accounting period but for which payments have not been made by the end of that accounting period.
<b>Debtor</b>	Amounts due to the Council for works done, goods received or services rendered before the end of the accounting period but for which payments have not been received by the end of that accounting period.
<b>Depreciation</b>	The measure of the cost of the benefits of a fixed asset which have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of the asset whether arising from use, passage of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.
<b>Estimates</b>	Where definitive figures are not available /cannot be found, estimates are used to produce the statement of accounts. These estimates are based on the best information available at the time of production.
<b>Events After The Balance Sheet Date</b>	Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue. Also referred to as Post Balance Sheet Events.
<b>Exceptional Items</b>	Material items deriving from events or transactions that fall within the ordinary activities of the Council needing to be disclosed separately by virtue of their size or incidence so that the financial statements give a true and fair view.



## Glossary of Terms

<b>Finance Lease</b>	A lease which transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.
<b>Financial Year</b>	Period of time to which the Statement of Accounts relates. The financial year for Local Authorities runs from 1 April to 31 March.
<b>Fixed Assets</b>	Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.
<b>Government Grants</b>	Grants made by central government towards either revenue or capital expenditure to help with the cost of providing services and capital projects. Some government grants have restrictions on how they may be used whilst others are general purpose.
<b>Gross Expenditure</b>	The total cost of providing the Council's services before taking into account income from fees and charges and government grants.
<b>Housing Benefits</b>	A system of financial assistance to individuals towards certain housing costs administered by local authorities and subsidised by central Government.
<b>Housing Revenue Account</b>	A separate, statutory account inside the General Fund which includes the expenditure and income arising from the provision of housing accommodation by the Council acting as landlord.
<b>Impairment</b>	This is a reduction in value of a fixed asset as shown in the balance sheet to reflect its true value.
<b>Income</b>	This is the money that the Council receives or expects to receive from any source, including fees, charges, sales, grants and investment interest.
<b>Comprehensive Income and Expenditure Statement</b>	An account which summarises resources generated and consumed in the provision of services for which Dacorum Council is responsible.
<b>Infrastructure Assets</b>	Fixed assets belonging to the Council which do not necessarily have a resale value (e.g. highways) and for which a useful life span cannot be readily assessed.
<b>Intangible Assets</b>	These are non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the authority through custom or legal rights e.g. computer software.
<b>International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS)</b>	International Financial Reporting Standards cover particular aspects of accounting practice, and set out the correct accounting treatment, for example, of depreciation. Compliance with these statements is mandatory and any departure from them must be disclosed and explained. The standards originated in the commercial sector and some are not directly relevant to local authority accounts.
<b>Inventory</b>	These comprise one or more of the following categories: goods or other assets purchased for resale; consumable stores; raw materials and components purchased for incorporation into products for sale; products and services in intermediate stages of completion; long term contract balances and finished goods.
<b>Liability</b>	A liability arises when the Council owes money to others and it must be included in financial statements.
<b>Long Term</b>	These are investments intended to be held for use on a continuing basis in

## Glossary of Terms

<b>Investments</b>	the activities of the authority. They should be classified as long term only where an intention to hold the asset for longer than one year can be clearly demonstrated.
<b>Materiality</b>	This is one of the main accounting concepts. It ensures that the statement of accounts includes all the transactions that, if omitted, would lead to a significant distortion of the financial position at the end of the accounting period.
<b>Minimum Revenue Provision</b>	The amount set aside out of our revenue to repay loans.
<b>National Non-Domestic Rate (NDR)</b>	A standard rate in the pound set by the Government payable on the assessed rateable value of properties used for business purposes. Also known as Non-Domestic or Business rates.
<b>Operating Lease</b>	A lease whereby the ownership of the fixed asset remains with the lessor.
<b>Post Balance Sheet Event</b>	These are events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is authorised for issue.
<b>Precept</b>	The levy made by precepting authorities on billing authorities, e.g. Dacorum Borough Council. The major precepting authorities are Hertfordshire County Council and Hertfordshire Police & Crime Commissioner. Parish Councils, e.g. Tring Parish Council, also raise money by means of a precept on the relevant billing authority.
<b>Provision</b>	An amount set aside for liabilities or losses that are certain to arise but owing to their inherent nature cannot be quantified with any certainty.
<b>Prudential Code</b>	The Prudential Code, introduced in April 2004, sets out the arrangements for capital finance in local authorities. It constitutes 'proper accounting practice' and is recognised as such by statute.
<b>Rateable Value</b>	The annual assumed rental value of a property that is used for business purposes.
<b>Related Parties</b>	Two or more parties are related parties when at any time during the financial period: <ul style="list-style-type: none"><li>• One party has direct or indirect control of the other party;</li><li>• The parties are subject to common control from the same source;</li><li>• 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</li><li>• 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.</li></ul>
<b>Related Party Transactions</b>	The transfer of assets, liabilities or services between the Council and its related parties irrespective of whether a charge is made.
<b>Reserves</b>	The accumulation of surpluses and deficits over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council.

## Glossary of Terms

<b>Residual Value</b>	This is the net realisable value of an asset at the end of its useful life.
<b>Revaluation Reserve</b>	An account containing any unrecognised gains or losses arising from the revaluation of fixed assets held by the Council. When assets are sold, the gain or loss on sale will be recognised in the Income and Expenditure Account once all previous entries relating to unrecognised gains or losses have been removed from the accounts.
<b>Revenue Expenditure</b>	The day to day expenses associate with the provision of services.
<b>Revenue Expenditure funded from Capital under Statute</b>	Capital expenditure which may be properly treated as such, but which does not result in, or remain matched with, tangible fixed assets. An example would be capital expenditure on improvement grants.
<b>Revenue Support Grant</b>	A grant paid by the Government to councils, contributing towards the costs of their services.
<b>Code of Practice</b>	Since the adoption of International Financial Reporting Standards in 2010/11, local authorities required to produce their accounts in accordance with the Code of Practice on Local Authority Accounting.
<b>Statement of the Movement in Reserves</b>	Reconciliation between the Comprehensive Income and Expenditure Statement and the General Fund or Housing Revenue Account to show the effect of spending against Council Tax or Housing Rents raised.
<b>Supplementary Financial Statements</b>	Additional financial statements comprising the Housing Revenue Account and Collection Fund. Together with the Core Financial Statements comprise the Council's Accounting Statements.
<b>Trust Funds</b>	Funds administered by the Council for such purposes as prizes charities and specific projects usually as a result of individual legacies and donations.
<b>Useful Life</b>	This is the period over which an organisation will derive benefits from the use of an asset.



## AGENDA ITEM: SUMMARY

<b>Report for:</b>	<b>Audit Committee</b>
<b>Date of meeting:</b>	<b>29 June 2016</b>
<b>PART:</b>	<b>1</b>
If Part II, reason:	

<b>Title of report:</b>	<b>Final Outturn 2015/16</b>
Contact:	<p>Cllr Graeme Elliot, Portfolio Holder for Finance and Resources</p> <p>James Deane, Corporate Director (Finance &amp; Operations)</p> <p>David Skinner, Assistant Director (Finance &amp; Resources)</p> <p>Richard Baker, Group Manager (Financial Services)</p>
Purpose of report:	<p>To provide details of the final outturn position for the:</p> <ul style="list-style-type: none"> <li>· General Fund</li> <li>· Housing Revenue Account</li> <li>· Capital Programme</li> </ul> <p>To provide details of the proposed transfers to and from earmarked reserves.</p>
Recommendations	<p>It is recommended that Members of the Audit Committee:</p> <ol style="list-style-type: none"> <li>1. Review the financial outturn position for 2015/16;</li> <li>2. Approve movements on earmarked reserves; and</li> <li>3. Review and approve capital slippage set out in Appendix C.</li> </ol>
Corporate objectives:	Delivering an efficient and modern council
Implications:	Financial and Value for Money implications are included within the body of the report.

Risk Implications	Risk implications are included within the body of the report.
Equalities Implications	There are no equality implications.
Health And Safety Implications	There are no health and safety implications.
Monitoring Officer/S.151 Officer Comments	<p><b>Monitoring Officer</b></p> <p>No further comments to add.</p> <p><b>S.151 Officer</b></p> <p>This is a Section 151 Officer report.</p>
Consultees:	Budget Managers
Glossary of acronyms and any other abbreviations used in this report:	<p>GF – General Fund</p> <p>HRA – Housing Revenue Account</p> <p>MTFS – Medium Term Financial Strategy</p>

## 1. Introduction

- 1.1 The purpose of this report is to set out the Final Outturn for 2015/16 for approval, prior to members being requested to consider the Statement of Accounts later on this Agenda.
- 1.2 The Council's outturn position is a primary source of information for the production of the Statement of Accounts and provides context for members in their consideration of the accounts.
- 1.3 Outturn is reported for each the following funds, and set out in detail in the following sections:
- General Fund
  - Housing Revenue Account (HRA)
  - Capital Programme

## 2. General Fund Revenue Account

- 2.1 The General Fund revenue account records the income and expenditure associated with all Council functions except management of the Council's own housing stock, which is accounted for within the Housing Revenue Account (HRA) (see Section 7).

2.2 Appendix A provides an overview of the General Fund provisional outturn position, separating expenditure into controllable and non-controllable categories in order to focus scrutiny on those areas that officers are able to influence, i.e. the controllable.

2.3 The majority of non-controllable costs result from year-end accounting adjustments, e.g. depreciation charges. These are required to show the true value of resources used to provide the Council's services, but do not result in a cash charge to taxpayers. The provisional adjustments that have been completed to date are explained in section 6 of this report.

2.4 The current budget is the original budget approved by Cabinet in February 2015, plus the following approved amendments:

<b>Amendments</b>	<b>£000</b>	<b>Approved</b>
<b>2015/16 Original budget</b>	<b>17,534</b>	
Ambassadors' Programme	36	Council July 2015
Grant Funded Staff Costs in Revenues and Benefits	70	Council September 2015
Office Accommodation	53	Council September 2015
Reserve Funded Staff Costs	(10)	Council September 2015
Local Development Framework	(50)	Council September 2015
Grant Funded Costs in Electoral Registration	42	Council January 2016
Reserve Funded Election Budget	(30)	Council January 2016
<b>2015/16 Current Budget</b>	<b>17,645</b>	

2.5 The table below provides an overview by Scrutiny area of the current forecast outturn for controllable budgets within the General Fund.

	<b>Current Budget</b>	<b>Outturn</b>	<b>Variance</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>%</b>
Finance & Resources	7,365	7,082	(283)	-3.8%
Strategic Planning & Environment	7,748	7,734	(14)	-0.2%
Housing & Community	2,532	2,421	(111)	-4.4%
<b>Total</b>	<b>17,645</b>	<b>17,237</b>	<b>(408)</b>	<b>-2.3%</b>

2.6 The following sections provide an analysis of the projected outturn and major budget variances shown by Scrutiny area.

### 3. Finance and Resources

Finance & Resources	Current Budget	Outturn	Variance	
	£000	£000	£000	%
Employees	9,796	9,801	5	0.1%
Premises	1,754	2,036	282	16.1%
Transport	35	44	9	25.7%
Supplies & Services	4,184	4,205	21	0.5%
Third-Parties	583	664	81	13.9%
Income	(8,987)	(9,668)	(681)	7.6%
	<b>7,365</b>	<b>7,082</b>	<b>(283)</b>	<b>-3.8%</b>

#### 3.1 Premises - £282k over budget (16.1%)

Pressure of £195k – In accordance with the legal agreement, the Council has reimbursed Hertfordshire County Council for a share of the costs of the temporary relocation of the Library, prior to the move to The Forum.

Pressure of £60k - There is a pressure of £60k relating to utilities costs on the Planet Ice site at Jarman Park, where the Council acts as agent for the operator. These costs have been recovered from the tenant and a corresponding overachievement in income has been generated (see paragraph 3.4).

Pressure of £40k – There is a pressure of £40k in the Public Conveniences Service, as a new electronic opening system is being installed. This will remove the need for Council staff to attend Public Conveniences to open and close the facilities, and offers a more cost-effective long term solution.

#### 3.2 Supplies & Services - £21k over budget (0.5%)

Centralised Underspend of £207k – Underspends were identified across various services through close scrutiny of the budgets, in preparation for the 2016/17 budget round. Following approval at Full Council on 20 January 2016, these savings have been moved to a central area in Finance & Resources, and have been taken out of the base budget for 2016/17.

The savings originated from the following budgets:

Scrutiny Committee	Description	Value
Finance & Resources	Central Admin Staffing – in year vacancies	£50k
Finance & Resources	Performance and Projects - savings in Performance team (timing)	£10k
Strategic Planning & Environment	Regulatory Services supplies and services	£20k
Finance & Resources	Performance and Projects – various underspends across the service	£44k
Finance & Resources	Chief Executive Mgt Team	£83k
<b>Total</b>		<b>£207k</b>

Pressure of £90k – following a review of capital expenditure, annual licences for Microsoft Enterprise Agreements are now being treated as revenue expenditure. This cost had previously been budgeted in the capital programme. The cost for financial year 2015/16 has been charged to the General Fund revenue account, and this expenditure has been budgeted as a revenue cost in the 2016/17 budget.

Pressure of £50k – A levy was notified from Municipal Mutual Insurance. This is unbudgeted as this is only the second levy since 1992.

Surplus of £80k – The facilitating change budget has an underspend of c£80k. This was allocated to deliver a review of sports provision and delivery arrangements within the Borough. This review will be delivered in 2016/17 after the formal tender process. It is recommended that the underspend is moved to the Management of Change Reserve to fund this activity in 2016/17.

A revision to the recharges has increased charges to supplies and services by £140k. This change is offset by additional income recharges set out in paragraph 3.4.

### **3.3 Third Parties £81k over budget (13.9%)**

Pressure of £50k – There is a pressure of £50k in Facilities Management. Additional costs have been incurred since the relocation of the Hemel Hempstead library into the Civic Centre, due to longer opening hours. Costs are also being incurred due to additional hours worked at Berkhamsted Civic Centre and Victoria Hall Tring over and above the contracted hours in order to generate income from hire of the premises. This pressure is offset by the service charge income as identified in paragraph 3.4.

Pressure of £40k – There is a pressure of £40k in Financial Services, as the budgeted savings on the provision of the Payroll contract will not be achieved in 2015/16. Following a long period of transition modelling with the new provider, the start of the new contract was delayed until 2016/17. The new payroll contract was implemented in April 2016, from which point savings will be achieved at the rate previously forecast, and in line with the approved budget.

### **3.4 Income £681k over-achievement of budget (7.6%)**

Surplus of £255k – Additional income, net of repairs costs of £28k, has been generated on properties owned by the General Fund which are currently being used by the HRA as rental properties. Following an in-depth review of rental income, as part of the 2016/17 budget-setting exercise, this income stream has now been transferred from the HRA to the General Fund.

Surplus of £105k – as mentioned in paragraph 3.1 and 3.3 above, utilities costs on the Planet Ice site have been recovered from the tenant. In addition, service charges e.g. portering services provided to enable the Civic Centre to remain open to accommodate the library's opening hours, have been billed to Herts County Council following the relocation of the library into the Civic Centre.



Surplus of £60k – Additional income of £60k has been generated from service charges on commercial properties. The terms of individual leases have been reviewed to identify an improved methodology for charging, which has led to an increase in income.

Surplus of £51k – An accounting adjustment relating to a long term lease has been processed as part of the final outturn. This adjustment is reversed out from the General Fund and has no impact on General Fund Balances.

A revision to the recharges has increased income by £196k. This change is partly offset by additional supplies and services recharges set out in paragraph 3.2 with the balance being recharges to other Committees.

#### 4. Strategic Planning and Environment

Strategic Planning and Environment	Current Budget £000	Outturn £000	Variance	
			£000	%
Employees	9,199	9,407	208	2.3%
Premises	1,065	1,025	(40)	-3.8%
Transport	1,445	1,436	(9)	-0.6%
Supplies & Services	3,932	4,300	368	9.4%
Third-Parties	132	128	(4)	-3.0%
Income	(8,024)	(8,562)	(538)	-6.7%
	<b>7,748</b>	<b>7,734</b>	<b>(14)</b>	<b>-0.2%</b>

##### 4.1 Employees - £208k over budget (2.3%)

Pressure of £140k – There is a pressure of £140k in the budget for Employee costs in Waste Services. The budgeted efficiencies to be delivered through the new waste service (£420k budget reduction) were not fully realised from the start of the year, as the new structure took time to bed in.

A specific Waste Performance group was set up in June 2015 to address why productivity was below the anticipated level, and consequently why there was an overspend. During the first quarter of the financial year, two additional waste collection rounds were being utilised over and above the anticipated round structure. As at Quarter 2 this had been reduced to one additional round, and by the end of Quarter 3 this last additional round had been removed, to leave the service operating within budget at no additional resource or cost. Whilst the budget pressure cannot be reversed for this financial year, it is expected that the service will operate within budget for financial year 2016/17.

Pressure of £100k – There is a pressure of £100k in Planning and Building Control, due to a number of vacant posts within the services. This work has been carried out by agency staff, but at a more expensive rate. A service review is being undertaken with a view to improving processes within the service and making efficiency savings going forward.

#### 4.2 Supplies and Services - £368k over budget (9.4%)

Pressure of £120k – This pressure has arisen in the budgets for uninsured losses in Environmental Service and in Planning, where a number of insurance claims have been received, particularly for damage to properties from subsidence due to tree roots.

Pressure of £65k – There is an unbudgeted cost of £65k for the disposal of recycled material. This cost has arisen due to a downturn in the market for recycled materials due to the fall in the price of plastic, steel and glass.

Pressure of £40k – The Council commissioned V4 services to carry out a review of Waste Services, with a view to making service improvements. The initial findings of this review have been received and a number of the suggested improvements have been factored into the budget for 2016/17.

Pressure of £60k – A pressure of £60k has arisen in Development Control due to additional costs for consultancy support on more complex planning cases. There has also been an increase in the volume of challenges from the public which has led to higher than anticipated legal costs.

#### 4.3 Income - £538k surplus (6.7%)

Surplus of £250k – A surplus of £250k has been generated in Planning and Building Control. This is due to a high volume of large one-off applications having been received during the financial year.

Surplus of £115k – In Waste Services, there is a surplus of £115k from the Alternative Financial Model. This is an incentive payment made by the waste disposal authority Herts County Council, to reward local authorities for increases in their recycling rates which saves the county council in disposal costs.

Surplus of £95k – A surplus of £95k has arisen in the Waste Transfer Site at Cupid Depot from efficiencies implemented by the service in waste disposal. The variance has arisen in the Income category because of a new arrangement with Herts County Council concerning street sweepings.

### 5 Housing and Community

Housing & Community	Current Budget	Outturn	Variance	
	£000	£000	£000	%
Employees	2,462	2,506	44	1.8%
Premises	436	426	(10)	-2.3%
Transport	16	11	(5)	-31.3%
Supplies & Services	2,891	2,869	(22)	-0.8%
Third Parties	823	830	7	0.9%
Income	(4,096)	(4,221)	(125)	3.1%
	<b>2,532</b>	<b>2,421</b>	<b>(111)</b>	<b>-4.4%</b>

### 5.1 Income - £125k over budget (3.1%)

Surplus of £45k – There is a surplus of £45k on income from The Elms homeless hostel. The Council entered into a contract with DENS to manage The Elms from May 2015, but the income from this contract had not previously been budgeted. This income has been factored in to the budget for 2016/17.

Surplus of £30k – There is a surplus of £30k on income from Garages where the level of voids has been lower than anticipated.

## 6 Non-Controllable Expenditure

6.1 Appendix A sets out the outturn for non-controllable expenditure. These are largely year-end accounting adjustments which are reversed out below the General Fund Services Expenditure line, and therefore have no impact on the overall outturn position. The major variances are set out below:

	<b>£'000</b>
<b>Non-Controllable major variances</b>	
Movement in value of investment property	(27,170)
Revenue Expenditure Funded under Statute	5,804
Gain on disposal of non-current assets	606
Capital Charges (Reversed no impact on overall outturn)	522
Housing Benefits and Subsidy (detail below)	(305)
<b>Non-Controllable Total</b>	<b>(20,543)</b>
<b>General Fund Service Expenditure Adjustments:</b>	
Reversal of Capital Charges (Items 1, 2, 3 & 4 above)	20,238
Interest payments and receipts:	
Interest Received (detail below)	(128)
Interest payment/Voluntary Revenue Provision adjustment	(171)
Revenue Contribution to Capital:	
Voluntary Revenue Provision contribution	386
Capital Financing adjustment	262

Surplus of £305k – There is a surplus of £305k in Housing Benefits and Subsidy following a review of the methodology for providing for bad debts on overpaid Housing Benefit. The provision has been reduced based on updated information on previous recovery levels.

Surplus of £128k – there is a surplus of £128k on Interest Receipts. In May 2015 Council approved the borrowing of £19m to finance approved projects in the capital programme in advance of need in order to take advantage of historically low interest rates. This, along with slippage and underspends on the General Fund capital programme of £10.2m, has meant the Council has held higher cash balances during the year. These higher balances have been invested in line with the Council's Treasury Management Strategy and have generated an additional £128k of interest receipts.

6.2 Depreciation charges are accounting adjustments which have no impact on the taxpayer.

6.3 Reserves movements are explained in Section 9.

## **7 Housing Revenue Account (HRA)**

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

7.2 The HRA balance at the end of 2015/16 is £2.89m, which is £48k more than the budgeted balance of £2.84m.

### **7.3 Dwelling Rent - £142k under budget (0.3%)**

Although the net position on Dwelling Rent is under budget, there is an overachievement of £132k on budgeted housing rent, as the number of empty homes in the year was lower than anticipated. The budgeted level was 1%, but empty homes were approximately 0.4% over the course of the year.

The deficit has arisen following an unbudgeted recharge from the General Fund of £283k, to account for rent received on properties that are used to house Council tenants but are owned by the General Fund. This is shown as a reduction in rental income in the HRA. (See paragraph 3.4)

### **7.4 Contribution towards Expenditure - £471k over-achievement of income (60.5%)**

There is a surplus of £240k in Contributions from Leaseholders. Repairs costs were being charged to Leaseholders on an arrears basis, but are now being charged in the year the work has taken place.

A one-off payment of £40k has been received for Feed-In Tariffs for William Crook House which was an overdue payment relating to the last 4 years. There have also been some minor capital receipts, each individually under £10k, which have contributed a further surplus of £50k.

There is a surplus of £113k in Contributions from Leaseholders. Contributions were received in 2014/15 and 2015/16 from utilities companies towards bad debts on utility charges. The Council acts as an agent on behalf of utility companies collecting income for some properties and managing the debt. The Council receives a contribution towards the non-payment of debt which has previously been unbudgeted.

### **7.5 Interest and Investment Income - £94k over-achievement of income (62.3%)**

This over-achievement is as a result of higher than anticipated receipts from the sale of Right to Buy properties. An amount of £3.4m was estimated in the budget, however this financial year £12.9m has been received.

### **7.6 Repairs and Maintenance - £1.1m over budget (11.5%)**

The year end outturn position for 2015/16 shows an overspend of £1.1m in the repairs and maintenance budgets.

The four areas that have experienced the greatest pressure are Responsive Repairs, including small works, Asbestos surveys and removals, Health and Safety works and External redecorations.

The reasons for the main variances are:

**Responsive Repairs, including small works - overspend £740k (9.6%)**

These are all demand led works, encompassing traditional responsive repairs, and small works including estate works such as rebuilding dangerous walls, fence renewals, and footpath works.

In overall terms, in financial year 2015/16 28,534 responsive repair jobs were completed in comparison with 23,368 jobs in financial year 2014/15, which is an increase of 22%. Average job costs were at a 25% lower average cost in the first quarter of the year and it was anticipated that this would continue over the rest of the year. High demand in small works was experienced in the second and third quarters of the year as a result of a backlog in work predating self-financing that has outstripped the savings anticipated from reduced average job costs.

It was expected that these overspends could be offset by corresponding underspends on voids based on activity levels for the first two quarters of c£250k. However, due to increasing demand for homeless temporary accommodation, a number of HRA general needs properties have been converted into temporary accommodation during the year, thereby increasing the frequency and volume of voids. This has resulted in a swing in forecasts of c£500k based on the average unit cost of servicing a void of c£5k.

- *Voids 14-15 - 713 completed*
- *Voids 15-16 - 766 completed*

**Health and Safety works – overspend £120k (7.6%)**

The poor summer followed by a persistently wet autumn/winter resulted in an increased demand for work to treat mould in the housing stock where the average rainfall was almost twice the normal average. An enhanced specification was developed and extensive work carried out to the affected properties to eradicate the mould and improve ventilation.

The remainder of the works in this category relate to concrete repairs, trip hazards or other health and safety related issues and are demand led.

**Asbestos surveys and removals - overspend £230k (5.7%)**

The impact of higher volumes of responsive small works and the enhanced specification for eradication of mould has resulted in a corresponding increase in the number of asbestos refurbishment and demolition surveys, as the enhanced specification leads to more invasive work requiring a greater number of surveys. Due to the age and poor condition a number of asbestos components have required removal.

### **External redecoration - overspend £180k (3.8%)**

External redecoration was undertaken to blocks where scaffold was in-situ for windows or roof renewals funded from capital to maximise the use of the scaffold in line with the objectives of the Total Asset Management (TAM) approach. The TAM approach resulted in bringing forward spend from future years of the business plan.

### **7.7 Supervision and Management - £124k over budget (1.2%)**

There are various over and underspends in this area, but the key variances are £140k underspend in the Housing Cleaning service due to a number of vacancies in year, £60k under budget in utilities costs in Elderly Persons' Dwellings and £60k overspend due to unbudgeted revenue costs associated with the New Build programme.

A revision to the recharges has increased supervision and management by £295k. This change is partly offset by recharges within repairs and maintenance and the corporate and democratic core costs. The net increase in recharge expenditure payable to the General Fund is £91k.

### **7.8 Depreciation £1.461m over budget (9.1%)**

The annual depreciation charge is a nominal amount that represents the total value of the housing stock that has been 'used' over the course of the year. For audit purposes, DBC housing stock is said to have a 'useful economic life' of 60 years, therefore the annual depreciation charge is approximately one sixtieth if the value of the housing stock. The charge for depreciation in 2015/16 is above budget because the value of the housing stock has increased since the budget was set.

### **7.9 Revenue Contribution to Capital - £2.287m under budget (3.3%)**

Revenue Contribution to Capital (RCC) is that amount of surplus revenue, generated over the course of the year, which is transferred out of the Housing Revenue Account into the Housing Capital Programme in order to fund capital projects.

Because it is revenue over and above the amount that is required to operate the HRA for the year, the actual level of RCC will go up or down dependent on over- or under-spends elsewhere within the HRA budget. £1.461m of the reduction in RCC at final outturn 2015/16 reflects the increased depreciation costs for 2015/16.

Line 192 of the Capital Programme (Appendix C) shows the budget for Planned Fixed Expenditure. There is an overspend of £149k on this line. Within this net overspend there is accelerated spend of £630k on the Walkways project to upgrade the structural integrity of the balconies and walkways, which necessitates budget to be brought forward from 2016/17. This leaves a residual underspend of £481k on the capital scheme overall. This underspend means that the Revenue Contribution to Capital can be reduced by a corresponding amount of £481k, as this amount is not required to fund the capital programme.

The revenue contribution to capital has been further reduced by £365k to offset the current deficit on the HRA.

#### 7.10 Transfer from Housing Reserves - £12k over budget

This transfer from HRA earmarked reserves is to fund the costs of the Social Housing Fraud officer, met from a grant received from DCLG in prior years.

### 8 Capital Programme

8.1 Appendix C shows the projected capital outturn in detail by scheme.

The table below summarises the overall capital outturn position by Scrutiny area.

The 'Rephasing' column refers to those projects where expenditure is still expected to be incurred, but it will now be in 2016/17 or future years rather than 2015/16, or conversely, where expenditure planned initially for 2016/17 will now be in 2015/16.

The 'Variance' column refers to those projects which are now complete, but have come in under or over budget and those projects which are no longer required.

	<b>Current Budget £000</b>	<b>Outturn £000</b>	<b>Rephasing £000</b>	<b>Variance</b>	
				<b>£000</b>	<b>%</b>
Finance & Resources	12,712	10,424	(1,936)	(352)	-2.8%
Strategic Planning & Environment	14,651	7,041	(6,146)	(1,464)	-10.0%
Housing & Community	1,855	1,539	(113)	(203)	-10.9%
<b>G F Total</b>	<b>29,218</b>	<b>19,004</b>	<b>(8,195)</b>	<b>(2,019)</b>	<b>-6.9%</b>
<b>HRA Total</b>	<b>32,062</b>	<b>30,530</b>	<b>(1,048)</b>	<b>(484)</b>	<b>-1.5%</b>
<b>Grand Total</b>	<b>61,280</b>	<b>49,534</b>	<b>(9,243)</b>	<b>(2,503)</b>	<b>-4.1%</b>

#### 8.2 General Fund Major Variances

There is an overall underspend of £10,214k on the General Fund within year 2015/16. This is a combination of underspending of £2,019k and slippage of £8,195k. This represents 28% slippage against the budget, compared to slippage of 10.3% in 2014/15. This increase in slippage is primarily due to slippage on a few high value projects including the Forum, the Water Gardens, the Fleet Replacement Programme, and the Maylands Urban Realm Project. Further on these areas of slippage follows.

The net underspend of £2,019k is comprised of:

- Line 43: underspend of £76k on demolition of Unit B and The Old Court House due to the costs coming in less than the budgeted £400k.
- Line 59: underspend of £121k on the Car Park Refurbishment project. The requirements for 2015/16 were refined, and 2 car parks have been refurbished this financial year at a cost of £116k, with slippage of £99k into 2016/17. A

new capital bid has been approved for works to be carried out to further car parks in 2016/17.

- Line 89: underspend of £136k on Enterprise Licence Agreements. These ICT licences are now being treated as revenue expenditure, as they are incurred on an annual basis. The cost for financial year 2015/16 has been charged to the General Fund revenue account, and this expenditure has been budgeted as a revenue cost in the 2016/17 budget.
- Line 137: an underspend of £165k on the Affordable Housing Development Fund. This budget was previously allocated from General Fund capital receipts, but is now funded from Housing Revenue Account 1-4-1 receipts due to the high level of property sales under the Right to Buy scheme. The expenditure is based on the grant applications received from Housing Associations and is therefore demand led.
- Line 165: an underspend of £141k on Home Improvement Loans budget. Uptake to this scheme has been low and the budget is not expected to be spent. The budgets previously allocated for this scheme in future years have been removed from the capital programme during the last budget round.
- Line 172: an overspend of £93k on Regeneration of the Town Centre which equates to 2% of the overall project budget. During the course of the work at the Marlowes Shopping Zone, many issues were identified including previously unidentified underground utilities and changes made by Herts County Council to the design and materials, which had a substantial impact on the time and budget for this project. Unbudgeted grant income has been received from Herts County Council of £60k which partially offsets this overspend.
- Line 175: an underspend of £403k on the Bus Interchange project. Following the issues identified during the course of the works at the Marlowes Shopping Zone, a large contingency was put in to the Bus Interchange project, with a high expectation that unforeseen issues might arise. Fortunately this did not turn out to be the case and a large saving has been made. Unbudgeted grant funding of £180k from Herts County Council has also been secured which reduces the overall cost to the council.
- Line 176: an underspend of £1m on the Heart of Maylands project. This scheme was intended to support the provision of highway access and infrastructure serving DBC's landholding on the Maylands Gateway, however this work is no longer required and the budget will not be spent.

The projected rephasing to future years of £8,195k includes:

- Line 42: accelerated spend of £464k on the budget for Strategic Acquisitions. The Health Centre building was purchased in October 2015, however this spend had previously been profiled to financial year 2016/17.
- Line 56: slippage of £191k at Rossgate Shopping. £9k has been spent this financial year on design work. Any further work is on hold pending the outcome of the strategic condition survey of the Council's property portfolio.



- Line 59: £99k slippage on the Car Park Refurbishment project. The budget allocated to resurface Queensway car park will now be spent in 2016/17.
- Line 60: £161k of accelerated spend on Berkhamsted Multi-Storey Car Park. Additional expenditure has been incurred on the development and planning stage of the project which necessitates bringing forward approved budget that had previously been profiled for expenditure in 2016/17.
- Line 62: £184k slippage on Bunkers Farm. The purchase of land has taken longer than anticipated. Completion is now expected in the early part of the new financial year.
- Line 144: £400k slippage on Berkhamsted Sport Centre roof. The work was not fully scoped out during the year, the project will take place during 2016/17.
- Line 147: £76k slippage on Hemel Sports Centre renew heat and power system. This project has been postponed to 2016/17 due to the work on replacement of the Air Handling Unit for the gymnasium taking priority.
- Line 72: £87k slippage on Planning Software Replacement. This project was intended for a complete upgrade of the IDOX software, but to date this has not been required, as smaller improvements to the system have been sufficient. The budget will be needed in 2016/17 however, for further improvements to Planning software to deliver future service efficiencies.
- Line 81: slippage of £1m on The Forum. The budget of £9.4m was based on indicative cashflows at the time.
- Line 90: slippage of £70k on Website Development. This relates to the web portal element of CRM. The procurement exercise is not yet complete and it is now expected that the project will be completed next financial year.
- Line 102: slippage of £70k on EIS replacement. A decision on EIS replacement will be taken when there is more clarity on the feasibility of other HR delivery models.
- Line 131: slippage of £83k on Youth Centre Provision. This budget is being used for the new Cycle Hub and for youth facilities at the Adventure Playgrounds. To avoid the works impacting on the Adventure Playgrounds during the Easter holidays, it was necessary to slip the £83k in to 2016/17.
- Line 155: slippage of £107k on the Play Area Refurbishment Programme. The programme of work has been reviewed many times, particularly as individual amounts of section 106 funding are being identified that can be used to fund particular sites. The requirements have now been reworked and the anticipated spend for 2015/16 is £107k less than the budgeted £397k. Any unused funds will be slipped into 2016/17 to fund the programme of works for that year.
- Line 156: slippage of £75k on Waste & Recycling Service Improvements. This budget was slipped forward from 2014/15 and was intended to be used for new bins for the second phase of the new waste service which is the roll out to communal properties. The project has been delayed due to the complexities

of dealing with a variety of communal properties but it is expected that this funding will be required in 2016/17.

- Line 160: slippage of £1.72m on the Fleet Replacement Programme. The requirements of the service for communal properties are still being scoped out.
- Line 170: slippage of £813k on Maylands Phase 1 (Maylands Urban Realm). A revised project cost was approved at Cabinet 20 October 2015, and approval was given to award the contract for the construction of the project. £233k has been spent in 2015/16 with the balance now anticipated to be spent in 2016/17.
- Line 171: slippage of £300k on Urban Park. This project will not be completed in 2015/16 now due to other projects such as the Water Gardens taking priority.
- Line 173: slippage of £335k on Maylands Business Centre. Initial bids on this scheme were received earlier in the financial year, but were in excess of the allocated budget. A request to increase the level of budget was approved at Cabinet on 24 November, and revised quotes are currently being evaluated, with the aim of awarding the contract early in the new financial year.
- Line 174: slippage of £2m on the Water Gardens. Delays have been experienced on the project due to the complexity of the work. It had been intended that the bridges would be refurbished in September 2015, however after structural surveys and a planning review, it was decided that these would all be replaced with new bridges which will now take place in summer 2016. The removal of silt has also taken longer than anticipated due to lack of storage space.
- Line 175: slippage of £300k on the Bus Interchange project. Although the project is practically complete, there remains some enhancement work to be carried out. There have been some delays in agreeing the final specification for this work and these costs will now be incurred early 2016/17.
- Line 178: slippage of £508k on Town Centre Access Improvements project. Options for the scheme have been received and are currently being considered. Pre-assessment work of £14k has been carried out in 2015/16, but the majority of the work will now be in 2016/17.

### 8.3 HRA Major Variances

There is an underspend on the HRA capital programme of £1,532k.

- Line 192: net overspend of £149k on Planned Fixed Expenditure. Within this net overspend there is accelerated spend of £630k on the Walkways project to upgrade the structural integrity of the balconies and walkways, which necessitates budget to be brought forward from 2016/17. This leaves a residual underspend of £481k. The HRA Revenue Contribution to Capital will be reduced by this amount, as the budgeted contribution to capital is not required in full.

- Line 196 and 197: slippage of £106k on the new build programme at Farm Place and £140k on Galley Hill. Both of these schemes are complete, however it is proposed that the budget be slipped to 2016/17 to fund unbudgeted expenditure which will be required on Stationer's Place (The Apsley Paper Mill) where a second overage payment is due in 2016/17 on the land purchase.
- Line 198: slippage of £838k on the new build scheme at London Road Apsley. There have been some delays to the build of the site, due to amendments to meet changing client requirements, such as ground floor flats low level showers and layout change to certain plots to meet resident requirements. This work can be accommodated within the approved budgets for the scheme overall.
- Line 203: accelerated spend of £235k on the new build site at Apsley Paper Mill (Stationer's Place). An overage payment of £250k has been made following the granting of planning permission on this site. A further payment of £450k will be due in 2016/17.
- Line 204: slippage of £73k on the new build scheme at Queen Street Tring. With Queen Street being a former council depot, the initial site investigation suggested two points of contamination which needed to be addressed. A further survey uncovered extensive contamination across much of the site which was unexpected, and required removal of the surface layer and replacement in its entirety, culminating in a 5 week delay. This work can be delivered within the approved budgets for the scheme overall.
- Line 205: slippage of £178k on the new build scheme at Able House, which represents the first payment to the main contractor for works. The works were due to start on site in March 2016, after demolition of the existing building, however the demolition has proved more complex and time consuming than anticipated, due to the discovery of asbestos.
- Line 207: slippage of £583k on the new build scheme at Swing Gate Lane. This slippage is due to delays in the purchase of the land. It was expected that the land would be purchased in March 2016, but complexities in the transaction have led to a time delay and the purchase is now expected early in financial year 2016/17.

## **9 Balances and Reserves**

9.1 The Reserves Summary at Appendix D reflects the movements approved by Council in February 2016.

9.2 Following final outturn, members of the Audit Committee are recommended to approve the following additional reserve movements, which are also reflected within Appendix D:

- Management of Change Reserve – Additional contribution £394k to meet the costs of one-off projects required to make improvements or significant changes to services for which no budgetary provision exists, including transformation, redundancy, and pension strain payments. As set out in paragraph 3.2, this includes £80k to deliver a review of sports provision within

the Borough. As this was not undertaken in 2015/16, the funds will be set aside in the Management of Change Reserve and drawn down in 2016/17

- Funding (Business Rates) Equalisation Reserve - £223k additional contribution to the reserve. The Council has released some of the provision in relation to the historical appeals on Business Rates Valuations, in turn increasing the retained amount from business rates for the year. This remains a volatile source of income for the Council due to the uncertainty around the success of the outstanding appeals.

9.3 Appendix A shows that after the above reserve movements are made there will be a reduction to the General Fund Working Balance of £152k. This reflects the forecast reduction approved by Council in February 2016, and is consistent with the strategy of reducing the Working Balance to £2.5m by the end of 2015/16.

9.4 In cases where reserves were to be drawn down in 2015/16 to fund budgeted expenditure which was not spent in full, only the amount required to fund actual expenditure was drawn down. The remainder is held in reserve to fund the approved expenditure as it is incurred in future years.



# Dacorum Borough Council

APPENDIX A

## General Fund Revenue Budget - Final Outturn 2015/16 (by Overview and Scrutiny Committee)

	Full Year		
	Adjusted Budget £000	Actual £000	Variance £000
<b>Controllable</b>			
Finance and Resources	7,365	7,082	(283)
Strategic Planning and Environment	7,748	7,734	(14)
Housing and Community	2,532	2,421	(111)
<b>Controllable</b>	<b>17,645</b>	<b>17,237</b>	<b>(408)</b>
<b>Non-Controllable</b>			
Finance and Resources	(3,712)	(31,235)	(27,523)
Strategic Planning and Environment	3,865	8,096	4,231
Housing and Community	1,450	4,179	2,729
<b>Non-Controllable</b>	<b>1,603</b>	<b>(18,960)</b>	<b>(20,563)</b>
<b>General Fund Service Expenditure</b>	<b>19,248</b>	<b>(1,723)</b>	<b>(20,971)</b>
Reversal of Capital Charges and other Accounting Adjustments	(4,125)	16,094	20,219
Interest Payments and Receipts	504	207	(297)
Revenue Contributions to Capital	4,106	4,754	648
Contributions to / (from) Reserves	(897)	(115)	782
Contributions to / (from) Working Balance	(152)	(152)	0
<b>Budget Requirement:</b>	<b>18,684</b>	<b>19,065</b>	<b>381</b>
<b>Met From:</b>			
Revenue Support Grant	(2,070)	(2,070)	0
Retained Business Rates	(3,986)	(4,209)	(223)
New Homes Bonus	(2,611)	(2,620)	(9)
Other General Government Grants	(112)	(261)	(149)
Council Tax Surplus	(80)	(80)	0
Requirement from Council Tax	(9,825)	(9,825)	0
<b>Total Funding:</b>	<b>(18,684)</b>	<b>(19,065)</b>	<b>(381)</b>

### Interpreting this report

#### **General Fund Service Expenditure**

This subtotal includes those costs which are directly attributable to specific Council services.

#### **Budget Requirement**

This subtotal shows the total cash requirement to operate the Council for one year. It includes the General Fund Service Expenditure plus corporate costs and income.

#### **Total Funding**

This subtotal shows how the Council receives sufficient funding from different sources to meet the Budget Requirement. In order to 'balance the budget', Total Funding must equal the Budget Requirement.



## Housing Revenue Account Final Outturn 2015/16

**APPENDIX B**

	Original Budget £000	Provisional Outturn £000	Forecast Variance £000	%
<b>Income:</b>				
Net Dwelling Rents	(56,236)	(56,094)	142	-0.3%
Non-Dwelling Rents	(80)	(70)	10	-12.5%
Tenants Charges	(273)	(380)	(107)	39.2%
Leaseholder Charges	(507)	(466)	41	-8.1%
Interest and Investment Income	(114)	(208)	(94)	82.5%
Contribution towards Expenditure	(555)	(1,026)	(471)	84.9%
<b>Total Income</b>	<b>(57,765)</b>	<b>(58,244)</b>	<b>(479)</b>	<b>0.8%</b>
<b>Expenditure:</b>				
Repairs and Maintenance	10,262	11,366	1,104	10.8%
Supervision & Management:	11,334	11,458	124	1.1%
Rent, Rates, Taxes & Other Charges	14	13	(1)	-7.1%
Interest Payable	11,658	11,657	(1)	0.0%
Provision for Bad Debts	216	288	72	33.3%
Depreciation	9,288	10,749	1,461	15.7%
HRA Democratic Recharges	264	236	(28)	-10.6%
Revenue Contribution to Capital	14,729	12,442	(2,287)	-15.5%
<b>Total Expenditure</b>	<b>57,765</b>	<b>58,209</b>	<b>444</b>	<b>0.8%</b>
Transfer from Housing Reserves	0	(12)	(12)	0.0%
<b>HRA Deficit / (Surplus)</b>	<b>0</b>	<b>(47)</b>	<b>(47)</b>	<b>0.0%</b>
<b>Housing Revenue Account Balance:</b>				
Opening Balance at 1 April 2015	(2,846)	(2,846)	0	
Deficit / (Surplus) for year	0	(47)	(47)	
Proposed Contributions to Reserves	0	0	0	
<b>Closing Balance at 31 March 2016</b>	<b>(2,846)</b>	<b>(2,893)</b>	<b>(47)</b>	

Scheme	Budget Holder	Original Budget	Prior Year Slippage	In-Year Adjustments	Current Budget	YTD Spend	Outturn	Proposed Slippage	Projected Over / (Under)	Slippage into 2016/17	Slippage into 2017/18 & future
<b>General Fund</b>											
<b>Finance and Resources</b>											
<b>Commercial Assets and Property Development</b>											
42 Strategic Acquisitions	Nicholas Brown	0	0	0	0	463,500	463,500	463,500	0	463,500	
43 Demolition of Civic Centre Unit B & Old Court House	Nicholas Brown	400,000	0	0	400,000	324,077	324,077	0	(75,923)	0	
44 Service Lease Domestic Properties	Nicholas Brown	30,000	0	0	30,000	30,195	30,195	0	195	0	
45 Cupid Green MRF/VRS replace roof	Nicholas Brown	40,000	0	0	40,000	20,850	20,850	0	(19,150)	0	
46 Demolition of Civic Centre	Nicholas Brown	0	0	0	0	1,990	1,990	1,990	0	1,990	
47 Grovehill Community Centre - Plant	Nicholas Brown	0	16,052	0	16,052	21,046	21,046	0	4,994	0	
48 Adeyfield Community Centre - Window Renewals	Nicholas Brown	0	4,348	0	4,348	10,529	10,529	0	6,181	0	
49 Leverstock Green Community Centre - Roof	Nicholas Brown	20,000	0	0	20,000	20,730	20,730	0	730	0	
50 Highfield Community Centre - Resurface Car Park	Nicholas Brown	0	18,318	0	18,318	0	0	(18,318)	0	0	(18,318)
51 Adeyfield Community Centre - replace roof	Nicholas Brown	45,000	0	0	45,000	770	770	(44,230)	0	(44,230)	
52 Woodhall Farm Community Centre - structural works	Nicholas Brown	15,000	0	0	15,000	15,880	15,880	0	880	0	
53 Tring Community Centre - new play area for Childrens Nursery	Nicholas Brown	15,000	0	0	15,000	1,890	1,890	(13,110)	0	(13,110)	
54 Apsley Industrial Estate - Box Gutter	Nicholas Brown	0	10,000	0	10,000	0	0	0	(10,000)	0	
55 Queens Square Shopping Centre - Roof	Nicholas Brown	0	12,425	0	12,425	11,380	11,380	0	(1,045)	0	
56 Rossgate Shopping Centre - Structural Works	Nicholas Brown	200,000	0	0	200,000	9,090	9,090	(190,910)	0	(90,910)	(100,000)
57 High Street, Tring - Replace External Cladding & Roof	Nicholas Brown	50,000	0	0	50,000	0	0	(50,000)	0	(50,000)	
58 Commercial Properties - Renew Obsolete Door Entry Controls	Nicholas Brown	30,000	0	0	30,000	30,697	30,697	0	697	0	
59 Car Park Refurbishment	Nicholas Brown	330,000	6,199	0	336,199	115,563	115,563	(99,172)	(121,464)	(99,172)	
60 Multi Storey Car Park Berkhamsted	Nicholas Brown	68,000	72,000	0	140,000	301,436	301,436	161,436	0	161,436	
61 Woodwells Cemetery - Work Yard Development	Nicholas Brown	20,000	(20,000)	0	0	0	0	0	0	0	
62 Bunkers Farm	Nicholas Brown	0	194,218	0	194,218	10,612	10,612	(183,606)	(0)	(183,606)	
63 Sanctum 2000 Interment Chambers - Woodwells	Nicholas Brown	35,000	0	0	35,000	38,726	38,726	0	3,726	0	
64 Sanctum 2000 Interment Chambers - Tring	Nicholas Brown	20,000	0	0	20,000	19,752	19,752	0	(248)	0	
65 Rose Garden of Remembrance - Woodwells	Nicholas Brown	45,000	0	0	45,000	44,139	44,139	0	(861)	0	
66 Rose Garden of Remembrance - Tring	Nicholas Brown	10,000	0	0	10,000	10,580	10,580	0	580	0	
67 Refurbishment of Facilities at Woodwells Cemetery	Nicholas Brown	64,000	0	0	64,000	6,403	6,403	(57,597)	0	(57,597)	
68 Cremated Remains Burial Area Woodwells Cemetery	Nicholas Brown	18,500	0	0	18,500	18,007	18,007	0	(493)	0	
145 Berkhamsted Sports Centre - Roof Replacement	Nicholas Brown	400,000	0	0	400,000	0	0	(400,000)	0	0	(400,000)
146 Tring Sports Centre - Replace Swimming Pool Roof	Nicholas Brown	30,000	0	0	30,000	0	0	(30,000)	0	0	(30,000)
147 Hemel Sports Centre - renew heat and power system	Nicholas Brown	80,000	0	0	80,000	3,950	3,950	(76,050)	0	(76,050)	
148 Hemel Sports Centre - renew outdoor pool water heaters	Nicholas Brown	15,000	0	0	15,000	10,048	10,048	(4,952)	(0)	(4,952)	
149 Air Handling Unit - Hemel Hempstead Sports Centre	Nicholas Brown	0	0	40,000	40,000	21,074	21,074	(18,926)	(0)	(18,926)	
150 Hemel Hempstead Sports Centre - Gym Refurbishment	Nicholas Brown	0	0	0	0	30,852	30,852	0	30,852	0	
		<b>1,980,500</b>	<b>313,560</b>	<b>40,000</b>	<b>2,334,060</b>	<b>1,593,766</b>	<b>1,593,766</b>	<b>(559,945)</b>	<b>(180,349)</b>	<b>(11,627)</b>	<b>(548,318)</b>
<b>Development Management and Planning</b>											
72 Planning Software Replacement	Sara Whelan	0	101,132	0	101,132	14,168	14,168	(86,964)	0	(86,964)	
		<b>0</b>	<b>101,132</b>	<b>0</b>	<b>101,132</b>	<b>14,168</b>	<b>14,168</b>	<b>(86,964)</b>	<b>0</b>	<b>(86,964)</b>	<b>0</b>
<b>Financial Management</b>											
76 Payroll (Invest to Save)	Richard Baker	0	0	50,000	50,000	47,553	47,553	(2,447)	0	(2,447)	
77 Upgrade of HSM Module (BACS / DD Security)	Richard Baker	0	0	5,000	5,000	0	0	(5,000)	0	(5,000)	
		<b>0</b>	<b>0</b>	<b>55,000</b>	<b>55,000</b>	<b>47,553</b>	<b>47,553</b>	<b>(7,447)</b>	<b>0</b>	<b>(7,447)</b>	<b>0</b>
<b>Housing &amp; Regeneration Management</b>											
81 The Forum (Public Service Quarter)	Mark Gaynor	9,000,000	405,785	0	9,405,785	8,390,385	8,390,385	(1,015,400)	(0)	(1,015,400)	
82 Gade Zone	Mark Gaynor	0	0	50,000	50,000	58,488	58,488	0	8,488	0	
83 Market Square	Mark Gaynor	0	0	0	0	551	551	0	551	0	
		<b>9,000,000</b>	<b>405,785</b>	<b>50,000</b>	<b>9,455,785</b>	<b>8,449,424</b>	<b>8,449,424</b>	<b>(1,015,400)</b>	<b>9,039</b>	<b>(1,015,400)</b>	<b>0</b>

Scheme	Budget Holder	Original Budget	Prior Year Slippage	In-Year Adjustments	Current Budget	YTD Spend	Outturn	Proposed Slippage	Projected Over / (Under)	Slippage into 2016/17	Slippage into 2017/18 & future	
<b>Finance and Resources (continued)</b>												
<b>Information, Communication and Technology</b>												
87	Rolling Programme - Hardware	Ben Trueman	75,000	0	0	75,000	33,297	33,297	(41,700)	(3)	(41,700)	
88	Software Licences - Right of Use	Ben Trueman	50,000	32,000	0	82,000	44,070	44,070	(32,000)	(5,930)	(32,000)	
89	Enterprise Licence Agreements	Ben Trueman	260,000	(96,631)	0	163,369	27,017	27,017	0	(136,352)	0	
90	Website Development	Ben Trueman	85,000	85,000	0	170,000	100,632	100,632	(69,500)	132	(69,500)	
91	Dacorum Anywhere	Ben Trueman	55,000	0	0	55,000	54,313	54,313	0	(687)	0	
92	Mobile Working	Ben Trueman	0	44,476	0	44,476	43,992	43,992	0	(484)	0	
93	Wifi	Ben Trueman	0	4,726	0	4,726	2,157	2,157	0	(2,569)	0	
			<b>525,000</b>	<b>69,571</b>	<b>0</b>	<b>594,571</b>	<b>305,477</b>	<b>305,477</b>	<b>(143,200)</b>	<b>(145,894)</b>	<b>(143,200)</b>	<b>0</b>
<b>Legal Governance</b>												
97	Visual Files Case Management System	Mark Brookes	0	5,630	0	5,630	0	0	0	(5,630)	0	
98	Corporate GIS	Mark Brookes	0	7,720	0	7,720	13,100	13,100	0	5,380	0	
			<b>0</b>	<b>13,350</b>	<b>0</b>	<b>13,350</b>	<b>13,100</b>	<b>13,100</b>	<b>0</b>	<b>(250)</b>	<b>0</b>	<b>0</b>
<b>People</b>												
102	EIS Replacement	Matt Rawdon	70,000	0	0	70,000	0	0	(70,000)	0	(70,000)	
			<b>70,000</b>	<b>0</b>	<b>0</b>	<b>70,000</b>	<b>0</b>	<b>0</b>	<b>(70,000)</b>	<b>0</b>	<b>(70,000)</b>	<b>0</b>
<b>Performance and Projects</b>												
106	E Signatures	Robert Smyth	34,900	0	0	34,900	0	0	0	(34,900)	0	
107	Incoming Mailroom	Robert Smyth	0	48,009	0	48,009	0	0	(48,009)	0	(48,009)	
108	Reprographics	Robert Smyth	0	5,247	0	5,247	0	0	(5,247)	0	(5,247)	
			<b>34,900</b>	<b>53,256</b>	<b>0</b>	<b>88,156</b>	<b>0</b>	<b>0</b>	<b>(53,256)</b>	<b>(34,900)</b>	<b>(53,256)</b>	<b>0</b>
	<b>Totals: Finance and Resources</b>		<b>11,610,400</b>	<b>956,654</b>	<b>145,000</b>	<b>12,712,054</b>	<b>10,423,487</b>	<b>10,423,487</b>	<b>(1,936,212)</b>	<b>(352,355)</b>	<b>(1,387,894)</b>	<b>(548,318)</b>
<b>Housing and Community</b>												
<b>Chief Executive's Unit Management</b>												
116	Highbarns Land Stabilisation Project	Steve Baker	0	77,252	0	77,252	68,891	68,891	(8,360)	(1)	(8,360)	
			<b>0</b>	<b>77,252</b>	<b>0</b>	<b>77,252</b>	<b>68,891</b>	<b>68,891</b>	<b>(8,360)</b>	<b>(1)</b>	<b>(8,360)</b>	<b>0</b>
<b>Commissioning, Procurement and Compliance</b>												
113	Telephony upgrade & virtualisation	Ben Hosier	6,480	53,440	0	59,920	43,952	43,952	(4,600)	(11,368)	(4,600)	
114	Customer Services Unit Refurbishment	Ben Hosier	25,120	0	0	25,120	15,241	15,241	(9,870)	(9)	(9,870)	
			<b>31,600</b>	<b>53,440</b>	<b>0</b>	<b>85,040</b>	<b>59,193</b>	<b>59,193</b>	<b>(14,470)</b>	<b>(11,377)</b>	<b>(14,470)</b>	<b>0</b>
<b>People</b>												
125	Capital Grants - Community Groups	Matt Rawdon	20,000	8,508	0	28,508	12,000	12,000	0	(16,508)	0	
			<b>20,000</b>	<b>8,508</b>	<b>0</b>	<b>28,508</b>	<b>12,000</b>	<b>12,000</b>	<b>0</b>	<b>(16,508)</b>	<b>0</b>	<b>0</b>
<b>Residents Services</b>												
129	Rolling Programme - CCTV Cameras	Julie Still	25,000	0	0	25,000	23,349	23,349	0	(1,651)	0	
130	Verge Hardening Programme	Julie Still	300,000	(33,179)	0	266,821	258,981	258,981	(7,840)	0	(7,840)	
131	Youth Centre Provision	Julie Still	0	100,000	0	100,000	17,193	17,193	(82,807)	(0)	(82,807)	
132	Adventure Playgrounds - Rewire Chaulden, Adeyfield, Bennettsend	Julie Still	0	31,361	0	31,361	37,537	37,537	0	6,176	0	
			<b>325,000</b>	<b>98,182</b>	<b>0</b>	<b>423,182</b>	<b>337,060</b>	<b>337,060</b>	<b>(90,647)</b>	<b>4,525</b>	<b>(90,647)</b>	<b>0</b>
<b>Strategic Housing</b>												
136	New Build - Elms Hostel Redbourne Road	Julia Hedger	0	0	191,000	191,000	177,000	177,000	0	(14,000)	0	
137	Affordable Housing Development Fund	Julia Hedger	1,300,000	(250,000)	0	1,050,000	885,000	885,000	0	(165,000)	0	
			<b>1,300,000</b>	<b>(250,000)</b>	<b>191,000</b>	<b>1,241,000</b>	<b>1,062,000</b>	<b>1,062,000</b>	<b>0</b>	<b>(179,000)</b>	<b>0</b>	<b>0</b>
	<b>Totals: Housing and Community</b>		<b>1,676,600</b>	<b>(12,618)</b>	<b>191,000</b>	<b>1,854,982</b>	<b>1,539,144</b>	<b>1,539,144</b>	<b>(113,477)</b>	<b>(202,361)</b>	<b>(113,477)</b>	<b>0</b>

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Scheme	Budget Holder	Original Budget	Prior Year Slippage	In-Year Adjustments	Current Budget	YTD Spend	Outturn	Proposed Slippage	Projected Over / (Under)	Slippage into 2016/17	Slippage into 2017/18 & future	
<b>Strategic Planning and Environment</b>												
<b>Environmental Services</b>												
154	Wheeled Bins & Boxes for New Properties	Craig Thorpe	20,000	0	0	20,000	0	0	0	(20,000)	0	
155	Play Area Refurbishment Programme	Craig Thorpe	350,000	46,558	0	396,558	289,642	289,642	(106,916)	(0)	(106,916)	
156	Waste & Recycling Service Improvements	Craig Thorpe	0	75,000	0	75,000	0	0	(75,000)	0	(75,000)	
157	Play Areas & Open Spaces - replace equipment	Craig Thorpe	20,000	14,510	0	34,510	19,788	19,788	(14,722)	0	(14,722)	
158	Cupid Green Depot - new parking area	Craig Thorpe	15,000	0	0	15,000	11,456	11,456	0	(3,544)	0	
159	Cupid Green Depot - Security Gates Upgrade	Craig Thorpe	0	0	0	0	10,645	10,645	0	10,645	0	
160	Fleet Replacement Programme	Craig Thorpe	2,573,000	(288,432)	36,675	2,321,243	594,012	594,012	(1,727,231)	0	(94,231)	(1,633,000)
			<b>2,978,000</b>	<b>(152,364)</b>	<b>36,675</b>	<b>2,862,311</b>	<b>925,543</b>	<b>925,543</b>	<b>(1,923,869)</b>	<b>(12,899)</b>	<b>(290,869)</b>	<b>(1,633,000)</b>
<b>Regulatory Services</b>												
164	Disabled Facilities Grants	Chris Troy	588,000	(105,167)	0	482,833	544,179	544,179	61,346	0	61,346	
165	Home Improvement Grants	Chris Troy	150,000	0	0	150,000	0	0	(8,894)	(141,107)	(8,894)	
166	Air Quality Monitors	Chris Troy	0	0	21,000	21,000	20,735	20,735	0	(265)	0	
			<b>738,000</b>	<b>(105,167)</b>	<b>21,000</b>	<b>653,833</b>	<b>564,914</b>	<b>564,914</b>	<b>52,453</b>	<b>(141,371)</b>	<b>52,453</b>	<b>0</b>
<b>Strategic Planning and Regeneration</b>												
170	Maylands Phase 1 Improvements	Chris Taylor	750,000	294,000	2,275	1,046,275	233,019	233,019	(813,256)	0	(813,256)	
171	GAF - Urban Park/Education Centre	Chris Taylor	170,000	129,720	0	299,720	0	0	(300,000)	280	(300,000)	
172	Regeneration of Hemel Town Centre	Chris Taylor	1,659,000	718,868	4,000	2,381,868	2,474,687	2,474,687	0	92,819	0	
173	Maylands Business Centre	Chris Taylor	350,000	0	0	350,000	15,050	15,050	(335,000)	50	(335,000)	
174	Water Gardens	Chris Taylor	2,804,148	48,105	2,275	2,854,528	849,268	849,268	(2,005,260)	0	(2,005,260)	
175	Bus Interchange	Chris Taylor	2,550,000	(15,113)	(4,550)	2,530,337	1,827,308	1,827,308	(300,000)	(403,029)	(300,000)	
176	Heart of Maylands	Chris Taylor	1,000,000	0	0	1,000,000	0	0	0	(1,000,000)	0	
177	Heath Park Gardens Improvements ( Fully funded from S106)	Chris Taylor	0	0	130,000	130,000	117,108	117,108	(12,892)	(0)	(12,892)	
178	Town Centre Access Improvements	Chris Taylor	520,000	2,280	0	522,280	14,319	14,319	(507,961)	0	(507,961)	
179	Market Canopies	Chris Taylor	10,000	0	10,000	20,000	19,884	19,884	0	(116)	0	
180	Digital High Street Software	Chris Taylor	10,000	0	(10,000)	0	0	0	0	0	0	
			<b>9,823,148</b>	<b>1,177,860</b>	<b>134,000</b>	<b>11,135,008</b>	<b>5,550,644</b>	<b>5,550,643</b>	<b>(4,274,369)</b>	<b>(1,309,996)</b>	<b>(3,974,369)</b>	<b>(300,000)</b>
<b>Totals: Strategic Planning and Environment</b>			<b>13,539,148</b>	<b>920,329</b>	<b>191,675</b>	<b>14,651,152</b>	<b>7,041,101</b>	<b>7,041,100</b>	<b>(6,145,786)</b>	<b>(1,464,266)</b>	<b>(4,212,786)</b>	<b>(1,933,000)</b>
<b>Totals - Fund: General Fund</b>			<b>26,826,148</b>	<b>1,864,365</b>	<b>527,675</b>	<b>29,218,188</b>	<b>19,003,732</b>	<b>19,003,732</b>	<b>(8,195,475)</b>	<b>(2,018,982)</b>	<b>(5,714,157)</b>	<b>(2,481,318)</b>
<b>Housing Revenue Account</b>												
<b>Housing and Community</b>												
<b>Property &amp; Place</b>												
192	Planned Fixed Expenditure	Fiona Williamson	20,200,000	992,443	0	21,192,443	21,341,537	21,341,537	630,178	(481,084)	630,178	
			<b>20,200,000</b>	<b>992,443</b>	<b>0</b>	<b>21,192,443</b>	<b>21,341,537</b>	<b>21,341,537</b>	<b>630,178</b>	<b>(481,084)</b>	<b>630,178</b>	<b>0</b>
<b>Strategic Housing</b>												
196	New Build - Farm Place Berkhamsted	Julia Hedger	0	218,681	224,790	443,471	337,966	337,966	(105,505)	(0)	(105,505)	
197	New Build - Galley Hill Gadebridge	Julia Hedger	0	68,318	186,441	254,759	114,634	114,634	(140,125)	(0)	(140,125)	
198	New Build - London Road Apsley	Julia Hedger	0	2,890,351	895,633	3,785,984	2,948,184	2,948,184	(837,800)	0	(837,800)	
199	New Build - General Expenditure	Julia Hedger	6,202,000	0	(6,202,000)	0	0	0	0	0	0	
200	Martindale	Julia Hedger	0	3,977,038	221,342	4,198,380	4,194,269	4,194,269	(4,111)	0	(4,111)	
201	Strategic Acquisitions - Housing	Julia Hedger	0	0	25,000	25,000	25,000	25,000	0	0	0	
202	Wood House	Julia Hedger	0	(78,239)	140,155	61,916	70,506	70,506	8,590	(0)	8,590	
203	The Apsley Paper Mill (Land Adj to Retail Park, London Road)	Julia Hedger	0	(43,278)	104,285	61,007	295,942	295,942	234,935	0	234,935	
204	New Build - Queen Street (Old Tring Depot)	Julia Hedger	580,000	(13,321)	(42,905)	523,774	450,353	450,353	(73,422)	0	(73,422)	
205	Able House	Julia Hedger	0	(30,385)	360,222	329,837	151,528	151,528	(178,309)	(0)	(178,309)	
206	New Build - Longlands	Julia Hedger	300,000	300,000	0	600,000	597,241	597,241	0	(2,759)	0	
207	Swing Gate Lane	Julia Hedger	0	0	585,500	585,500	2,820	2,820	(582,680)	0	(582,680)	
			<b>7,082,000</b>	<b>7,289,165</b>	<b>(3,501,537)</b>	<b>10,869,628</b>	<b>9,188,442</b>	<b>9,188,442</b>	<b>(1,678,427)</b>	<b>(2,760)</b>	<b>(1,678,427)</b>	<b>0</b>
<b>Totals: Housing and Community</b>			<b>27,282,000</b>	<b>8,281,608</b>	<b>(3,501,537)</b>	<b>32,062,071</b>	<b>30,529,979</b>	<b>30,529,979</b>	<b>(1,048,249)</b>	<b>(483,844)</b>	<b>(1,048,249)</b>	<b>0</b>
<b>Totals - Fund: Housing Revenue Account</b>			<b>27,282,000</b>	<b>8,281,608</b>	<b>(3,501,537)</b>	<b>32,062,071</b>	<b>30,529,979</b>	<b>30,529,979</b>	<b>(1,048,249)</b>	<b>(483,844)</b>	<b>(1,048,249)</b>	<b>0</b>
<b>Totals</b>			<b>54,108,148</b>	<b>10,145,973</b>	<b>(2,973,862)</b>	<b>61,280,259</b>	<b>49,533,711</b>	<b>49,533,711</b>	<b>(9,243,723)</b>	<b>(2,502,825)</b>	<b>(6,762,405)</b>	<b>(2,481,318)</b>

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## GENERAL FUND RESERVES SUMMARY 2015/16

<b>General Fund</b>	<b>Balance as at 31/03/15 £'000</b>	<b>Transfers In 2015/16 £'000</b>	<b>Transfers Out 2015/16 £'000</b>	<b>Balance as at 31/03/16 £'000</b>	<b>Balance as at 31/03/17 £'000</b>	<b>Balance as at 31/03/18 £'000</b>	<b>Balance as at 31/03/19 £'000</b>	<b>Balance as at 31/03/20 £'000</b>
Civic Centre Major Repairs Reserve	0	200		200	200	0	0	0
Earmarked Grants Reserve	298	5	(30)	273	219	20	10	0
Management of Change Reserve	1,356	354	(270)	1,440	1,128	691	691	691
Technology Reserve	348		(185)	163	0	0	0	0
On Street Car Parking Reserve	181		(32)	149	0	0	0	0
Local Development Framework Reserve	666		(300)	366	34	0	0	0
Dacorum Development Reserve	2,046		(1,478)	568	276	156	86	0
Planning Enforcement & Appeals Reserve	125			125	125	125	125	125
Planning & Regeneration Project Reserve	178		(18)	160	110	25	0	0
Litigation Reserve	214			214	214	0	0	0
Vehicle Replacement Reserve	0	350		350	700	1,050	1,400	1,750
Invest to Save Reserve	0	609	(198)	411	298	148	0	0
Building Control Reserve	86			86	0	0	0	0
Longdean School Repairs Reserve	7			7	0	0	0	0
Tring Swimming Pool Repairs Reserve	83	8		91	0	8	16	24
Youth Club Reserve	101			101	101	101	101	101
Election Reserve	159		(129)	30	30	60	90	0
Uninsured Loss Reserve	586			586	586	586	586	586
Training & Development Reserve	114			114	66	44	22	0
Housing Conditions Survey Reserve	51	15		66	81	96	111	0
S106 Commuted Sums Reserve	609		(609)	0	0	0	0	0
Dacorum Partnership Reserve	66			66	53	53	53	53
Dacorum Rent Aid	15			15	15	15	15	15
Dacorum Rent Guarantee Scheme	15			15	15	15	15	15
The Forum Reserve	2,050		(44)	2,006	0	0	0	0
Funding Equalisation Reserve	1,338	1,606		2,944	0	0	0	0
Pensions Reserve	1,773			1,773	873	873	873	0
Maylands Plus Reserve	69	31		100	0	0	0	0
<b>Total Earmarked Reserves</b>	<b>12,534</b>	<b>3,178</b>	<b>(3,293)</b>	<b>12,419</b>	<b>5,124</b>	<b>4,066</b>	<b>4,194</b>	<b>3,360</b>
<b>General Fund Working Balance</b>	<b>2,654</b>		<b>(152)</b>	<b>2,502</b>	<b>2,499</b>	<b>2,499</b>	<b>2,499</b>	<b>2,499</b>
<b>Total General Fund Reserves</b>	<b>15,188</b>	<b>3,178</b>	<b>(3,445)</b>	<b>14,921</b>	<b>7,623</b>	<b>6,565</b>	<b>6,693</b>	<b>5,859</b>

# Dacorum Borough Council

Year ending 31 March 2016

Audit Progress Report

29 June 2016

Ernst & Young LLP



Audit Committee  
Dacorum Borough Council  
Civic Centre  
Marlowes  
Hemel Hempstead  
Hertfordshire HP1 1HH

29 June 2016

Dear Members

## **Audit Progress Report – 2015/16**

We are pleased to attach our Audit Progress Report. The purpose of this report is to provide the Audit Committee with an overview of the stage we have reached in your 2015/16 audit and to ensure our audit is aligned with the Committee's expectations.

Our audit is undertaken in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Andrew Brittain  
Executive Director

*For and behalf of Ernst & Young LLP*  
*Enc*

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘Statement of responsibilities of auditors and audited bodies 2015-16’. It is available from the Chief Executive of each audited body and via the [PSAA website \(www.psa.co.uk\)](http://www.psa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

## 1. Planned Work

### Meetings

We continue regular meetings with key officers as part of our ongoing audit process including:

- ▶ Our weekly meetings with key finance staff during our audit visits to discuss significant risks around the accounts and updates on our work; and
- ▶ Our quarterly updates with the Chief Executive and Senior Finance Officers to discuss the significant risks and other issues faced by the Council, our approach and progress with the audit.

### Walk-throughs and tests of control

We have completed the majority of our walk-throughs of key financial systems and controls testing during February 2016.

### Internal Audit

Internal Audit is a key part of the Council's internal control environment that we review during our assessment process. We consider Internal Audit's progress with their annual audit plan and the results of their testing of financial systems and, where it is complete and appropriate to do so, we can undertake procedures to enable us to place reliance on that work. For the 15/16 audit we will not be placing direct reliance on the work of Internal Audit as we are taking a substantive audit approach.

### Post statements visit

We have now finalised the exact dates for our audit visit, and have had early discussions on the working papers required in support of the audit.

Our detailed audit plan, setting out the risks we have identified and the work we will undertake in response, was presented to the Committee in February 2016.

We will continue to use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular payroll and journal entries.

We will also review and report to the National Audit Office, to the extent and in the form required by them, on your whole of government accounts return.

## 2. Financial statement risks

As part of our planning procedures, we assess the financial statement risks facing the Council. With the adoption of IFRS13 into the Code we have supplemented our documentation of our risk of misstatement in property valuation as we plan to focus some additional attention in this area during the audit. The updated wording for this significant risk is shown below.

At our meeting, we will seek to validate these with you.

Significant risks (including fraud risks)	Our audit approach
<p><b>Property asset valuation and accounting</b></p> <p>The Council undertakes an annual exercise to revalue property assets. The valuation of these assets represents a significant accounting estimate. The accounting entries arising from changes in value are complex and will have a significant impact on the Council's financial statements. The Council is currently working to regenerate an area of Hemel Hempstead town centre. It has acquired a number of properties to facilitate this development. The classification of these properties represents a significant judgment that will determine the basis on which those properties are valued, and therefore has a significant impact on the financial statements.</p> <p>From 2015/16, the Code of Practice on Local Authority Accounting in the United Kingdom adopted IFRS 13 for assets and liabilities included in the financial statements that either permit or require measurement at fair value.</p> <p>The 2014/15 balance showed a balance of £46 million for Investment Property, and therefore this change in approach will impact on material disclosures in the financial statements.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ Reviewing management's assumptions and source data concerning asset classification</li> <li>▶ Assessing the competency and objectivity of management's valuer</li> <li>▶ Assessing whether the scope of work undertaken by the valuer is sufficient</li> <li>▶ Reviewing how the Authority satisfies itself that the valuations given provide it with the level of information it needs to provide reliable data and appropriate disclosures for the statement of accounts</li> <li>▶ Reviewing the asset valuations, their valuation basis, and the assumptions behind them</li> <li>▶ Evaluating whether the substance of the expert's findings is appropriately reflected in the financial statements</li> <li>▶ Consideration of the accuracy and completeness of the source documents used by the valuer</li> </ul>

We reported the other financial statements risks identified during our planning in our audit plan which came to the February Audit Committee.

### Value for money

We carried out our initial risk assessment. We can confirm that at this stage we have not identified a significant risk in respect of value for money. Our assessment will continue throughout the audit cycle and we will update the Committee should anything change in respect of our assessment of this key area.

### Claims and returns certification 2015/16

We have been provided with your draft housing benefit subsidy claim and supporting working papers so we have started work on the certification of your 2015/16 claims.

### 3. Timetable

We have set out below a timetable showing the key stages of the audit, including the value for money work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Council through the Audit Committee's cycle in 2015/16. These dates are determined to ensure our alignment with PSAA's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Council and external stakeholders, including members of the public.

<b>Audit phase</b>	<b>Timetable</b>	<b>Audit Committee timetable</b>	<b>Deliverables</b>
High level planning	<b>January 2016</b>	<b>10 February 2016</b>	Audit Fee Letter Progress Report
Risk assessment and setting of scopes	<b>January 2016</b>	<b>10 February 2016</b>	Audit Plan
Testing routine processes and controls	<b>February 2016</b>	<b>29 June 2016</b>	Progress Report
Year-end audit	<b>June &amp; July 2016</b>		
Completion of audit	<b>July 2016</b>	<b>27 July 2016</b>	Report to those charged with governance via the Audit Results Report Audit report including our opinion on the financial statements and overall value for money conclusion. Audit completion certificate Reporting to the NAO on the Whole of Government Accounts return.
Conclusion of reporting	<b>October 2016</b>	<b>30 November 2016</b>	Annual Audit Letter

In addition to our formal reporting and deliverables we provide practical business insights and updates on regulatory matters through our Local Government Audit Committee Briefings, which we will continue to share with you at future Committee meetings.



## Appendix A    Audit Progress

Progress against key deliverables

<b>Key deliverables</b>	<b>Timetable in plan</b>	<b>Status</b>	<b>Comments</b>
Audit Fee Letter	February 2016	Completed	Reported to Those Charged with Governance February 2016
Audit Plan	February 2016	Completed	Reported to Those Charged with Governance February 2016
Progress Report	June 2016	Completed	Reported to Those Charged with Governance June 2016
Report to those charged with governance	July 2016	Not due	
Audit report (including opinion and VFM conclusion)	July 2016	Not due	
Audit Completion Certificate	July 2016	Not due	
WGA certificate	July 2016	Not due	
Annual Audit Letter	November 2016	Not due	
Report on the Audit of Grant Claims	March 2017	Not due	

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Dacorum Borough Council

## Draft Internal Audit Annual Report 2015/16

June 2016

This report has been prepared on the basis of the limitations set out on page 10.

This report and the work connected therewith are subject to the Terms and Conditions of the Contract dated March 2015 between Dacorum Borough Council and Mazars Public Sector Internal Audit Limited. This report is confidential and has been prepared for the sole use of Dacorum Borough Council. This report must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law, we accept no responsibility or liability to any third party who purports to use or rely, for any reason whatsoever, and on this report, its contents or conclusions.

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# Introduction

## Purpose of this Report

This report summarises the work that Internal Audit has undertaken and the key control environment themes identified across Dacorum Borough Council (the Council) during the 2015/16 financial year, the service for which is provided by Mazars Public Sector Internal Audit Limited.

The purpose of the Annual Internal Audit Report is to meet the Head of Internal Audit annual reporting requirements set out in the Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations 2011. The PSIAS requirements are that the report must include:

- An annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (the control environment);
- A summary of the audit work from which the opinion is derived (including reliance placed on the work by other assurance bodies); and
- A statement on conformation with the PSIAS and the results of the internal audit quality assurance and improvement programme (QAIP), if applicable.

The report should also include:

- The disclosure of any qualifications to that opinion, together with reasons for the qualification;
- The disclosure of any impairments or restriction in scope;
- A comparison of the work actually undertaken with the work that was planned and a summary of the performance of the internal audit function against its performance measures and targets;
- Any issues judged to be particularly relevant to the preparation of the annual governance statement; and
- Progress against any improvement plans resulting from QAIP external assessment.

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

In discharging this overall responsibility, Dacorum Borough Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk.

## Overview of Internal Audit Approach

As Internal Audit, our role is to provide an annual assurance statement on the adequacy and effectiveness of the Council's systems of governance, risk management and internal control.

## Overview of Work Done

The Audit Plan for 2015/16 included a total of 18 internal audit projects. We have liaised with senior management throughout the year to ensure that internal audit work undertaken continues to focus on the high risk areas and, in the light of new and ongoing developments in the Authority, help ensure the most appropriate use of our resources.

As a result of this liaison, some changes were agreed to the plan during the year. The timing of some internal audit projects has been changed and consequently, the total number of projects actually undertaken in 2015/16 was 17 compared to 16 in the prior year - refer Overall Summary.

We generally undertake individual internal audit projects with the overall objective of providing the Members, the Chief Executive and other officers with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls over a number of management's objectives. Other audit projects are geared more towards the provision of specific advice and support to management to enhance the economy, efficiency and effectiveness of the services and functions for which they are responsible. We also undertake IT audits and probity audits. All internal audit work was performed in line with our internal audit standards which are designed to ensure compliance with the PSIAS.

All internal audit reports include our recommendations and agreed actions that, if implemented by management, will enhance the control environment and the operation of the key management controls.

This report sets out the results of the work performed as follows:

- **Overall summary** of work performed by Internal Audit including an analysis of report gradings; and
- **Key themes identified** during our work in 2015/16.

In this report, we have drawn on the findings and assessments included in all internal audit reports issued in 2015/16, including those that, at this time, remain in draft. It should be noted therefore that the comments made in respect of any draft reports are still subject to management response.

## Overall Summary

As illustrated in the tables below, we have noted that Dacorum Borough Council has maintained its robustness of its control environment during the audit year. During the 2015/16 year, 5 (29%) internal audit projects were rated ‘full assurance’ compared with 6 (37%) in the prior year. In total, 94% of internal audit projects received “full” or “substantial assurance”. The number of internal audit projects rated ‘limited assurance’ has decreased from 3 projects (19%) to 1 project (6%), this audit was carried out at the request of management who had concerns in the specific area.

### Report Ratings

We have noted areas of improvement throughout the Council. Although there has been a slight drop in the percentage of full assurance reports, there has been a significant increase in the number of significant assurance reports issued. We have also seen a decrease in the number of limited reports issued in 2015/16, with one being issued this year.

We are pleased to report that we have issued no ‘nil or limited assurance’ opinions in 2015/16 relating to the key financial systems. This shows a clear indication that the control environment has been maintained throughout the year. As mentioned above all reports are provided with an audit opinion and this is reflected in the outcomes shown below.

A summary of key findings for all 2015/16 Internal Audit assignments rated as limited or nil assurance are included in Appendix 1.

Assurance Gradings	Number of Projects			
	2015/16		2014/15	
Full	5	29%	6	37%
Substantial	11	65%	7	44%
Limited	1	6%	3	19%
Nil	0	0%	0	0%
<b>Sub-Total</b>	<b>17</b>		<b>16</b>	
Merged Audits / No Opinion Audits	0		0	
<b>Total Audits Delivered</b>	<b>17</b>		<b>16</b>	
Audits Cancelled / Deferred	1		2	
<b>Total</b>	<b>18</b>		<b>18</b>	

### Opinion 2015/16

From the Internal Audit work undertaken in compliance with the PSIAS in 2015/16, it is our opinion that we can provide **Substantial Assurance** that the system of internal control in place at Dacorum Borough Council for the year ended 31 March 2016 accords with proper practice, except for the significant control environment issues as documented in Appendix 1. The assurance can be further broken down between financial and non-financial systems, as follows:





## Key Themes

**As Internal Audit continues to apply a risk based approach, our audit projects assess the governance framework, the risk management process as well as the effectiveness of controls across a number of areas. Our findings on these themes are set out below. Overall, we have seen a maintenance of the robustness of the control environment and whilst further remedial action needs to take place, we have noted that management has already started addressing our most significant findings.**

### Corporate Governance

As part of our work this year, we have supported the Council in the development of its draft Assurance Framework and in future years we intend to drive the Internal Audit plan from this framework.

The Assurance Framework will provide enhanced assurance around governance procedures and will further enhance the assurance needs of the senior management and other key stakeholders of the Council. We have designed the framework and have produced an initial set of questions to measure the Council's governance arrangements against. This has been updated following discussions with key stakeholders.

The process will also provide robust evidence to support the Annual Governance Statement and allow internal audit to test the evidence to support the statements made when it is fully implemented.

### Risk Management

From our previous work at Dacorum, and the work carried out at other organisations, our view is that the fundamentals of the risk management process at Dacorum are sound and working well at an operational level.

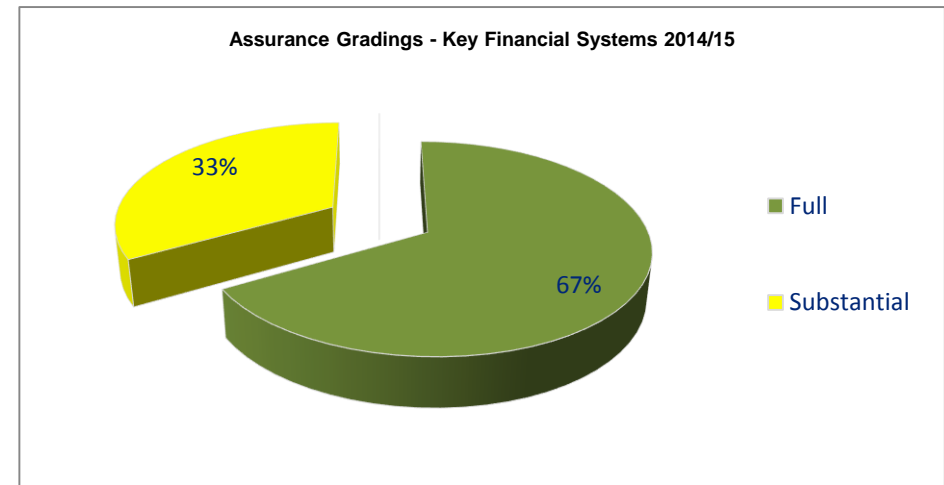
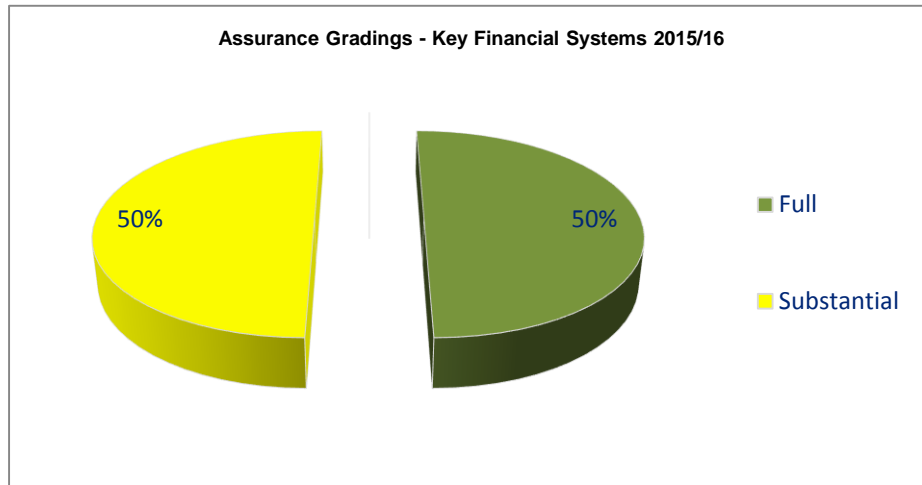
Therefore, our work this year focused on identifying opportunities to move the Council's Risk Management processes toward a best practice standard rather than carrying out detailed compliance testing.

The work resulted in an action plan that enables Officers and Members to implement enhanced risk management procedures that will improve decision making and scrutiny of decisions taken.

### Internal Control - Key Financial Systems

Each year Internal Audit carries out audit projects of the Council’s key financial systems, working in accordance with the managed audit process agreed with the external auditors.

This process allows the external auditors to place reliance on the work performed by Internal Audit to provide the Council with the necessary assurance that key financial controls in the fundamental systems are operating satisfactorily and support a robust control environment. It also allows the Council to limit external audit fees spent on reviewing the Council’s activities. The table below summarises the audit gradings in this key area:




There were four full/full assurance opinions within Key Financial Systems for 2015/16, which is the same as in 2014/15. During 2015/16 we carried out eight Financial System Audits compared with six in 2014/15.

### Performance of Internal Audit

At the start of the contract, a number of performance indicators were formulated to monitor the delivery of the Internal Audit service to the Council. The table below shows the actual and targets for each indicator for the period:

Performance Measure	Target	Actual
Percentage of Internal Audit plan completed (to at least draft report stage)	100%	100%
Percentage of qualified staff used to deliver the service	65%	70%
Percentage of draft audit reports issued on time	90%	94% (16/17)
Percentage of responses to the draft report received on time	90%	100% (16/16)
Percentage of final audit reports issued on time	90%	93% (15/16)
Percentage of recommendations accepted in 2015/16	96%	100%





## Appendix 1 - Audit Projects with Limited and Nil Assurance 2015/16

Project	Grading	Summary of Key Findings
Right to Buy	Limited 	We raised one priority 1 recommendation, two priority 2 recommendations and two priority 3 recommendation where we believe there is scope for improvement within the control environment. These are set out below: <ul style="list-style-type: none"> <li>• Identity and Tenancy checks should be completed consistently (Priority 1).</li> <li>• Detailed operating procedures for the Right to Buy process should be developed. (Priority 2).</li> <li>• Anti-Money Laundering policy should be updated to reflect Right to Buy processes (Priority 2).</li> <li>• A secondary check on the Discount Value calculation included in the Offer Letter should take place to confirm accuracy (Priority 3).</li> <li>• Detailed records relating to the Right to Buy Process should be maintained (Priority 3).</li> </ul>

## Appendix 2 - Key to Assurance Levels

### Assurance Gradings

We have four categories by which we classify internal audit assurance over the processes we examine, and these are defined as follows:

Level	Symbol	Evaluation Assessment	Testing Assessment
<b>Full</b>		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
<b>Substantial</b>		Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
<b>Limited</b>		Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
<b>Nil</b>		Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

### Recommendation Gradings

In order to assist management in using our internal audit reports, we categorise our recommendations according to their level of priority as follows:

Priority Level	Definition
<b>1</b>	Major issues for the attention of senior management and the Governance Committee.
<b>2</b>	Important issues to be addressed by management in their areas of responsibility.
<b>3</b>	Minor issues resolved on site with local management.

## Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

### **Mazars Public Sector Internal Audit Limited**

**London**

**June 2016**

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# Agenda Item 10

## APPENDIX A

### AUDIT COMMITTEE: Work Programme 2016-17

MEETING DATE	DEADLINE TO MONITORING OFFICER	DEADLINE TO MEMBER SUPPORT	ITEMS:	WHO RESPONSIBLE
29 June 2016			Strategic Risk Register	
			Annual Report	Internal Audit
			Audit Progress Report	EY LLP
			Statement of Accounts 2015/16	
27 July 2016		16/7/2016	Strategic Risk Register	
			Progress Report	Internal Audit
21 Sept 2016		9/9/2016	Progress Report	Internal Audit
			Strategic Risk Register	
30 Nov 2016		18/11/16	Progress Report	Internal Audit
			Strategic Risk Register	
8 Feb 2017		27/1/17	Progress Report	Internal Audit
			Strategic Risk Register	