



Dacorum Borough Council

Statement of Accounts 2018/19

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Introduction – Leader of the Council

Welcome to Dacorum Borough Council's Statement of Accounts for the financial year 2018/19.

I take great pride in the Council's achievements during 2018/19. Our Statement of Accounts shows you how we managed our finances whilst delivering against our key priorities:

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

During 2018/19, the Council has:

- Completed 79 affordable new homes at Kylna Court, Hemel Hempstead, as part of our plan to deliver at least 300 new homes between 2013 and 2020.
- Provided grant funding to our Housing Association partners to support the delivery of 12 affordable homes across the borough during the year. A total 65 homes has been delivered since the commencement of the grant programme.
- Opened the new Kylna Business centre providing facilities, support and advice to new businesses in Dacorum.
- Secured £750k from the Ministry of Housing, Communities and Local Government to support the development of Hemel Garden Communities. This proposed urban extension of Hemel Hempstead is planned to deliver around 11,000 new homes and associated infrastructure over a 25-year period.
- Continued to support healthy communities via a new leisure management offering. This includes commencement of £2.3m of new investment in leisure facilities right across the borough. This includes works at Tring Swimming Pool and Hemel Hempstead Leisure Centre. A feasibility study is currently underway to consider the delivery of an improved leisure centre in Berkhamsted.
- Completed £1m of investment in a new play area, outdoor gym and splash park in Gadebridge Park, which was a hugely popular throughout the summer.
- Achieved the coveted Green Flag Award for five of our parks and green spaces in recognition of our excellent standards of park management.
- Celebrated local achievements via our Community Champion Award ceremony and Community Grant Awards evening, awarding over £70k to 40 organisations. The Council paid around £700k in total to the voluntary and community sector in 2018/19 to help support Dacorum residents.
- Welcomed Herts Valley Clinical Commissioning Group as new tenants in our main offices at The Forum.

During 2019/20, we will:

- Continue to build new Council homes for local people.
- Continue to invest in facilities across the borough, including a new multi-storey car park in Berkhamsted.

The Council continues to seek service improvements and the delivery of efficiencies in order to provide excellent and financially sustainable services to local residents and businesses.

Councillor Andrew Williams
Leader of the Council

Introduction – Corporate Director

As the Council's Chief Financial Officer, I have pleasure in writing the Narrative Report for Dacorum Borough Council's Statement of Accounts for 2018/19.

The financial future for Local Government remains extremely uncertain. The Government's Fair Funding Review, a review of the needs of local authorities and the resources available to them, may mean changes to way in which the Council is funded. The prudent approach that we have taken to modelling the impact of core spending power has allowed us to develop sustainable plans for investing in the Borough and to continue to support the provision of new facilities and housing growth.

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

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

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

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

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

Independent auditor's report to the members of Dacorum Borough Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Dacorum Borough Council (the 'Authority') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Statement of Movement on the Housing Revenue Account, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies and the Expenditure and Funding Analysis Statement. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Corporate Director (Finance & Operations)'s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporate Director (Finance & Operations) has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Corporate Director (Finance & Operations) is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement other than the financial statements and, our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material

misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Corporate Director (Finance & Operations) and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 12, the Authority 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 authority, that officer is the Corporate Director (Finance & Operations). The Corporate Director (Finance & Operations) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Corporate Director (Finance & Operations) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporate Director (Finance & Operations) is responsible for

assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Dacorum Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Sarah L Ironmonger

Sarah Ironmonger, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

London

24 July 2019

Borough Profile

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

Dacorum's population is split across 3 main urban towns of Hemel Hempstead, Tring and Berkhamsted and covers approximately 13% of the Hertfordshire population. Hemel Hempstead is by far the largest settlement in Dacorum, and narrowly the largest in Hertfordshire, with a population of over 90,000.

Almost 80% of the land in Dacorum is classified as rural land with 60% of the land designated as Green belt. This land mix brings contrasting pressures and difficulties across the borough for the services delivered by Dacorum.

Corporate Plan 2015-2020

Dacorum Borough Council's five priorities for the community were reviewed and set during 2016 for the period 2015-2020. The priorities drive the Council's Improvement Plan and enable the Council and partners to deliver the Community Plan.

The five priorities are:

- **A clean, safe and enjoyable environment**
- **Building strong and vibrant communities**
- **Ensuring economic growth and prosperity**
- **Providing good quality affordable homes**
- **Delivering an efficient and modern council**

Political and Strategic Framework

The Council holds elections for all Members once every four years. As at 31 March 2019, the Council was made up of 43 Conservatives, 5 Liberal Democrats, 2 Labour Councillors and 1 Independent. Elections were held in May 2019 resulting in 31 Conservatives, 19 Liberal Democrats and 1 Independent.

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

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

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

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

Council Structure and Services

The Council offers the following services within the borough:

Environmental services- including waste management, refuse collection and the management of the Council's parks and green spaces.

Environmental and community protection services- including emergency planning and environmental health.

Housing services- including management of the council's housing revenue account (HRA) housing stock and the provision of information and service for Council tenants and leaseholders.

Planning and regeneration services- including building control, planning enforcement and economic development.

Revenues and benefits provision- including the collection of Council Tax and Non Domestic Rates and payment of housing benefit and Council Tax support.

Community services- including leisure, arts and entertainment provision and community grant funding.

Governance

The Annual Governance Statement included within these accounts highlights any issues around governance that have emerged during 2018/19. Details of these can be found at page 24 of the accounts.

Challenges and Opportunities

Financially, the borough faces challenges and opportunities in the coming years. These include:

- Local Authority funding mechanism changes as a result of the Fair Funding Review and the subsequent changes to business rates retention could impact on the amount of retained business rates for the Council as well as increasing future risk of appeals and business rate reductions.
- Lifting of the HRA debt cap- announced at the end of 2018, the lifting of the HRA debt cap provides the Council with further options for investment in the provision of housing stock for local people
- Brexit- the financial Impact of the United Kingdom's exit from the European Union continues to be uncertain. Interest and inflation rates, labour costs, property and rental values may all be affected either adversely or beneficially.

Performance- Operational

The Council has achieved the following during 2018/19 against its corporate objectives:

A clean, safe and enjoyable environment

- The opening of the new outdoor gym, play area and Splash Park at Gadebridge Park
- Achieved a recycling rate of 52.5%, collecting from 68,000 properties across the borough
- Rolled out an enhanced recycling services to flats
- Collected 9,562 tonnes of food waste
- Maintained parks and gardens across Dacorum including 62 play areas, 5 Green Flag parks and 2 Queen Elizabeth II Fields In Trust
- Dealt with 2,754 planning applications

Building strong and vibrant communities

- Continued our programme of community grants
- Secured £750k funding for the delivery of Hemel Garden Communities, a new garden town
- Entertained around 12,000 people with performances at the Old Town Hall Theatre
- Managed 24 car parks, 19 of which have Park Mark for safety
- Welcomed around 32,250 children to our adventure playgrounds

Ensuring economic growth and prosperity

- Opening of the new Kylna business centre on the Maylands site
- Supported local businesses and new start- ups with a total 469 individual support meetings

Providing good quality affordable homes

- Completion of a flagship housing development at Kylna Court on the Maylands site
- Started the development of 133 new homes in the borough (inclusive of registered provider/housing association developments supported by Council grant funding) including 121 affordable homes.

Delivering and efficient and modern council

- Handled 47,562 of calls in our Contact Centre
- Welcomed Herts Valley CCG as new tenants in our main offices at The Forum
- Identified £1.3m of savings as part of the 2018/19 budget setting process.

Performance- Financial

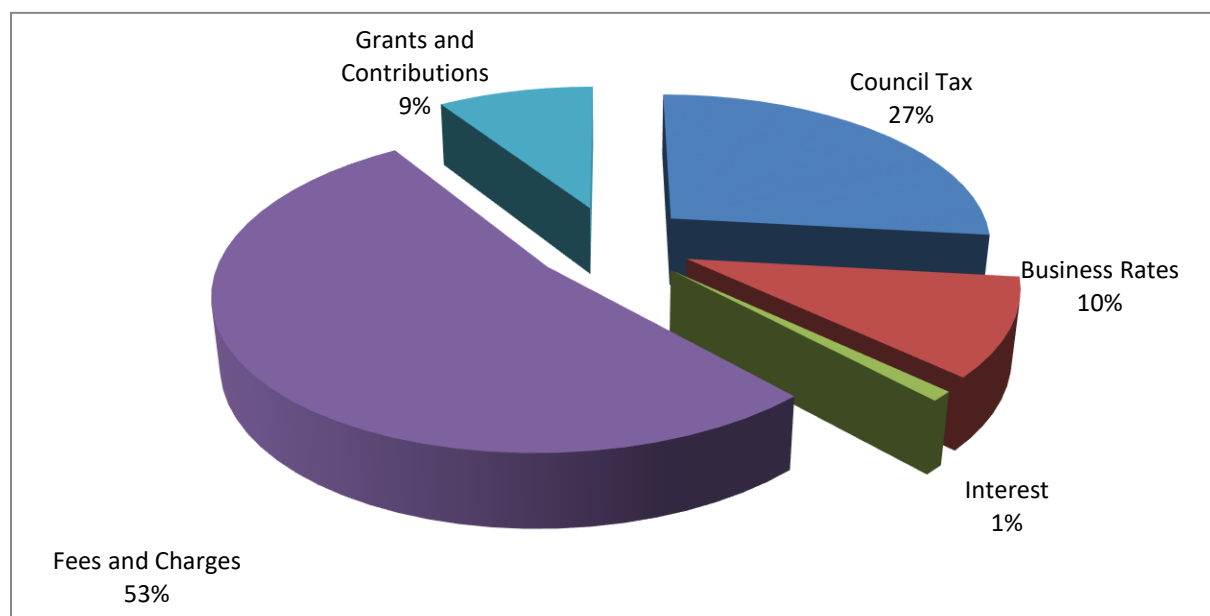
The review of the year for 2018/19 details performance within the Council's three main accounts:

- **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.

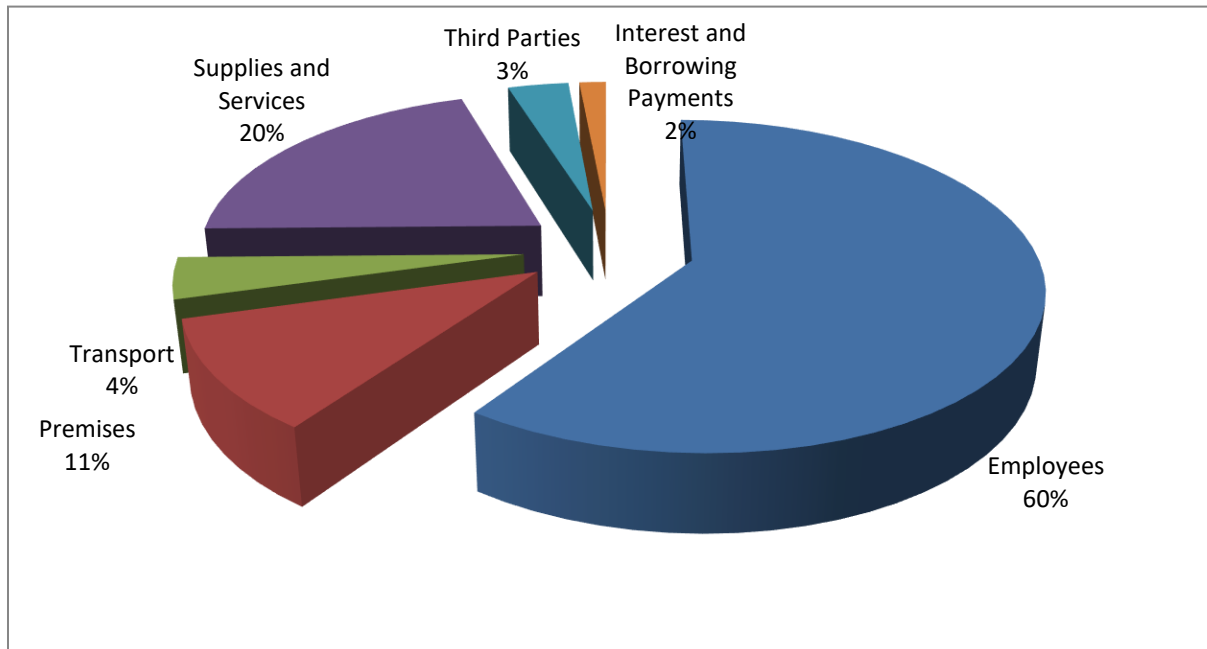
General Fund Revenue Account

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

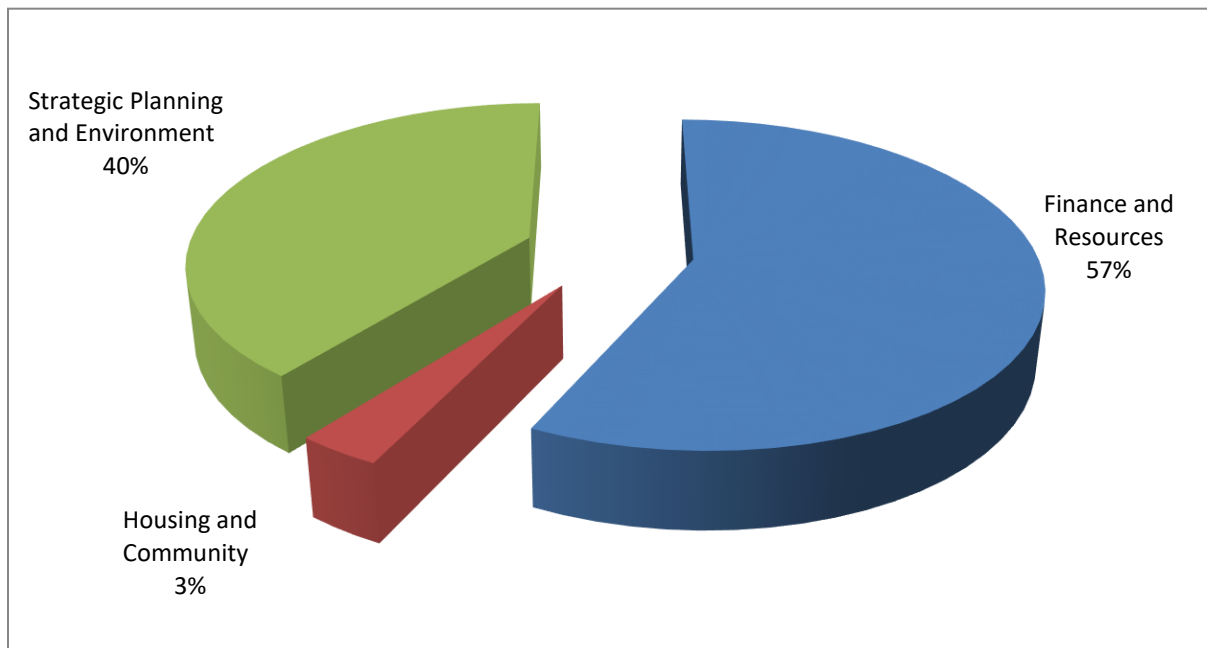
Where the Money Came From (Excluding Housing Benefits)



How the Money was Spent (Excluding Housing Benefits)



What General Fund Services Have Been Provided with the Money?



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

There are three Overview and Scrutiny Committees with different areas of responsibility:

- Finance and Resources (includes community centres, cemeteries, leisure management, public conveniences, parking services and support services).

Narrative Report

- Housing and Community (includes services such as arts and entertainment, adventure playgrounds, the management of anti- social behaviour and homelessness). This committee is also responsible for the Council Landlord Function (the Housing Revenue Account), which is identified separately throughout the accounts).
- Strategic Planning and Environment (includes services such as waste collection, planning and development).

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

The table below summarises the Council's General Fund Revenue Account for 2018/19:

| | Budget | Actuals | Variance |
|---|-----------------|-----------------|-----------------|
| | £000 | £000 | £000 |
| Finance and Resources | 12,044 | 12,094 | 50 |
| Housing and Community | 1,062 | 716 | (347) |
| Strategic Planning and Environment | 8,027 | 8,354 | 326 |
| Net Cost of Services | 21,134 | 21,164 | 30 |
| Investment Property | (4,103) | (4,050) | 53 |
| Interest Receipts, Payments and Minimum Revenue Provision | 812 | 390 | (422) |
| Parish Precept Payments | 778 | 778 | 0 |
| Government Grants | (2,086) | (4,010) | (1,924) |
| Revenue Contribution to Capital | 2,111 | 2,110 | (1) |
| Taxation (Council Tax and Business Rates) | (14,843) | (16,070) | (1,227) |
| Total Other Items | (17,331) | (20,852) | (3,521) |
| Net Recharge to the HRA | (4,114) | (4,115) | (1) |
| Contribution To / (From) Earmarked Reserves | 311 | 3,803 | 3,492 |
| Net Movement on General Fund Working Balance | 0 | 0 | (0) |

Key budget variances during the year include those relating to the disposal of co-mingled waste and the underachievement of income from Council- owned garages. These pressures have been managed in year via underspends and approved reserve draw downs.

The Council's working balance remains in line with the Council's Medium Term Financial Strategy. A detailed breakdown of the movements to and from reserves can be seen in Note 13 to the Accounts.

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.

Narrative Report

The table below summarises the financial position on the Council's Housing Revenue Account for 2018/19:

| | Budget £000 | Actuals £000 | Variance £000 |
|--|------------------------|-------------------------|--------------------------|
| Dwelling Rents and Service Charges | (54,556) | (54,564) | (8) |
| Interest on Investment Income | (390) | (328) | 62 |
| Other Income | (1,124) | (1,285) | (161) |
| Total Income | (56,070) | (56,177) | (107) |
| Repairs and Maintenance | 12,113 | 12,153 | 40 |
| Supervision and Management | 12,043 | 11,973 | (70) |
| Revenue Contribution to Capital and Depreciation | 19,285 | 19,801 | 516 |
| Interest Payable | 11,594 | 11,594 | 0 |
| Other Expenditure and contributions to reserves | 1,035 | 656 | (379) |
| Total Expenditure | 56,070 | 56,177 | 107 |
| (Surplus)/ Deficit for the year | 0 | 0 | 0 |
| Working Balance Brought Forward | (2,894) | (2,894) | 0 |
| Working Balance Carried Forward | (2,894) | (2,894) | 0 |

Capital Programme

The Council has undertaken capital investment during the year, including £24.7m on housing development, £1.3m on car parking and £1.6m on improving leisure facilities within the borough.

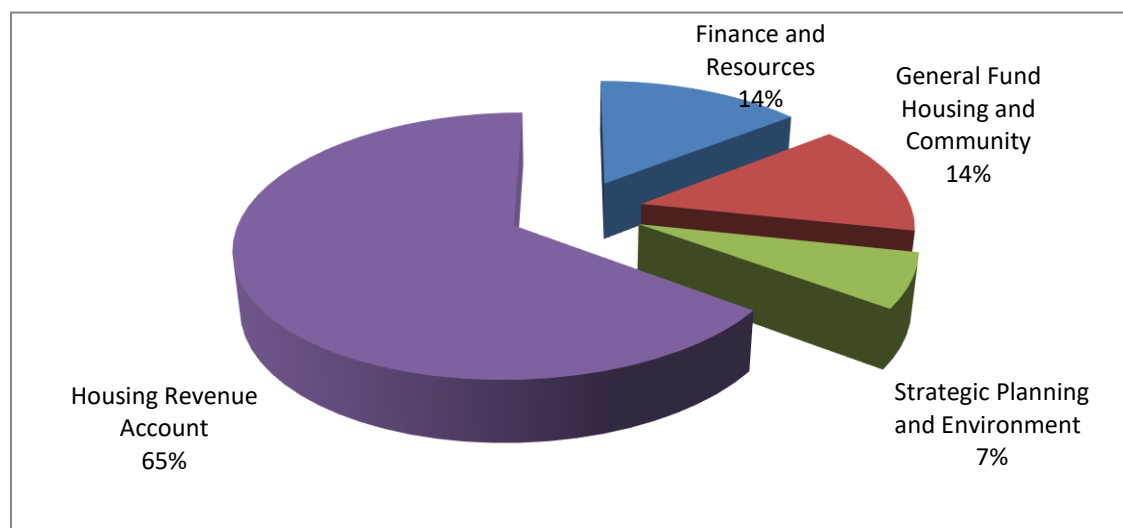
Key new housing investment in the borough includes:

- Kylna Court, Hemel Hempstead
- the former Martindale school site, Hemel Hempstead
- Stationers Place, Apsley
- Swing Gate Lane, Berkhamsted

Other projects include:

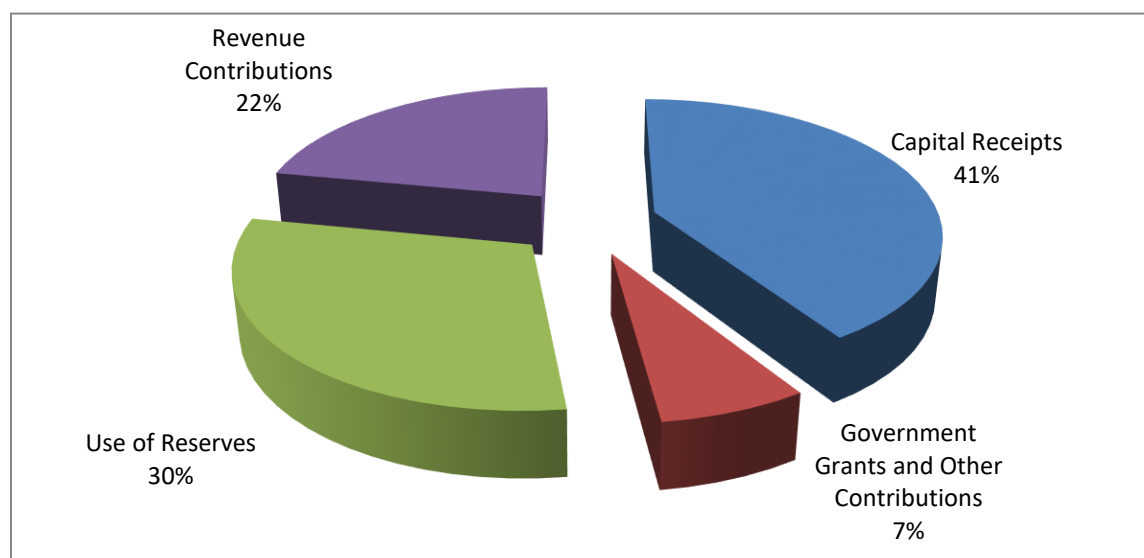
- the new splash park within Gadebridge Park
- the refurbishment of Tring swimming pool

Capital investment by service area



The investment is financed largely by capital receipts and capital reserves as well as revenue contributions and government grants.

Capital Financing by source



The Council's Financial Outlook

The Council's budget for 2019/20 and Medium Term Financial Forecast were approved by Full Council in February 2019. The Council is projecting 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 2019/20 precepting and billing authority Council Tax was £96.9m (2017/18 £90.7m). The Council achieved a collection rate of 98.3% (2017/18 98.5%). Council Tax arrears for precepting authorities (for all years) amounted to £4.7m (2017/18 £4.8m).

75% Business Rates Pilot

The Council is part of a one year pilot for the local retention of business rates across the Hertfordshire area. This arrangement is expected to result in an increase in retained business rates income, estimated at £0.5m in 2019/20.

Structure of the Statement of Accounts

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

Narrative Report

Dacorum Borough Council's Statement of Accounts (the Accounts) has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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

Statements

The Accounts report the financial activity of the Council over financial year 2018/19, and the financial position of the Council as at 31 March 2019. In order to present this information clearly, the Accounts encompasses the following elements:

The Main Financial Statements are:

Expenditure and Funding Analysis

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

Comprehensive Income and Expenditure Statement

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

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be used to fund expenditure or reduce local taxation) and 'total unusable reserves'.

Balance Sheet

The Balance Sheet shows the value as at 31 March 2019 of the assets and liabilities recognised by the Council. The net assets of the authority (assets less liabilities) are matched by the reserves held by the Council.

Cash Flow Statement

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

Other notes and additional Statements providing further additional information are:

Annual Governance Statement

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

Accounting policies

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

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 2018/19, and the cumulative HRA balance.

Collection Fund and Notes

This note shows the income and expenditure transactions of the Council in respect of the collection and distribution of Council Tax and Non-Domestic (Business) Rates.

Statement of Responsibilities for the Annual Statement of Accounts

The Council's responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Corporate Director (Finance and Operations).
- Manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.
- Approve the Statement of Accounts by 31 July 2019. Approval of the Statement of Accounts has been delegated to the Audit Committee.

In accordance with the requirements of regulation 10 of the Accounts and Audit Regulations 2015, I confirm that the Statement of Accounts for the year ended 31 March 2019 was approved by resolution of the Audit committee of Dacorum Borough Council on 18th July 2019.

Councillor Herbert Chapman
Audit Committee Chairman

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

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

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

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

The Corporate Director (Finance and Operations) has also:

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

I certify that this Statement of Accounts presents a true and fair view of the financial position of the Council as at 31 March 2019, and its income and expenditure for the year ending 31 March 2019.

James Deane
Corporate Director (Finance and Operations)

Annual Governance Statement 2018/19

Annual Governance Statement 2018/19

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/SOLACE¹ framework *Delivering Good Governance in Local Government* (2016) and meets the statutory requirement set out in Regulation 6(1) and 6(2) of the Accounts and Audit Regulations 2015, 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 IDeA² and CIPFA.

The importance of Governance

Good governance leads to good management, good performance, good stewardship of public money, good public involvement and, ultimately, good results for residents and other service users. Good governance enables the Council to pursue its 'vision' (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;

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

² IDeA - Improvement and Development Agency

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- promoting the values of the Council and upholding high standards of conduct and behaviour;
- taking informed and transparent decisions which are subject to effective scrutiny, and managing risk;
- developing the capacity and capability of members and officers to be effective;
- involving local people and other stakeholders to ensure strong public accountability.

Scope of responsibility

Dacorum Borough Council is responsible for ensuring 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 bodies such as internal or external audit or the Local Government Ombudsman.

Purpose of the Governance Framework

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

The Council's system of internal control is a key element of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies and objectives and can therefore only provide reasonable, 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 2019 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

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- Whistle-blowing and investigating complaints from the public
- Identifying the development needs of Members and Senior Officers and providing appropriate training
- Establishing clear channels of communication with all sections of the community and stakeholders and encouraging open consultation
- Incorporating good governance arrangements in respect of Partnerships

The Governance Framework

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

During 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
- 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 2018/19 and also as part of the budget preparation for 2019/20. 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 2019/20 budget consultation also included a residents' deliberative forum.

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, Scrutiny committees 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 review of 2017/18 performance objectives including setting new targets was undertaken by Assistant Directors and Corporate Directors in March 2018.

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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:

- Corporate Growth and Infrastructure;
- New Normal (Organisational Transformation);
- Community and Wellbeing;
- Sustainable Environment;
- Property Management.

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

The Council specifies service standards 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 Audit Findings report for 2017/18, the most recent undertaken, (reported to the Audit Committee on 25 July 2018), the Auditor concluded that the Council had made appropriate arrangements to secure economy, efficiency and effectiveness of its resources.

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

The Council aims to ensure 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 Corporate Growth and Infrastructure Board, New Normal, Community and Wellbeing, Sustainable Environment and the Property Management Board. 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-organisational management groups are also in place for Assistant Directors and Group Managers to address cross-directorate operational issues.

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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, Corporate and Contracted Services, as the Council's Monitoring Officer, had overall responsibility for legal compliance during 2018/19 and appointed two Legal Governance Team Leaders as the Deputy Monitoring Officer who covered the role for six months each. For the 19/20 financial year the Deputy Monitoring Officer role will be carried out by a new post which has been created and named Group Manager, Corporate and Contracted Services. All Legal Services staff work closely with departments to advice on legal requirements. The Assistant Director, Corporate and Contracted Services was also the lead officer on Member and employee conduct and supports the Standards Committee and its Sub-Committees during 2018/19.

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 was the Council's Independent Person for the purposes of the Localism Act as part of the Council's arrangements for dealing with complaints about Members, although her term ends in May 2019 and recruitment has begun to replace her

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 2018/19

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to enable the Constitution to remain fit for purpose. It has not been necessary to make more substantial changes to the Constitution during 2018/19.

Financial Regulations were reviewed in July 2018. Commissioning & Procurement Standing Orders were updated in December 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 as part of the service plan process.

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 CIPFA³.

³ Audit Committee – Practical Guidance for Local Authorities published 2005.

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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 Monitoring Officer.

Compliance with the Regulation of Investigatory Powers Act (RIPA)

The Council is required to monitor its use of covert surveillance under RIPA. The Monitoring Officer submits an annual 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 Solicitor to the Council) was designated as the Council's Senior Responsible Officer with overall 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 2018/19.

During 2018/19 one application was 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 July 2018 the Council received an inspection audit from the Assistant

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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 two relatively minor recommendations which are being implemented.

Compliance with the Data Protection Act (DPA)

Under the DPA 2018 the Council is required to take appropriate technical and organisational measures against the unauthorised or unlawful processing of personal data and against accidental loss or destruction of, or damage to, personal data and to ensure an appropriate level of security.

The Information Security Team Leader post, reporting to the Assistant Director, Corporate and Contracted Services 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.

Data Protection Act and Information Security workshop training is 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 the Council has continued to show the commitment to Member Development developed 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 our elections in May 2019.

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As part of the commitment to the Member training programme, attendance is registered and monitored. During 2018/19, Members attended 11 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 |
|---|-------------------|------------|
| Homeless Reduction Act | 28 June 2018 | 9 |
| Highways advice to the local planning authority | 19 July 2018 | 16 |
| Negotiating and Influencing | 13 September 2018 | 6 |
| Standards Committee training | 20 September 2018 | 4 |
| CIL | 11 October 2018 | 11 |
| Planning code of Conduct/Member Officer Relations | 30 October 2018 | 15 |
| Universal Credit | 14 November 2018 | 10 |
| Role as a DBC nominated trustee on outside bodies | 22 November 2018 | 4 |
| Budget Process | 28 November 2018 | 11 |
| Effective Ward Advocacy | 6 December 2018 | 10 |
| Safe, Confident and Effective Use of Social Media | 24 January 2019 | 7 |

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 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.

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 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 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.

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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 2018/19, 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.

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

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| | |
|--|---|
| Chief Executive (Head of Paid Service) | <ul style="list-style-type: none"> ○ Overall corporate policy management and operational responsibility ○ Chairman of Corporate Management Team |
| Monitoring Officer (Assistant Director, Corporate and Contracted Services) (During 2018/19) | <ul style="list-style-type: none"> ○ Maintain the Constitution ○ Ensure lawfulness and fairness of decision making ○ Supporting the Standards Committee ○ Receive complaints and decide whether they merit further investigation. If the complaint is investigated to report the outcome to the Standards Committee for a decision and ensure the correct procedural steps are followed and appropriate assistance is given to the Committee throughout the process ○ Act as the Senior Information Risk Officer ○ Act as the Senior Responsible Officer (RIPA) ○ Proper officer for access to information ○ Advise whether Cabinet and Portfolio Holder decisions are within the Council's budget and policy framework ○ Provide advice and contribute to corporate management as a member of Corporate Management Team |
| Section 151 Officer (Corporate Director (Finance & Operations)) | <ul style="list-style-type: none"> ○ Ensure lawfulness and financial prudence of decision making ○ Responsibility for administration of financial affairs of the Council and keep proper financial records and accounts for maintaining an effective system of internal financial controls ○ Contribute to corporate management as a member of Corporate Management Team ○ Provide professional financial advice to Members including the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues ○ Provide financial information to the media, members of the public and community |
| Statutory Officers Comments – Monitoring Officer and Section 151 Officer | <ul style="list-style-type: none"> ○ Statutory officers review all Cabinet, Portfolio Holder and Officer Decision reports to consider and comment within the report on legal and financial implications arising out of the report ○ Review of governance issues arising out of day to day working practices ○ Consider issues arising out of the annual assurance statements |
| Corporate Directors | <ul style="list-style-type: none"> ○ Overall strategic and operational management of those services falling within each individual directorate ○ Contribute to corporate management as a member of Corporate Management Team |
| Corporate Management Team | <ul style="list-style-type: none"> ○ Monthly review of budget, performance and Improving Dacorum Programme ○ Quarterly review of strategic risk management |
| Performance Board | <ul style="list-style-type: none"> ○ Review performance against Council Vision and Priorities ○ Review Dacorum Delivers improvement programme projects |
| Corporate Working Groups | <ul style="list-style-type: none"> ○ Officer/Member groups drawn from service directorates and including relevant Portfolio Holders as appropriate ○ Oversee and review delivery of all relevant operational matters and establish and receive reports from sub-groups as necessary ○ Consider options appraisals and make recommendations for CMT and Cabinet consideration |
| Assistant Directors and Group Managers | <ul style="list-style-type: none"> ○ Operational management for the services falling within each individual service area ○ Assurance Statements covering all of the Council's key internal controls, including: Financial Regulations; Commissioning & Procurement Standing Orders; Employees Code of Conduct; Corporate Policies; and risk management. |

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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 have issued 10 finalised reports relating to 2018/19 as at 31 May 2019.

Two Priority 1 recommendations have been raised during the year. Priority 1 recommendations relate to issues that are deemed to be fundamental to the systems concerned and upon which immediate action has been taken. These relate to:

Planning – The Acolaid case management system requires updating to ensure that no breaches of scheme delegation occur.

The provider of the Acolaid system has implemented a solution on permissions within Acolaid. Acolaid is being replaced with a new system, Uniform, during 2019/20. This new system will restrict user permissions.

Business Continuity – The Council should ensure that the Corporate Business Continuity Plan and the Service Level Business Continuity Plans are reviewed and updated. These should be aligned to ensure that critical function for the Council are appropriately covered within the Service Level plans. The Council should consider adopting an annual review timetable to ensure that all plans are appropriately reviewed and updated across the year.

All service level business continuity plans were reviewed and updated by Group Managers early in 2019. The updated Corporate Business Continuity Plan is being reviewed and updated.

Further details of the reviews undertaken by Internal Audit during 2018/19 are available upon request. Published internal audit reports are available on the Council's website www.dacorum.gov.uk. The Internal Auditor's Annual Report for 2018/19 is expected in July 2019 and will be 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* (2016).

Signed
(Councillor Andrew Williams – Leader of the Council)

Signed
(Sally Marshall – Chief Executive)

Expenditure and Funding Analysis

| | 2018/19 | | | 2017/18 | | |
|--|--|--|--|--|--|--|
| | Net Expenditure Chargeable to the General Fund & HRA Balances £'000 | Adjustments Between the Funding & Accounting Basis (Note 7) £'000 | Net Expenditure in the Comprehensive Income & Expenditure Statement £'000 | Net Expenditure Chargeable to the General Fund & HRA Balances £'000 | Adjustments Between the Funding & Accounting Basis (Note 7) £'000 | Net Expenditure in the Comprehensive Income & Expenditure Statement £'000 |
| Finance and Resources (GRF) | 12,095 | 7,566 | 19,661 | 11,125 | 177 | 11,302 |
| Housing and Community (GRF) | 716 | 6,371 | 7,087 | 1,605 | 6,989 | 8,594 |
| Strategic Planning & Environment (GRF) | 8,353 | 3,134 | 11,488 | 8,326 | 3,056 | 11,382 |
| Housing and Community (HRA) | (22,093) | 24,013 | 1,920 | (24,834) | 16,187 | (8,647) |
| Net Cost of Services | (930) | 41,085 | 40,156 | (3,778) | 26,409 | 22,631 |
| Other Income and Expenditure | (2,918) | (22,432) | (25,350) | 3,899 | (29,771) | (25,872) |
| (Surplus)/Deficit on Provision of Services | (3,848) | 18,653 | 14,805 | 121 | (3,362) | (3,241) |
| | | | 2018/19 | 2017/18 | | |
| Opening Balance on General Fund, Earmarked Reserves and HRA Balance | | | (33,144) | (33,264) | | |
| Less Surplus/Deficit on Provision of Services on Provision of Services | | | (3,848) | 121 | | |
| Closing Balance on General Fund, Earmarked Reserves and HRA Balance | | | (36,992) | (33,144) | | |

Comprehensive Income and Expenditure Statement

| | Note | 2018/19 | | | 2017/18 | | |
|--|------|-------------------|------------------|------------------|-------------------|------------------|-----------------|
| | | Gross Expenditure | Gross Income | Net Expenditure | Gross Expenditure | Gross Income | Net Expenditure |
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Finance and Resources (GRF) | | 71,420 | (51,759) | 19,661 | 64,011 | (52,709) | 11,302 |
| Housing and Community (GRF) | | 12,137 | (5,050) | 7,087 | 13,154 | (4,560) | 8,594 |
| Strategic Planning and Environment (GRF) | | 18,803 | (7,315) | 11,488 | 17,119 | (5,737) | 11,382 |
| Housing and Community (HRA) | | 57,929 | (56,009) | 1,920 | 48,502 | (57,149) | (8,647) |
| Total Cost of Services | | 160,289 | (120,133) | 40,156 | 142,786 | (120,155) | 22,631 |
| Other Operating Expenditure | 9 | | | (4,999) | | | (9,162) |
| Financing and Investment Income and Expenditure | 10 | | | 4,422 | | | 4,550 |
| Taxation and Non Specific Grant Income | 11 | | | (24,773) | | | (21,260) |
| (Surplus)/Deficit on Provision of Services | | | | 14,805 | | | (3,241) |
| (Surplus)/ Deficit on Revaluation of Property Plant, Equipment | 33 | | | (161,114) | | | (49,400) |
| Actuarial (Gains)/Losses on Pension Asset / Liabilities | 39 | | | 6,847 | | | (9,315) |
| Other Comprehensive Income and Expenditure | | | | (154,267) | | | (58,715) |
| Total Comprehensive Income and Expenditure | | | | (139,462) | | | (61,956) |

Movement in Reserves Statement

| | Note | General Fund | Earmarked Reserves General Fund | Housing Revenue Account | Earmarked Reserves HRA | Major Repairs Reserve* | Capital Grants Unapplied | Capital Receipts Reserve* | Total Usable Reserves | Total Unusable Reserves | Total Council Reserves |
|---|------|----------------|---------------------------------|-------------------------|------------------------|------------------------|--------------------------|---------------------------|-----------------------|-------------------------|------------------------|
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 31 March 2017 | | 2,502 | 9,771 | 2,892 | 18,100 | 774 | 885 | 21,481 | 56,405 | 650,757 | 707,162 |
| Movement in Reserves During 2017/18: | | | | | | | | | | | |
| Surplus or (Deficit) on Provision of Services | | 2,007 | 0 | 1,235 | 0 | 0 | 0 | 0 | 3,242 | 0 | 3,242 |
| Other Comprehensive Income and Expenditure | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 58,715 | 58,715 |
| Total Comprehensive Income and Expenditure | | 2,007 | 0 | 1,235 | 0 | 0 | 0 | 0 | 3,242 | 58,715 | 61,957 |
| Adjustments Between Accounting Basis and Funding Basis Under Regulations: | 12 | (2,128) | 0 | (1,235) | 0 | 1,379 | 1,199 | 7,775 | 6,990 | (6,990) | 0 |
| Net Increase/(Decrease) Before Transfers to Earmarked Reserves | | (121) | 0 | 0 | 0 | 1,379 | 1,199 | 7,775 | 10,232 | 51,725 | 61,957 |
| Transfer (to)/from Earmarked Reserves | 13 | 121 | (121) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance at 31 March 2018 | | 2,502 | 9,650 | 2,892 | 18,100 | 2,153 | 2,084 | 29,256 | 66,637 | 702,482 | 769,119 |
| Movement in Reserves During 2018/19: | | | | | | | | | | | |
| Surplus or (Deficit) on Provision of Services | | (2,402) | 0 | (12,403) | 0 | 0 | 0 | 0 | (14,805) | 0 | (14,805) |
| Other Comprehensive Income and Expenditure | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 154,267 | 154,267 |
| Total Comprehensive Income and Expenditure | | (2,402) | 0 | (12,403) | 0 | 0 | 0 | 0 | (14,805) | 154,267 | 139,462 |
| Adjustments Between Accounting Basis and Funding Basis Under Regulations: | 12 | 6,205 | 0 | 12,450 | 0 | (1,526) | 3,586 | (4,922) | 15,792 | (15,792) | 0 |
| Net Increase/(Decrease) Before Transfers to Earmarked Reserves | | 3,804 | 0 | 46 | 0 | (1,526) | 3,586 | (4,922) | 987 | 138,475 | 139,462 |
| Transfer (to)/from Earmarked Reserves | 13 | (3,803) | 3,803 | (46) | 46 | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance at 31 March 2019 | | 2,502 | 13,453 | 2,892 | 18,146 | 627 | 5,670 | 24,334 | 67,624 | 840,957 | 908,581 |

*opening balance has been restated

Balance Sheet

| | Note | 1 April 2017 £'000 | 31 March 2018 £'000 | 31 March 2019 £'000 |
|---|------|-----------------------|---------------------------|---------------------------|
| Long-term Assets | | | | |
| Property, Plant & Equipment | 28 | 993,945 | 1,041,220 | 1,187,631 |
| Investment Property | 30 | 81,266 | 75,782 | 80,575 |
| Heritage Assets | 36 | 9,103 | 9,103 | 9,104 |
| Intangible Assets | 31 | 734 | 558 | 309 |
| Long-term Debtors | 23 | 2,174 | 2,183 | 160 |
| Total Long Term Assets | | 1,087,222 | 1,128,846 | 1,277,779 |
| Current Assets | | | | |
| Short-term Investments | 37 | 59,583 | 70,097 | 79,680 |
| Assets Held for Sale | 32 | 1,438 | 2,853 | 372 |
| Inventories | | 162 | 207 | 234 |
| Short-term Debtors | 24 | 14,378 | 14,567 | 16,187 |
| Cash and Cash Equivalents | 20 | 22,314 | 23,720 | 13,622 |
| Total Current Assets | | 97,875 | 111,444 | 110,095 |
| Current Liabilities | | | | |
| Short-term Creditors | 21 | (23,601) | (24,986) | (25,540) |
| Short-term Borrowing | 37 | (1,065) | (3,220) | (4,719) |
| Revenue Grants and Contributions | 19 | (108) | (444) | (788) |
| Capital Grants and Contributions | 19 | (251) | (368) | (503) |
| Short-term Provisions | 25 | (4,449) | (4,777) | (5,231) |
| Total Current Liabilities | | (29,474) | (33,795) | (36,781) |
| Long-term Liabilities | | | | |
| Long-term Creditors | 22 | (9,193) | (5,934) | (3,813) |
| Long-term Borrowing | 37 | (364,816) | (362,383) | (358,441) |
| Net Pension Liability | 38 | (74,452) | (69,059) | (80,258) |
| Total Long-term Liabilities | | (448,461) | (437,376) | (442,512) |
| Net Assets (Assets Less Liabilities) | | 707,162 | 769,119 | 908,581 |
| Usable Reserves | | | | |
| General Fund | 12 | 2,502 | 2,502 | 2,502 |
| Earmarked Reserves – General Fund | 13 | 9,771 | 9,650 | 13,453 |
| Housing Revenue Account (HRA) | 12 | 2,892 | 2,892 | 2,892 |
| Earmarked Reserves – HRA | 13 | 18,100 | 18,100 | 18,146 |
| Major Repairs Reserve* | 12 | 774 | 2,153 | 627 |
| Capital Grants Unapplied Account | 12 | 885 | 2,084 | 5,670 |
| Capital Receipts Reserve* | 12 | 21,481 | 29,256 | 24,334 |
| Total Usable Reserves | | 56,405 | 66,637 | 67,624 |
| Unusable Reserves | | | | |
| Revaluation Reserve | 33 | 270,847 | 314,295 | 468,552 |
| Capital Adjustment Account | 34 | 455,038 | 457,126 | 454,216 |
| Deferred Capital Receipts | | 2 | 0 | 0 |
| Collection Fund Adjustment Account | | (564) | 259 | (1,427) |
| Pension Reserve | 38 | (74,452) | (69,059) | (80,258) |
| Accumulated Absences Account | | (114) | (139) | (126) |
| Total Unusable Reserves | | 650,757 | 702,482 | 840,957 |
| Total Reserves | | 707,162 | 769,119 | 908,581 |

*restated from 1st April 2017

Cashflow Statement

| | 2018/19 | 2017/18 |
|---|-----------------|-----------------|
| | £'000 | £'000 |
| Net Surplus/(Deficit) on Provision of Services | (14,805) | 3,241 |
| Operating Activities | | |
| Adjustments to surplus/deficit for non cash movements | | |
| Depreciation & Impairment & Valuations to the CIES for Property | 43,280 | 30,365 |
| Amortisation of Intangible Assets | 125 | 283 |
| Disposal of Assets | 5,742 | 6,297 |
| Changes in Inventory | (27) | (45) |
| Changes in Debtors | (41) | (221) |
| Changes in Creditors | 2,242 | (1,877) |
| Changes in Net Pension Liability | 4,351 | 3,922 |
| Other non-cash Movements | (4,389) | (936) |
| | 51,284 | 37,788 |
| Adjustment for items included in the net surplus or deficit on the provision of services that are investing & financing activities | | |
| Proceeds from short-term investments | (550) | 0 |
| Proceeds from the sale of non-current assets | (13,014) | (17,754) |
| Any other items for which the cash effects are investing or financing cash flows | (6,377) | (2,693) |
| | (19,941) | (20,447) |
| Net Cash Flows from Operating Activities | 16,537 | 20,582 |
| Cash Flows from Investing Activities | | |
| Purchase of Property, Plant & Equipment, Investment Property and Intangibles | (31,050) | (29,308) |
| Net Changes in Short-term and Long-term Investments | (8,950) | (10,514) |
| Other payments for investing activities | (100) | 0 |
| Proceeds from the Disposal of Property, Plant and Equipment | 12,860 | 17,754 |
| Other receipts from investing activities | 4,568 | 3,146 |
| Net Cash Flows from Investing Activities | (22,673) | (18,922) |
| Cash Flows from Financing Activities | | |
| Repayments of borrowing | (2,440) | (278) |
| Other payments for financing activities | (1,523) | 24 |
| Net Cash Flows from Financing Activities | (3,963) | (254) |
| Net Increase/(Decrease) in Cash and Cash Equivalents | (10,098) | 1,406 |
| Cash and Cash Equivalents at the Beginning of the Period | 23,720 | 22,320 |
| Cash and Cash Equivalents at the End of the Period | 13,622 | 23,720 |
| The cash flows for operating activities include the following items: | | |
| Interest Receivable and Similar Income | 685 | (401) |
| Interest Payable and Other Similar Charges | (12,192) | 12,203 |

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 2018/19 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The preparation of the Accounts in conformity with the Code requires the use of certain critical accounting estimates and management to exercise judgement in the process of applying the accounting policies.

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

Going Concern

The Accounts are prepared on a going concern basis, i.e. on the assumption 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.
- Expenses in relation to services received (including those provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

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

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.

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.

Council Tax and Non-Domestic Rates

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

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

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

Community Infrastructure Levy

The Community Infrastructure Levy (CIL) was introduced by the planning Act 2008 and came into force through the Community Infrastructure Levy Regulations 2010.

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

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

Notes to the Accounts

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.

Overheads and Support Services

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

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following 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;
- amortisation of intangible fixed assets attributable to the service.

Fair Value

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

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

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

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

Level 3 – unobservable inputs for the asset or liability.

Property, Plant and Equipment

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

Notes to the Accounts

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

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

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

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

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

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

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

When an asset's carrying amount decreases as a result of a revaluation, the decrease is debited 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.

Impairment

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

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

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

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

Depreciation

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

| | |
|-------------------------------|--|
| Buildings/Council Dwellings | Remaining useful life is provided by the external valuers |
| Community Assets | Shorter of remaining life or 30 years |
| Infrastructure Assets | Shorter of remaining life or 30 years |
| Vehicles, Plant and Equipment | Remaining lease period, or remaining life 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.

No depreciation is charged on land or assets under construction.

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

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

Heritage Assets

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

The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment, e.g. where the item has suffered physical deterioration or breakage, or where doubt arises to its authenticity. The groups of Heritage Assets along with the measurement basis are as follows:

Land

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

Civic Regalia/Treasuries

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

Sculptures/Statues/Artwork

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

Other Heritage Assets

The majority of other Heritage Assets are held and managed by the Dacorum Heritage Trust (DHT), 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 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.

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

Revenue Expenditure Funded From Capital Under Statute

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 there is no impact on Council Tax.

Lease Classification

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

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

Operating Leases (Council as Lessor)

Where the Council grants an operating lease over a non-current asset, the leased asset remains on the Balance Sheet. The lease income is recognised over the term of the lease on a straight-line basis in the Income and Expenditure in 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) – Property, Plant and Equipment

Where the authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (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. A gain, representing the authority's net investment in the lease, is 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), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

Notes to the Accounts

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

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

Finance Leases (Council as Lessor) – Investment property

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

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

Gains and losses on revaluations and disposals are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.. 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.

Non-current Assets Held for Sale

Assets are reclassified as Asset Held for Sale if its carrying amounting will be recovered principally through a sale transaction rather than continued use and the following criteria are met:

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

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. 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.

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

Notes to the Accounts

recognised had they not been classified as Assets Held for Sale, and their recoverable amount at the date of the decision not to sell.

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

Disposals

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

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

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

Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Minimum Revenue Provision

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

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.

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:

- 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 Finance and Resources line in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement
 - net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) 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.

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.

Notes to the Accounts

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 where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund or Housing Revenue Account Balances in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated 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.

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.

Financial Assets measured at amortised cost

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

Notes to the Accounts

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

Expected Credit Loss Model

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

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

Financial Liabilities

All financial liabilities are recognised initially at fair value, net of any material transaction costs incurred, and then measured at amortised cost using the effective interest rate method. Outstanding principal repayable (plus accrued interest) is included in Short-term Liabilities in the Balance Sheet except for the amounts payable more than twelve months after the end of the reporting period, which are classified as Long-term Liabilities.

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

Value Added Tax (VAT)

VAT is included in the Comprehensive Income and Expenditure Statement, whether 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. There are two types:

- 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. Prior Period Adjustment

The Council discovered an error in Capital Financing from 2015/16. This meant the Capital Receipts Reserve was understated by £6.872m and the Major Repairs Reserve overstated by £6.872m. Overall there is no impact on the total usable reserves of the Council for future financing of the Capital Programme.

Effect on the Balance Sheet and Movement in Reserves Statement

| <u>Usable Reserves</u> | Originally Stated 1st April 2017 £'000 | Restated 1st April 2017 £'000 | Amount of Restatement £'000 |
|--------------------------|--|-------------------------------------|-----------------------------------|
| Major Repairs Reserve | 7,646 | 774 | 6,872 |
| Capital Receipts Reserve | 14,609 | 21,481 | (6,872) |
| | 22,255 | 22,255 | 0 |

3. Accounting standards issued but not yet adopted

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

- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- IFRS 12 Disclosure of Interests in Other Entities: Clarification of the Scope of the Standard
- IFRS 28 Investments in Associates and Joint Ventures: Measuring an Associate or Joint Venture at Fair Value
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

These changes are not expected to have a material effect on the Council's 2019/20 accounts.

4. Critical judgements in applying Accounting Policies

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

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.

Notes to the Accounts

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities 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 are as follows:

Valuation of Property, Plant and Equipment

Council dwellings are disclosed at current value, based on professional valuations carried out in accordance with the Royal Institution of Chartered Surveyors Red Book.

The value of Council dwellings fluctuates with changes in the current market value of residential properties. A 5% change in property prices would affect the carrying value of the council dwellings by £50.57m in the Balance Sheet and change the annual depreciation charge by £0.84m in the Comprehensive Income and Expenditure Statement.

Provision for Outstanding Business Rates Appeals

On 1 April 2013, Local Authorities assumed the liability for refunding ratepayers who have successfully appealed against the Business Rates rateable value of their properties. It is unknown how many of the outstanding appeals will be successful, though estimation techniques have been applied to the outstanding appeals using historic success rate data, including those that may be speculative claims. The carrying amount of the Provision is £11.3 m, of which the Councils share of £4.5m. An increase in the success rate by 5% would change the required provision by £0.567m, affecting the surplus/deficit on the Collection Fund distributed to the preceptors and Central Government.

Measurement of Pension Liability

The present value of the pension liability depends on a number of factors determined on an actuarial basis and the value of the underlying assets. The estimated effects of changes in key individual assumptions would increase the Council's pension liability at 31 March 2019 as follows:

The above table presents the changes in isolation; however the assumptions interact in complex ways. See note 39 for information on the pension liability.

| | £m |
|--|-------------|
| 0.5% decrease in the real discount rate | 26.1 |
| 0.5% increase in salary increase rate | 2.9 |
| 0.5% increase in the pension increase rate | 22.9 |
| | 51.8 |

6. Events After the Balance Sheet Date

The final Statement of Accounts was authorised for issue by the Corporate Director (Finance and Operations) on 18th July 2019. Events taking place after this date are not reflected in the financial statements or notes. No events have taken place, which provided information about conditions existing at 31 March 2019.

Notes to the Accounts

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

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

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

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

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

| | Adjustments for Capital Purposes | Net Change for Pensions Adjustments | Other Adjustments | Total Adjustments Between Funding & Accounting Basis |
|---|--|---|----------------------|---|
| 2018/19 | £'000 | £'000 | £'000 | £'000 |
| Finance and Resources (GRF) | 7,391 | 186 | (11) | 7,566 |
| Housing and Community (GRF) | 5,847 | 524 | (0) | 6,371 |
| Strategic Planning & Environment (GRF) | 1,810 | 1,325 | (0) | 3,134 |
| Housing and Community (HRA) | 23,530 | 489 | (6) | 24,013 |
| Net Cost of Services | 38,578 | 2,524 | (17) | 41,085 |
| Other Income and Expenditure | (25,944) | 1,827 | 1,685 | (22,432) |
| (Surplus)/Deficit on Provision of Services | 12,635 | 4,351 | 1,668 | 18,653 |
| | Adjustments for Capital Purposes | Net Change for Pensions Adjustments | Other Adjustments | Total Adjustments Between Funding & Accounting Basis |
| 2017/18 | £'000 | £'000 | £'000 | £'000 |
| Finance and Resources (GRF) | 411 | (244) | 10 | 177 |
| Housing and Community (GRF) | 6,517 | 467 | 4 | 6,988 |
| Strategic Planning & Environment (GRF) | 1,617 | 1,431 | 8 | 3,056 |
| Housing and Community (HRA) | 15,797 | 383 | 7 | 16,187 |
| Net Cost of Services | 24,342 | 2,037 | 29 | 26,408 |
| Other Income and Expenditure | (2,448) | 1,885 | (29,208) | (29,771) |
| (Surplus)/Deficit on Provision of Services | 21,894 | 3,922 | (29,179) | (3,363) |

Notes to the Accounts

8. Expenditure and Income Analysed by Nature

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

| | 2018/19 £'000 | 2017/18* £'000 |
|--|------------------|-------------------|
| Expenditure | | |
| Employees (including pension adjustments) | 34,548 | 32,210 |
| Premises | 14,294 | 14,431 |
| Transport | 1,705 | 1,569 |
| Supplies & Services | 12,923 | 11,801 |
| Third Party & Transfer Payments | 47,727 | 48,773 |
| Capital Charges/Revaluations | 46,874 | 34,496 |
| Parish Precepts | 778 | 739 |
| Interest Payments | 12,188 | 12,203 |
| Non Current assets written off as part of disposal gain | 5,742 | 5,968 |
| Payments to the Housing Receipts Pool | 1,559 | 1,559 |
| Total Expenditure | 178,339 | 163,749 |
| Income | | |
| Fees, Charges and Other Service Income | (76,851) | (77,127) |
| Interest & Investment Income | (768) | (401) |
| Income from Council Tax | (11,937) | (11,461) |
| Income from Business Rates | (2,448) | (2,184) |
| Government Grants & Other Contributions | (58,515) | (55,105) |
| Sale proceeds on asset disposal and lease amortisation | (13,014) | (20,711) |
| Total Income | (163,534) | (166,990) |
| (Surplus) or Deficit on the Provision of Services | 14,805 | (3,241) |
| *2017/18 represented | | |

9. Other Operating Expenditure

| | 2018/19 £'000 | 2017/18 £'000 |
|--|------------------|------------------|
| Parish Council Precepts | 778 | 739 |
| Payments to the Government Housing Capital Receipts Pool | 1,559 | 1,559 |
| (Gains)/Losses on the Disposal of Non Current Assets | (7,336) | (11,460) |
| Total | (4,999) | (9,162) |

Notes to the Accounts

10. Financing and Investment Income & Expenditure

| | 2018/19 | 2017/18 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Interest Payable and Other Similar Charges | 12,188 | 12,203 |
| Interest Receivable and Similar Income | (768) | (401) |
| Net Interest on the Net Defined Benefit Liability/Asset | 1,829 | 1,885 |
| Income & Expenditure & Fair Value changes on Investment Properties | (8,827) | (5,878) |
| Finance Lease Income amortised | 0 | (3,259) |
| Total | 4,422 | 4,550 |

11. Taxation and Non-Specific Grant Income

| | 2018/19 | 2017/18 |
|---|-----------------|-----------------|
| | £'000 | £'000 |
| Council Tax Income | (11,937) | (11,461) |
| Non Domestic Rates Income & Expenditure | (2,448) | (2,184) |
| Non-ring-fenced Government Grants | (4,010) | (4,922) |
| Capital Grants and Contributions | (6,378) | (2,693) |
| Total | (24,773) | (21,260) |

12. Usable Reserves

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

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

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

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

The **Useable Capital Receipts Reserve** holds the proceeds from land or building disposals which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historic capital expenditure. The balance shows the resources yet to be applied.

The **Capital Grants Unapplied Reserve** holds the grants and contributions received towards capital projects for which the Council has met the appropriate conditions but which has yet to be spent. The current balance relates to unspent Community Infrastructure Levy.

Notes to the Accounts

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

Notes to the Accounts

| 2017/18 | General Fund Balance | Major Repairs Reserve | Housing Revenue Account | Capital Grants Unapplied | Capital Receipts Reserve | Movement in usable Reserves |
|--|----------------------------|-----------------------------|-------------------------------|--------------------------------|--------------------------------|-----------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adjustments involving the Capital Adjustment Account | | | | | | |
| <u>Reversal of Items debited or credited to the Comprehensive Income & Expenditure Statement (CIES):</u> | | | | | | |
| Capital grants and contributions | (906) | 0 | (588) | 0 | 0 | (1,494) |
| Amortisation of Intangible Assets | 283 | 0 | 0 | 0 | 0 | 283 |
| Depreciation & revaluation of Non Current Assets | 2,708 | 0 | 0 | 0 | 0 | 2,708 |
| HRA impairment reversal | | 0 | 15,743 | 0 | 0 | 15,743 |
| Movements Investment Property fair value | (1,264) | 0 | 0 | 0 | 0 | (1,264) |
| Non-current assets written off as part of disposal gain | 537 | 0 | 5,431 | 0 | 0 | 5,968 |
| Reversal of prepaid lease income | (3,284) | 0 | 0 | 0 | 0 | (3,284) |
| <u>Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement (CIES):</u> | | | | | | |
| Minimum Revenue Provision/HRA debt repayment | (371) | 0 | 0 | 0 | 0 | (371) |
| Revenue Expenditure Funded From Capital Under Statute | 4,795 | 0 | 0 | 0 | 0 | 4,795 |
| Capital expenditure charged to General Fund or HRA | (3,124) | 0 | (9,380) | 0 | 0 | (12,504) |
| Adjustments involving the Capital Receipts Reserve: | | | | | | |
| Transfer of cash sale proceeds credited to CIES as part of the gain/loss on disposal | (4,246) | 0 | (13,184) | 0 | 17,430 | 0 |
| Use of Capital Receipts to finance capital expenditure | 0 | 0 | 0 | 0 | (8,095) | (8,095) |
| Government Capital Receipts Pool payments | 1,560 | 0 | 0 | 0 | (1,560) | 0 |
| Adjustments involving the Major Repairs Reserve (MRR): | | | | | | |
| HRA Depreciation | 0 | 12,231 | 0 | 0 | 0 | 12,231 |
| Loan Repayment Funded by the MRR | 0 | 0 | 0 | 0 | 0 | 0 |
| Use of MRR to Finance Capital Expenditure | 0 | (10,852) | 0 | 0 | 0 | (10,852) |
| Adjustments involving the Capital Grant Unapplied Account | | | | | | |
| Capital Grants and Contributions unapplied credited to the CIES | (1,199) | 0 | 0 | 1,199 | 0 | 0 |
| Adjustments involving the Pensions Reserve: | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES | 7,496 | 0 | 1,733 | 0 | 0 | 9,229 |
| Employer's pension contributions to pension fund payable in the year | (4,311) | 0 | (997) | 0 | 0 | (5,308) |
| Adjustments involving the Collection Fund Adjustment Account: | | | | | | |
| Amount council tax & business rates credited to the CIES differs from that calculated under statutory requirements | (824) | 0 | 0 | 0 | 0 | (824) |
| Adjustments involving the Accumulated Absences Reserve: | | | | | | |
| Employee Absences Accrual transferred to the Accumulated Absences Account | 22 | 0 | 7 | 0 | 0 | 29 |
| Adjustments Between Accounting Basis & Funding Basis | (2,128) | 1,379 | (1,235) | 1,199 | 7,775 | 6,990 |

13. Earmarked Reserves

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

| | Balance 01/04/2018 | Transfers Out 2017/18 | Transfers in 2017/18 | Balance 31/03/18 | Transfers Out 2018/19 | Transfers in 2018/19 | Balance 31/03/19 |
|--|-----------------------|-----------------------------|----------------------------|---------------------|-----------------------------|----------------------------|---------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| General Fund Reserves: | | | | | | | |
| Management of Change | 1,750 | (324) | 0 | 1,426 | (1,154) | 842 | 1,114 |
| Local Development Framework | 100 | (34) | 0 | 66 | (22) | 375 | 419 |
| Vehicle Replacement | 700 | 0 | 350 | 1,050 | 0 | 350 | 1,400 |
| Funding Equalisation | 2,214 | 0 | 266 | 2,480 | 0 | 2,817 | 5,297 |
| Capital Development Reserve | 500 | (35) | 0 | 465 | (165) | 0 | 300 |
| Uninsured Loss | 586 | 0 | 0 | 586 | 0 | 86 | 672 |
| Earmarked Grants | 203 | (99) | 0 | 104 | 0 | 3 | 107 |
| Pensions Reserve | 1,773 | 0 | 0 | 1,773 | 0 | 200 | 1,973 |
| Dacorum Development | 356 | (192) | 0 | 164 | (128) | 0 | 36 |
| Invest to Save | 248 | 0 | 0 | 248 | (50) | 0 | 198 |
| Savings Efficiency | 0 | 0 | 0 | 0 | 0 | 604 | 604 |
| Technology Reserve | 56 | 0 | 0 | 56 | 0 | 200 | 256 |
| Other Under £250k | 1,285 | (159) | 106 | 1,232 | (234) | 80 | 1,078 |
| Total General Fund Reserves | 9,771 | (843) | 722 | 9,650 | (1,753) | 5,556 | 13,453 |
| Housing Revenue Account Reserves: | | | | | | | |
| Strategic Acquisition | 17,701 | 0 | 0 | 17,701 | 0 | 0 | 17,701 |
| Other HRA (Under £250k) | 399 | 0 | 0 | 399 | 0 | 46 | 445 |
| Total HRA Reserves | 18,100 | 0 | 0 | 18,100 | 0 | 46 | 18,146 |
| Total Earmarked Reserves | 27,871 | (843) | 722 | 27,750 | (1,753) | 5,602 | 31,599 |

14. Members' Allowances

The following amounts were due to Members:

| | 2018/19 £'000 | 2017/18 £'000 |
|--|------------------|------------------|
| Salaries (Basic & Special allowances) | 402 | 390 |
| Allowances (Broadband) | 2 | 2 |
| Expenses (Travel & Subsistence) | 1 | 1 |
| Total | 405 | 393 |

15. Remuneration of Employees

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

| Total Remuneration | 2018/19 | 2017/18 |
|--------------------|-----------|-----------|
| £50,000 - £54,999 | 9 | 6 |
| £55,000 - £59,999 | 3 | 5 |
| £60,000 - £64,999 | 4 | 6 |
| £65,000 - £69,999 | 6 | 4 |
| £70,000 - £74,999 | 1 | 0 |
| Total | 23 | 21 |

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

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

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

Notes to the Accounts

| | Salary including Fees & Allowances | Benefits in Kind (Lease Car) | Total Excluding Pension Contribution | Pension Contribution | Total |
|--|------------------------------------|------------------------------|--------------------------------------|----------------------|----------------|
| 2017/18 | £ | £ | £ | £ | £ |
| Chief Executive | 135,225 | | 135,225 | 24,205 | 159,430 |
| Corporate Director (Housing & Regeneration) | 102,951 | 1,580 | 104,531 | 18,546 | 123,077 |
| Corporate Director (Finance & Operations) | 103,208 | | 103,208 | 18,250 | 121,458 |
| Assistant Director (Neighbourhood Delivery) | 80,783 | | 80,783 | 14,521 | 95,304 |
| Assistant Director (Housing Landlord) | 77,533 | 7,539 | 85,072 | 14,295 | 99,367 |
| Assistant Director (Planning, Development & Regeneration) | 77,777 | 5,091 | 82,868 | 14,274 | 97,142 |
| Assistant Director (Performance & Projects) | 76,503 | | 76,503 | 13,459 | 89,962 |
| Solicitor to the Council | 67,060 | | 67,060 | 11,969 | 79,029 |
| Assistant Director (Finance & Resources) – until December 2017 | 53,515 | | 53,515 | 9,650 | 63,165 |
| Assistant Director (Finance & Resources) – from March 2018 | 4,350 | | 4,350 | 767 | 5,117 |

The number of exit packages are in the table below.

| Exit Package Cost Band | Number of Redundancies | | Number of Other Departures Agreed | | Total number of Exit Packages by Cost Band | | Total Cost of Exit Packages in Each Band £'000 | |
|------------------------|------------------------|----------|-----------------------------------|----------|--|----------|--|----------|
| | 18/19 | 17/18 | 18/19 | 17/18 | 18/19 | 17/18 | 18/19 | 17/18 |
| £0 - £20,000 | 4 | 1 | 1 | 0 | 5 | 1 | 20 | 8 |
| £20,001 - £40,000 | 2 | 0 | 0 | 0 | 2 | 0 | 50 | 0 |
| £40,001 - £60,000 | 1 | 0 | 0 | 0 | 1 | 0 | 47 | 0 |
| £60,001- £80,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £80,001 - £100,000 | 1 | 0 | 0 | 0 | 1 | 0 | 82 | 0 |
| Total | 8 | 1 | 1 | 0 | 9 | 1 | 199 | 8 |

16. Related Party Transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent 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 18 and 19.

Dacorum Sports Trust

From the 1 April 2004 to March 2018, Dacorum Sports Trust, a registered charity and company limited by guarantee, managed some of Dacorum Borough Council's leisure facilities including its leisure centres. The Trust was a separate legal entity and was not restricted from managing other facilities within Dacorum or elsewhere. The Trust used Council support services (Legal Services, Insurance, and Landscape and Recreation services) paying for these under Service Level Agreements totalling £16k in 2017/18.

In 2017/18, the following councillors were nominated to serve on the board of the Sports Trust:

- Councillor Michael Hicks
- Councillor Peter Matthews
- Councillor Israel Imarni

Under the Funding Agreement, the Council paid a grant of £0.225m to the Trust in 2017/18 towards managing those facilities. Under the transfer agreement the ownership of the Council assets, were leased to the Trust at a peppercorn rent, remained with the Council and were included in the Council's balance sheet. Thus, the capital charges for the Council-owned assets continued to be included in the Council's accounts. Hertfordshire County Council owns Longdean and Tring Sports Centre; under a joint use agreement with the Borough Council, the Trust managed the leisure services at those venues during 2017/18.

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

On the 27th November 2018, Councillor Israel Imarni was appointed a director of the Trust. Apart from the long lease of the Little Hay Golf Complex, there were no other transactions between the Council and the Trust from the 27th November 2018 to 31st March 2019.

Members and Senior Officers of the Council

Members and Senior Officers of the Council have direct control over the Council's financial and operating policies. The total of Member allowances paid in 2018/19 is shown in note 14. Disclosures of interest have been made in respect of the following organisations to which payments were made or from which payments were received (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. 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 or available on the Council's website.

Notes to the Accounts

Transactions in 2018/19 are disclosed below. There were no balances owed to the Council on invoices past their due date at the 31st March 2019. Transactions with community and voluntary groups of less than £3k have been excluded. Further details of these transactions can be provided on request.

| Organisation | Name | Expenditure | Income | Amount | Nature of Transaction | |
|-----------------------------|--|-------------|---------|-----------------------------------|---|--|
| | | 2018/19 | 2018/19 | owed by the Council 31/03/2019 | | |
| | | £'000 | £'000 | £'000 | | |
| Jarvis Group Limited | Fiona Jump (Group Manager Financial Services) | 6,204 | (2) | 204 | Construction of Housing | |
| Community Action Dacorum | Cllr Tina Howard & Cllr John Birnie | 208 | 0 | 0 | Grants | |
| DP Taylor | Chris Taylor (Group Manager Strategic Planning & Regeneration) | 12 | 0 | 1 | Maintenance | |
| South Hill Centre | Cllr Neil Harden | 10 | 0 | 0 | Grants | |
| Sutton envelopes | Cllr Graham Sutton & Rosie Sutton | 0 | (9) | 0 | Rental Income | |
| Chiltern Conservation Board | Cllr David Collins | 7 | 0 | 0 | Grants | |
| Stage Two | Cllr Terry Douris | 0.4 | (0.9) | 0 | Audio Visual Sound Equipment, Garage Rent | |
| Tring Market Auctions | Cllr Penny Hearn & Cllr Stephen Hearn | 0 | (0.6) | 0 | Licence | |

17. External Audit Costs

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

| | 2018/19 | 2017/18 |
|--|-----------|-----------|
| | £'000 | £'000 |
| External audit services carried out by the appointed auditor for the year | 56 | 73 |
| External audit services carried out by the appointed auditor for an earlier year | 0 | 2 |
| Certification of grant claims and returns for previous years | 5 | 0 |
| Certification of grant claims and returns for the year | 11 | 22 |
| Total | 72 | 97 |

Notes to the Accounts

18. Revenue Grant Income

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

| Non Specific Grant Income | 2018/19 | 2017/18 |
|----------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Revenue Support Grant | 0 | (105) |
| New Homes Bonus and Other | (2,110) | (3,099) |
| Business Rates Retention | (1,588) | (1,382) |
| Other | (312) | (336) |
| Total | (4,010) | (4,922) |

| Grants Credited to Services | 2018/19 | 2017/18 |
|---|-----------------|-----------------|
| | £'000 | £'000 |
| Benefits Subsidy and Administration (included in Finance & Resources) | (46,594) | (47,053) |
| Other | (1,473) | (389) |
| Total | (48,067) | (47,442) |

19. Grants and Other Contributions in the Balance Sheet

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

| Revenue Grants and Other Contributions | 2018/19 | 2017/18 |
|---|----------------|----------------|
| | £'000 | £'000 |
| As of the Beginning of the Period | (444) | (108) |
| Receipts | (1,817) | (725) |
| Conditions Satisfied | 1,473 | 389 |
| Closing Balance | (788) | (444) |

The balances of the revenue grants are as follows:

| Revenue Grants Yet to be Recognised as Income | 2018/19 | 2017/18 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Homelessness Support Grant | (378) | (253) |
| Planning Delivery Grant | (250) | 0 |
| Public Health | (24) | (29) |
| Refugee Grant | (113) | (125) |
| Other | (23) | (37) |
| Total | (788) | (444) |

Notes to the Accounts

| Capital grants & Contributions yet to be recognised as income | 2018/19 | 2017/18 |
|--|----------------|----------------|
| | £'000 | £'000 |
| As of the Beginning of the Period | 368 | 251 |
| Receipts | 981 | 912 |
| Conditions Satisfied | (847) | (795) |
| Amounts repaid | 0 | 0 |
| Closing Balance | 503 | 368 |

| Breakdown of Capital grants & Contributions yet to be recognised as income | 2018/19 | 2017/18 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Growth Area Fund | 250 | 251 |
| Disabled Facilities Grant | 253 | 92 |
| Other | 0 | 25 |
| Total | 503 | 368 |

20. Cash and Cash Equivalents

| | 2018/19 | 2017/18 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Investments with Original Maturities of 3 Months or Less | 12,608 | 22,758 |
| Cash held by the Council | 1 | 1 |
| Bank Account Balance/(Overdraft) | 1,013 | 961 |
| Total Cash and Cash Equivalents | 13,622 | 23,720 |

21. Short Term Creditors

| | 2018/19 | 2017/18 |
|-----------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Central Government Bodies | 5,762 | 7,339 |
| Other Local Authorities | 1,229 | 1,602 |
| NHS Bodies | 157 | 0 |
| Other Entities and Individuals | 18,392 | 16,045 |
| Total Short-term Creditors | 25,540 | 24,986 |

22. Long-term Creditors

The council has a number of leases where premiums paid are treated as deferred income and amortised over the life of the lease.

| | 2018/19 | 2017/18 |
|----------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Other Local Authorities | 0 | 2,116 |
| Other Entities and Individuals | 3,813 | 3,817 |
| Total Long-term Creditors | 3,813 | 5,934 |

Notes to the Accounts

23. Long-term Debtors

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

| | 2018/19 £'000 | 2017/18 £'000 |
|--------------------------------|------------------|------------------|
| Other Local Authorities | 0 | 2,116 |
| Other Entities and Individuals | 160 | 67 |
| Total Long-term Debtors | 160 | 2,183 |

24. Short-term Debtors

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

| | 2018/19 £'000 | 2017/18 £'000 |
|---------------------------------|------------------|------------------|
| Central Government Bodies | 2,831 | 2,349 |
| Other Local Authorities | 2,410 | 2,899 |
| NHS Bodies | 7 | 0 |
| Other Entities and Individuals | 10,939 | 9,319 |
| Total Short-term Debtors | 16,187 | 14,567 |

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

| Bad Debt Impairment Allowances | 2018/19 £'000 | 2017/18 £'000 |
|---------------------------------------|--------------------------|--------------------------|
| Sundry Debtors | 320 | 368 |
| Housing Rents and Garages | 1,983 | 2,118 |
| Council Tax/Summons Fees | 235 | 236 |
| Business Rates/Summons Fees | 708 | 275 |
| Benefits Overpayments | 2,038 | 2,198 |
| Total Bad Debt Provisions | 5,284 | 5,195 |

Within the £708k of Business rates/summons fees bad debt impairment allowance, the Council allowed £327k relating to specific companies which are known to be insolvent or where recovery of debt is assessed as unlikely.

25. Provisions

The Council maintains the following provisions:

| | Balance as at 31 March 2018 £'000 | Contribution to Provision £'000 | Use of Provision £'000 | Amounts Reversed Unused £'000 | Balance as at 31 March 2019 £'000 |
|--------------------------------|---|---------------------------------------|------------------------------|--|---|
| General Fund Provisions | | | | | |
| Insurance- General Fund | 362 | 275 | (73) | (161) | 404 |
| Pension Strain | 7 | 0 | (7) | 0 | 0 |
| Business Rates Appeals | 4,182 | 1,123 | (349) | (419) | 4,537 |
| Total General Fund | 4,551 | 1,398 | (429) | (580) | 4,941 |

Notes to the Accounts

| | | | | | |
|------------------------------------|------------------------------------|----------------------------------|-------------------------|--------------------------------|------------------------------------|
| Insurance-HRA | 226 | 443 | (182) | (197) | 290 |
| Total Short-term Provisions | 4,777 | 1,841 | (610) | (777) | 5,231 |
| | Balance as at 31 March 2017 | Contribution to Provision | Use of Provision | Amounts Reversed Unused | Balance as at 31 March 2018 |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| General Fund Provisions | | | | | |
| Insurance- General Fund | 446 | (238) | 288 | (134) | 362 |
| Pension Strain | 7 | 0 | 0 | 0 | 7 |
| Business Rates Appeals | 3,642 | 1,353 | 0 | (813) | 4,182 |
| Total General Fund | 4,095 | 1,115 | 288 | (947) | 4,551 |
| Insurance-HRA | 354 | 300 | (274) | (154) | 226 |
| Total Short-term Provisions | 4,449 | 1,415 | 14 | (1,101) | 4,777 |

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

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

The Pension Strain provision relates to the additional payments required to be made into the pension fund for early retirements granted or committed by the Balance Sheet date.

26. Contingent Liabilities

The council is involved in a number of court cases, the outcome of which may require the payment of uncertain compensation and/or costs. This includes an ongoing case relating to historic Hand Arm Vibration processes, which is likely to conclude in 2019.

27. Building Control

Trading operations for building control are incorporated into the Comprehensive Income and Expenditure Statement within the Strategic Planning and Environment heading.

| | 2018/19 Chargeable | 2017/18 Chargeable |
|---|---------------------------|---------------------------|
| | £'000 | £'000 |
| Building Control | | |
| Employees | 507 | 475 |
| Non Employee Costs | 164 | 193 |
| Total Expenditure | 672 | 668 |
| Total Income | (541) | (506) |
| Building Control (Surplus)/Deficit | 131 | 162 |

28. Property, Plant & Equipment

| 2018/19 | Council Dwellings £'000 | Other Land & Buildings £'000 | Vehicles, Plant & Equipment £'000 | Infrastructure Assets £'000 | Surplus Assets £'000 | Assets Under Construction £'000 | Total Property, Plant and Equipment £'000 |
|---|-------------------------------|------------------------------------|--|-----------------------------------|----------------------------|---------------------------------------|---|
| Cost / Valuation | | | | | | | |
| At of the beginning of the period | 891,950 | 122,703 | 17,724 | 1,412 | 4,921 | 19,620 | 1,058,330 |
| Depreciation written out to Gross Carrying Amount on Revaluation | (15,464) | (5,019) | 0 | 0 | 0 | 0 | (20,482) |
| Revaluation increases recognised in the Revaluation Reserve | 153,845 | 33,169 | 0 | 0 | 2,658 | 0 | 189,672 |
| Revaluation decreases recognised in the Revaluation Reserve | (21,582) | (6,908) | 0 | 0 | (64) | 0 | (28,553) |
| Revaluation increases/(decreases) recognised in the(Surplus)/Deficit on the Provision of Services | (8,312) | (2,395) | 0 | 0 | 0 | 0 | (10,707) |
| Additions | 20,057 | 1,812 | 2,176 | 277 | 0 | 7,204 | 31,526 |
| Impairment recognised in the(Surplus)/Deficit on Provision of Services | (15,215) | 0 | 0 | 0 | 0 | 0 | (15,215) |
| Reclassifications | 8,818 | (376) | 950 | (1) | 514 | (9,802) | 102 |
| Assets reclassified (to)/from Assets Held for Sale | 0 | 566 | 0 | 0 | 0 | 0 | 566 |
| Disposals | (2,790) | (697) | (2,015) | 0 | 0 | 0 | (5,501) |
| As at the end of the period | 1,011,307 | 142,856 | 18,835 | 1,688 | 8,029 | 17,022 | 1,199,737 |
| Accumulated Depreciation | | | | | | | |
| At of the beginning of the period | (2,376) | (3,870) | (10,772) | (93) | 0 | 0 | (17,110) |
| Depreciation Charge | (13,103) | (2,352) | (1,932) | (49) | 0 | 0 | (17,436) |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation written out to Gross Carrying Amount on Revaluation | 15,464 | 5,019 | 0 | 0 | 0 | 0 | 20,482 |
| Assets reclassified to Assets Held for Sale | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals | 15 | 58 | 1,886 | 0 | 0 | 0 | 1,958 |
| As at the end of the period | (0) | (1,146) | (10,817) | (143) | 0 | 0 | (12,106) |
| Net Book Value At 31 March 2019 (all owned, no finance leases) | 1,011,307 | 141,710 | 8,018 | 1,545 | 8,029 | 17,022 | 1,187,631 |

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| 2017/18 | Council Dwellings | Other Land & Buildings | Vehicles, Plant & Equipment | Infrastructure Assets | Surplus Assets | Assets Under Construction | Total Property, Plant & Equipment |
|---|----------------------|---------------------------|-----------------------------------|--------------------------|-------------------|------------------------------|--|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| <u>Cost / Valuation</u> | | | | | | | |
| At of the beginning of the period | 860,817 | 108,966 | 17,311 | 1,205 | 0 | 17,358 | 1,005,657 |
| Depreciation written out to Gross Carrying Amount on Revaluation | (9,823) | (1,280) | 0 | 0 | 0 | 0 | (11,103) |
| Revaluation increases recognised in the Revaluation Reserve | 42,456 | 9,379 | 0 | 0 | 0 | 0 | 51,835 |
| Revaluation decreases recognised in the Revaluation Reserve | 0 | (2,435) | 0 | 0 | 0 | 0 | (2,435) |
| Revaluation increases/(decreases) recognised in the(Surplus)/Deficit on the Provision of Services | 655 | 2,079 | 0 | 0 | 0 | 0 | 2,734 |
| Additions | 19,704 | 2,235 | 666 | 207 | 0 | 6,301 | 29,113 |
| Impairment recognised in the(Surplus)/Deficit on Provision of Services | (16,397) | 0 | 0 | 0 | 0 | 0 | (16,397) |
| Reclassifications | 0 | 7,153 | 20 | 0 | 4,921 | (4,038) | 8,056 |
| Assets reclassified (to)/from Assets Held for Sale | 0 | (3,394) | (273) | 0 | 0 | 0 | (3,667) |
| Disposals | (5,462) | 0 | 0 | 0 | 0 | 0 | (5,462) |
| As at the end of the period | 891,950 | 122,703 | 17,724 | 1,412 | 4,921 | 19,620 | 1,058,330 |
| Accumulated Depreciation | | | | | | | |
| At of the beginning of the period | 0 | (2,726) | (8,927) | (64) | 0 | 0 | (11,717) |
| Depreciation Charge | (12,231) | (2,425) | (2,016) | (29) | 0 | 0 | (16,701) |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation written out to Gross Carrying Amount on Revaluation | 9,823 | 1,280 | 0 | 0 | 0 | 0 | 11,103 |
| Assets reclassified to Assets Held for Sale | 0 | 2 | 0 | 0 | 0 | 0 | 2 |
| Disposals | 32 | 0 | 171 | 0 | 0 | 0 | 203 |
| As at the end of the period | (2,376) | (3,869) | (10,772) | (93) | 0 | 0 | (17,110) |
| Net Book Value At 31 March 2018 (all owned, no finance leases) | 889,574 | 118,834 | 6,952 | 1,319 | 4,921 | 19,620 | 1,041,220 |

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

Council Dwellings and high value assets are valued annually. The valuation date is 31st December 2018, with the exception of dwellings which are the 31st March 2019. The remaining assets are valued on a five year cycle. The valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Surplus assets are valued using level 2 observable inputs and in estimating the fair value of the council's surplus assets the highest and best use has been applied. In determining the highest and best use valuation, the valuer has considered the current use (rental value) compared with the potential redevelopment of the land value for the site. Further details on highest and best fair value valuations can be found in note 30.

29. Capital Commitments

The contractual commitments for capital expenditure for schemes over £500k that had started, or where legal contracts entered into at the 31 March 2019 are:

| Contract | Contractor | Estimated Value £'000 |
|---|---|--------------------------|
| Total Asset Management | Osborne Property Services Ltd | 27,000 |
| Replacement, repair and maintenance services of boilers | Sun Realm Ltd | 12,000 |
| Construction of social housing at Martindale | Bugler Developments Ltd | 9,782 |
| Construction of social housing at Stationers Place, Hemel Hempstead | Jarvis Group Ltd | 4,344 |
| Construction of multi-storey car park, Berkhamsted | Hüber car park systems international GmbH | 3,618 |
| Construction of affordable housing units in Hemel Hempstead | FSG Property Services Ltd | 1,350 |
| Supported Housing Scheme improvements | Fortem Solutions Ltd | 877 |

The capital commitment at the 31 March 2018 was £32,725k.

30. Investment Property

| Investment Properties as per Balance Sheet | 2018/19 £'000 | 2017/18 £'000 |
|--|------------------|------------------|
| As at the beginning of the period | 75,782 | 81,266 |
| Additions (Purchases/construction) | 118 | 88 |
| Additions (Subsequent expenditure) | 0 | 0 |
| Reclassifications | (103) | (6,884) |
| Disposals | (64) | 0 |
| Net gains/(losses) from fair value movements | 4,842 | 1,312 |
| As at the end of the period | 80,575 | 75,782 |

The investment properties were valued at the 31st December 2018 by an independent external valuer using level 2 observable inputs to estimate their fair value. In determining the highest and best use

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valuation, the valuer has considered the current use (rental value) compared with the potential redevelopment of the land value for the site. Significant observable level 2 inputs were recent sales prices, market rental, size, location, current market conditions and other relevant information for similar assets in the locality. The following items relating to Investment Properties have been included in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

| Investment Property - Comprehensive Income and Expenditure Account | 2018/19 £'000 | 2017/18 £'000 |
|---|--------------------------|--------------------------|
| Rental Income from Investment Property | (4,843) | (8,780) |
| Direct Operating Expenses Arising from Investment Property | 794 | 955 |
| Investment Property Disposals | 64 | 0 |
| Changes In Fair Value of Investment Property | (4,842) | (1,312) |
| Net Gain | (8,827) | (9,137) |

31. Intangible Assets

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

| Intangible Assets | 2018/19 £'000 | 2017/18 £'000 |
|--|--------------------------|--------------------------|
| As of the beginning of the Period | | |
| Gross Carrying Amounts | 2,686 | 2,578 |
| Accumulated Amortisation | (2,128) | (1,844) |
| Net Carrying Amount as of the Beginning of the Period | 558 | 735 |
| Purchases | 68 | 107 |
| Disposals (net book value) | (192) | 0 |
| Amortisation for the Period | (126) | (283) |
| Net Carrying Amount as of the End of the Period | 309 | 558 |
| Comprising: | | |
| Gross Carry Amounts | 1,982 | 2,686 |
| Accumulated Amortisation | (1,673) | (2,127) |
| Net Carrying Amount as of the End of the Period | 309 | 558 |

32. Assets Held For Sale

| | 2018/19 £'000 | 2017/18 £'000 |
|--|--------------------------|--------------------------|
| Opening Balance | 2,853 | 1,438 |
| Assets Transferred | 0 | 8,920 |
| Additions | 29 | 0 |
| Reclassification | (565) | 1,915 |
| Revaluation Increased in Revaluation Reserve | 0 | (367) |
| Revaluation decreases in Surplus/Deficit | 0 | 50 |
| Sold to other entities and individuals | (1,945) | (9,103) |
| Closing Balance | 372 | 2,853 |

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33. Revaluation Reserve

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

| | 2018/19 | 2017/18 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Opening Balance | 314,295 | 270,847 |
| Upward revaluation of assets | 189,672 | 51,835 |
| Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | (28,553) | (2,435) |
| Difference between fair value depreciation and historical cost depreciation | (5,395) | (4,497) |
| Amount written off to the Comprehensive Income and Expenditure Statement | (1,467) | (1,455) |
| Closing Balance | 468,552 | 314,295 |

34. Capital Adjustment Account

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

| | 2018/19 | 2017/18 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Balance as of beginning of the period | 457,126 | 455,034 |
| Capital grants and contributions applied | 2,792 | 1,493 |
| Amortisation of intangible assets | (125) | (283) |
| Charges for depreciation and Revaluation losses on property, plant and equipment | (15,004) | (2,708) |
| HRA impairment reversal | (15,215) | (15,743) |
| Difference between fair value depreciation and historical cost depreciation | 5,395 | 4,497 |
| HRA depreciation | (13,140) | (12,231) |
| Non-current assets written off to CIES on sale as part of the gain on disposal | (5,742) | (4,513) |
| Transfer from the Revaluation Reserve on disposal of assets | 1,467 | 0 |
| Revenue expenditure funded from capital under statute | (8,231) | (4,794) |
| Movements in market value of Investment Properties | 4,842 | 1,264 |
| Capital receipts applied to capital expenditure | 16,377 | 3,740 |
| Revenue contribution to capital | 8,774 | 12,504 |
| use of MRR to finance capital expenditure | 12,030 | 15,210 |
| Minimum Revenue Provision (MRP) | 237 | 371 |
| HRA Debt Repayment | 2,636 | 0 |
| Lease prepayment amortisation | 0 | 3,285 |
| Closing Balance | 454,216 | 457,126 |

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35. Capital Expenditure and Financing

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

| | 2018/19 | 2017/18 |
|--|-----------------|-----------------|
| | £'000 | £'000 |
| Capital Financing Requirement | | |
| Opening Capital Financing Requirement | 355,541 | 354,804 |
| Capital Investment: | | |
| Property, Plant and Equipment | 31,526 | 29,113 |
| Assets held for Sale | 30 | 0 |
| Loans treated as capital expenditure | 100 | 0 |
| Investment Property | 118 | 88 |
| Intangible Assets | 68 | 107 |
| Revenue Expenditure Funded from Capital under Statute | 8,231 | 4,794 |
| Total Expenditure | 40,073 | 34,102 |
| Sources of Finance: | | |
| Capital Receipts | (16,377) | (8,098) |
| Government Grants and Other Contributions | (2,792) | (1,494) |
| Use of Reserves (including Major Repairs Reserve) | (12,030) | (20,278) |
| Revenue Contributions (including statutory provision for repayment of debt) | (11,646) | (3,495) |
| Total Financing | (42,845) | (33,365) |
| Closing Capital Financing Requirement | 352,769 | 355,541 |
| | 2018/19 | 2017/18 |
| | £'000 | £'000 |
| Capital Financing Requirement | | |
| Increase/(Decrease) in underlying need to borrow (unsupported by government financial assistance). | (2,772) | 737 |
| Assets Acquired Under Finance Lease | 0 | 0 |
| Increase/(Decrease) in Capital Financing Requirement | (2,772) | 737 |

36. Heritage Assets

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

| | 2018/19 | 2017/18 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Land | 7,069 | 7,069 |
| Sculptures/Artwork | 1,820 | 1,820 |
| Assets managed by Dacorum Heritage Trust | 3 | 3 |
| Civic Regalia and Treasuries | 212 | 212 |
| Total | 9,104 | 9,104 |

Land Heritage Assets

The Council holds three areas of land (Gadebridge Park, Tring Park and The Water Gardens) which form part of the Borough's history. These sites include various sculptures and other cultural and historical assets and are constantly accessible to the public. The sites were valued on the 31st March 2017 by a qualified external valuer using the Existing Use Valuation method. Gadebridge Park and the Water Gardens are managed and preserved by the Council.

Tring Park is managed by the Woodland Trust and is believed to date back to 1066. The Rothschild's opened a zoological museum on the site and were responsible for introducing numerous exotic animals to the park.

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

The Water Gardens were designed by Geoffrey Jellicoe as an integral part of his master plan for Hemel Hempstead New Town and were placed on English Heritage's Register of Parks and Gardens of Special Historic Interest in 2010 as one of the very important post war urban landscapes.

Sculptures and Artwork Held at Cost

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

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

Assets managed by The Dacorum Heritage Trust

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

Civic Regalia and Treasuries

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

Heritage Assets not Held on Balance Sheet

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

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

37. Financial Instruments

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

| Financial Assets – All carried at Amortised Cost | 2018/19 | 2017/18 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Short-term Debtors | 10,787 | 10,660 |
| Long-term Debtors | 160 | 2,183 |
| Cash and Cash Equivalents | 13,622 | 23,720 |
| Short-term Investments | 79,680 | 70,097 |
| Long-term Investments | 0 | 0 |
| Total | 104,250 | 106,660 |

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

| Financial Liabilities – Amortised Cost | 2018/19 | 2017/18 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Short-term Creditors | 17,300 | 24,293 |
| Long-term Creditors | 188 | 2,305 |
| Short-term Borrowings | 4,719 | 3,220 |
| Long-term Borrowings | 358,441 | 362,383 |
| Total | 380,649 | 392,201 |

Fair Value

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

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

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

The fair values are as follows:

| Financial Liabilities – Fair Value | 2018/19 | 2017/18 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Short-term Creditors | 17,300 | 24,293 |
| Long-term Creditors | 188 | 2,305 |
| Short-term Borrowings | 4,738 | 3,227 |
| Long-term Borrowings | 416,640 | 409,490 |
| Total | 438,867 | 439,315 |

The exit price fair value of £438.867m has been calculated using redemption and new loan borrowing discount rates. The Authority has no contractual obligation to pay these penalty costs and does not incur any additional cost if the loans run to their planned maturity date.

Liquidity Risk

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

Refinancing and Maturity Risk

The Council maintains a significant investment portfolio. The prudential indicator limiting the amount of funds placed in investments for terms exceeding one year is a key factor limiting this risk, as is the medium term financial policy on reducing the Council's reliance on interest earnings to fund its core activities. Most of the 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 so there is minimal risk the Council will need to refinance these loans at a time of unfavourable interest rates. £18.9m of the borrowing relates to financing of the General Fund Capital Programme, with repayments and interest costs factored into the Councils Medium Term Financial Strategy. The following table sets out the maturity analysis of financial liabilities held by the Council:

| | 2018/19 | 2017/18 |
|------------------------|----------------|----------------|
| | £'000 | £'000 |
| Less than 1 Year | 4,719 | 3,220 |
| Between 1 and 2 Years | 4,939 | 3,942 |
| Between 2 and 5 Years | 8,166 | 10,467 |
| Between 5 and 10 years | 26,586 | 22,521 |
| More than 10 Years | 318,750 | 325,453 |
| Total | 363,161 | 365,603 |

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

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movements. As part of this strategy, the Council sets the prudential indicators which provide maximum and minimum limits for fixed and variable interest rate exposure. The in-house Treasury Team monitors market and forecast interest rate movements, and selects the most advantageous investments allowed within the limits of the Council's treasury policies.

The Council's maximum exposure to credit risk for its short investments has been assessed using the lowest credit rating for each investment from Fitch, Moody's and Standard & Poor's Historic Default Rates from 2009-2018. Given the expected credit loss is not material and the Council has not recently experienced a default, no impairment allowance has been made. The maximum Credit Risk exposure at the 31st March 2019 is:

| Credit Risk Rating | Gross carrying amount 2018/19 £'000 | Default Rate | 12 month expected credit loss £'000 |
|-------------------------|---|--|--|
| A+ | 10,041 | between 0.017% and 0.035% | 2 |
| A | 43,565 | between 0.004% and 0.026% | 8 |
| A- | 15,561 | between 0.006% and 0.02% statutory provisions prevent | 2 |
| Other Local Authorities | 10,512 | default | 0 |
| Total | 79,680 | | 12 |

For Short-term debtors, the bad debt impairment allowance is shown in note 24. Sundry debtors and Housing Rents are considered financial assets. The bad debt provision is calculated based on aged of debt and/or value, with a higher impairment allowance for older and higher value debts as based on experience these are less likely to be recovered. The long-term debtors principally comprise amounts owed by parish councils. These are considered to be low risk as local parish councils are traditionally accorded low risk of default on payments so not impaired.

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

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

38. 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 2017/18 or 2018/19.

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

| | 2018/19 £'000 | 2017/18 £'000 |
|--|------------------|------------------|
| Operating Lease Commitments (DBC as Lessee) | | |
| Not later than one year | 50 | 51 |
| Later than one year but not later than five years | 201 | 205 |
| Later than five years | 77 | 179 |
| Total Commitments under Operating Leases | 329 | 435 |

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:

| | 2018/19 | 2017/18 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Operating Lease Income (DBC as Lessor) | | |
| Not later than one year | 3,941 | 2,922 |
| Later than one year but not later than five years | 13,209 | 9,707 |
| Later than five years | 51,472 | 42,535 |
| Total Minimum Lease Income under Operating Leases | 68,622 | 55,164 |

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following future rent reviews. In 2018/19 contingent rents of £1.1m were receivable by the Council (£0.7m in 2017/18).

Finance Leases - Council as Lessee

The Council leases three properties under non-cancellable finance lease agreements. The property lease terms range between 125 and 899 years. The leases do not have purchase options, although the lease payments under one of the leases are tied to the sub-lease rental income. The assets acquired under these leases are carried as Investment Property in the Balance Sheet at the following amounts:

| | 2018/19 | 2017/18 |
|---|------------|------------|
| | £'000 | £'000 |
| Finance Lease Assets (Council as Lessee) | 579 | 188 |

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:

| | 2018/19 | 2017/18 |
|---------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Finance Lease Minimum Payments | | |
| Current | 0 | 0 |
| Non-current | 188 | 188 |
| Finance Costs Payable in Future Years | 1,612 | 1,632 |
| Minimum Lease Payments | 1,800 | 1,820 |

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

| | 2018/19 | 2017/18 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Commitments Under Finance Leases | | |
| Not later than one year | 20 | 20 |
| Later than one year but not later than five years | 80 | 80 |
| Later than five years | 1,720 | 1,740 |
| Total Commitments Under Finance Leases | 1,820 | 1,840 |

The minimum lease payments do not include rents contingent on events taking place after the lease was entered into. The Council paid contingent rent during the year of £20k (2017/18 £20k). The Council has sub-let these properties. At 31 March 2018 the minimum payments expected to be received under non-cancellable agreements was £208k (£204k at 31 March 2017).

39. Pensions

Local Government Pension Scheme

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

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

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

Transactions Relating to Post-employment Benefits

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

| | 2018/19 | 2017/18 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Comprehensive Income & Expenditure Statement | | |
| Cost of Services: | | |
| Current Service Cost | 7,267 | 7,345 |
| Past Service Cost/(Gain) – Including Curtailments | 663 | 0 |
| Financing and Investment Income and Expenditure: | | |
| Net Interest Expense | 1,827 | 1,885 |
| Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services | 9,757 | 9,230 |
| Other Comprehensive Income & Expenditure: | | |
| Return on Plan Assets (excluding amounts included in net interest expense) | (7,518) | (4,899) |
| Actuarial (Gains) & Losses Arising on Changes in Demographic Assumptions | 0 | 0 |
| Actuarial Gains & Losses Arising on Changes in Financial Assumptions | 14,366 | (4,416) |
| Other | 0 | 0 |
| Total Post Employment Benefit Charged to Other Comprehensive Income and Expenditure | 6,848 | (9,315) |
| | 2018/19 | 2017/18 |
| | £'000 | £'000 |
| Movement in Reserves Statement | | |
| Reversal of net charges made to the Surplus or Deficit for the Provision of Services for Post Employment Benefits in accordance with the Code | (9,757) | (9,230) |
| Employer's Contributions Payable to the Pension Scheme | 5,406 | 5,308 |
| Total | (4,351) | (3,922) |

Notes to the Accounts

| | 2018/19 | 2017/18 |
|---|-----------------|-----------------|
| Pension Assets & Liabilities Recognised in the Balance Sheet | £'000 | £'000 |
| Present value of the defined benefit obligation | (261,524) | (238,594) |
| Fair value of plan assets | 181,266 | 169,535 |
| Sub-total | (80,258) | (69,059) |
| Other movements in the liability | 0 | 0 |
| Net liability arising from defined benefit obligation | (80,258) | (69,059) |

| | 2018/19 | 2017/18 |
|--|------------------|------------------|
| Reconciliation of Present Value of Scheme Liabilities | £'000 | £'000 |
| Liabilities as of the Beginning of the Period | (238,594) | (235,506) |
| Current Service Cost | (7,267) | (7,345) |
| Interest Cost | (6,229) | (5,903) |
| Contributions by Scheme Participants | (1,235) | (1,205) |
| Actuarial (Losses)/Gains | (14,366) | 4,416 |
| Losses on Curtailments | | 0 |
| Benefits Paid | 6,830 | 6,949 |
| Past Service Costs | (663) | 0 |
| Liabilities as at 31 March | (261,524) | (238,594) |

| | 2018/19 | 2017/18 |
|--|----------------|----------------|
| Reconciliation of Fair Value of Scheme Assets | £'000 | £'000 |
| Assets as of the Beginning of the Period | 169,535 | 161,054 |
| Expected Rate of Return | 4,402 | 4,018 |
| Actuarial Gains/(Losses) | 7,518 | 4,899 |
| Employer Contributions | 5,406 | 5,308 |
| Contributions by Scheme Participants | 1,235 | 1,205 |
| Benefits Paid | (6,830) | (6,949) |
| Closing Fair Value of Scheme Assets | 181,266 | 169,535 |

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.

| | 2018/19 | 2017/18 |
|---|--------------|--------------|
| Fair Value of Employer's Assets | £'000 | £'000 |
| Quoted Prices in Active Markets | | |
| <u>Equity Securities</u> | | |
| Consumer | 8,063 | 7,746 |
| Manufacturing | 7,029 | 6,663 |
| Energy and Utilities | 1,871 | 1,778 |
| Financial Institutions | 7,474 | 7,562 |
| Health and Care | 1,474 | 1,073 |
| Information Technology | 5,671 | 5,285 |
| Other | 484 | 403 |
| <u>Investment Funds and Unit Trusts</u> | | |
| Equities | 45,738 | 44,560 |
| Bonds | 63,064 | 60,972 |
| Other | 1,532 | 1,263 |

Notes to the Accounts

Cash and Cash Equivalents

| | | |
|---|----------------|----------------|
| All | 5,866 | 5,658 |
| Total of Assets with Prices Quoted in Active Markets | 148,266 | 142,963 |

Quoted Prices not in Active Markets

Debt Securities

| | | |
|-------|----|----|
| Other | 83 | 69 |
|-------|----|----|

Private Equity

| | | |
|-----|-------|-------|
| All | 8,499 | 6,433 |
|-----|-------|-------|

Real Estate

| | | |
|-------------|-------|-------|
| UK Property | 6,422 | 5,616 |
|-------------|-------|-------|

| | | |
|-------------------|-------|-------|
| Overseas Property | 6,875 | 5,535 |
|-------------------|-------|-------|

Investment Funds and Unit Trusts

| | | |
|----------------|-------|-----|
| Infrastructure | 1,757 | 404 |
|----------------|-------|-----|

| | | |
|-------|-------|-------|
| Other | 9,580 | 8,650 |
|-------|-------|-------|

Derivatives

| | | |
|------------------|-------|-------|
| Foreign Exchange | (216) | (136) |
|------------------|-------|-------|

| | | |
|---|---------------|---------------|
| Total of Assets with Prices Quoted not in Active Markets | 33,000 | 26,571 |
|---|---------------|---------------|

| | | |
|---|----------------|----------------|
| Total Fair Value of Employers Assets | 181,266 | 169,535 |
|---|----------------|----------------|

Basis for Estimating Asset and Liabilities

Liabilities have been assessed on an actuarial basis by Hymans Robertson LLP using the Projected Unit Credit Method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Estimates for the fund were based on the latest full revaluation of the scheme as at 31 March 2016. The principal assumptions used are:

| | 2018/19 | 2017/18 |
|---|----------------|----------------|
| Principal Assumptions | % | % |
| Rate of inflation | 3.5 | 3.4 |
| Rate of increase in salaries | 2.6 | 2.5 |
| Rate of increase in pensions | 2.5 | 2.4 |
| Rate of discounting scheme liabilities | 2.4 | 2.6 |
| 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 |
| Mortality Assumptions | 2018/19 | 2017/18 |
| | Age | Age |
| Longevity at 65 for current pensioners | | |
| Men | 22.5 | 22.5 |
| Women | 24.9 | 24.9 |
| Longevity at 65 for future pensioners | | |
| Men | 24.1 | 24.1 |
| Women | 26.7 | 26.7 |

Impact on the Council's Cash Flow

The liabilities show the underlying commitments the Council has to pay retirement benefits. The total liability of £80.258m 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.

Notes to the Accounts

Funding levels are monitored annually, and the next triennial review is due to be based on 31 March 2019 data. Based on this review, the fund liability may go up or down. Sensitivity analysis is shown in note 5. The total value of contributions expected to by the Council in 2019/20 is £5.389m.

The weighted duration for all members is 16.8 years. The weighted average duration and liability split of the defined benefit obligation for scheme members as at 31 March 2019 is:

| | Liability Split | Weighted Average Duration |
|-------------------|-----------------|---------------------------|
| Active Members | 40.1% | 22.9 |
| Deferred Members | 25.1% | 22.2 |
| Pensioner Members | 34.8% | 11.0 |
| Total | 100% | 16.8 |

Pensions Reserve

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

| | 2018/19 £'000 | 2017/18 £'000 |
|--|------------------|------------------|
| Reconciliation of Fair Value of Scheme Assets | | |
| Surplus /(Deficit) as of Beginning of the Period | (69,059) | (74,452) |
| Actuarial Gains/(Losses) on Pension Assets and Liabilities | (6,848) | 9,315 |
| 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 | (9,757) | (9,230) |
| Employer's Pension Contributions | 5,406 | 5,308 |
| Surplus/(Deficit) as of End of the Period | (80,258) | (69,059) |

Management of Pension Risks

Hertfordshire County Council, having taken appropriate professional advice, has taken steps to mitigate investment risk and to set an investment strategy appropriate for the Fund's liabilities. Key steps are:

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

Housing Revenue Account

Housing Revenue Account – Income & Expenditure Account

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

| | 2018/19 £'000 | 2017/18* £'000 |
|--|------------------|-------------------|
| Income | | |
| Dwelling Rents (Gross) | (53,213) | (53,654) |
| Non Dwelling Rents (Gross) | (148) | (234) |
| Charges for Services & Facilities | (1,660) | (1,987) |
| Contributions towards Expenditure | (987) | (1,038) |
| Total Income | (56,009) | (56,913) |
| Expenditure | | |
| Repairs and Maintenance | 12,184 | 11,632 |
| Supervision and Management | 8,646 | 8,265 |
| Rents, Rates, Taxes and Other Charges | 60 | 45 |
| Increase in Allowance for Bad and Doubtful Debts | 375 | 299 |
| Depreciation and Impairment of Non Current Assets | 36,664 | 28,025 |
| Total Expenditure | 57,929 | 48,266 |
| Net Expenditure/(Income) of HRA Services as Included in the Comprehensive Income & Expenditure Statement (CIES) | 1,920 | (8,647) |
| HRA Share of Corporate and Democratic Core | 244 | 327 |
| Other recharges to the HRA | 3,870 | 3,592 |
| Total recharge to HRA | 4,114 | 3,919 |
| HRA Share of Operating Income & Expenditure Included in the Comprehensive Income & Expenditure Account | | |
| (Gain)/Loss on Disposal of Non-Current Assets | (3,717) | (7,754) |
| Interest and Investment Income | (328) | (122) |
| Interest Payments | 11,594 | 11,603 |
| Net Interest on the Net Defined Benefit Liability | 354 | 354 |
| Capital Grants and Contributions Received | (1,534) | (588) |
| (Surplus)/Deficit for the Year on HRA Services | 12,403 | 3,493 |

*17/18 represented. £3,592k of recharges are now shown on the recharges line rather than the Supervision and Management line as per the 17/18 accounts.

Housing Revenue Account

Statement of Movement on the Housing Revenue Account

| | 2018/19 £'000 | 2017/18 £'000 |
|---|------------------|------------------|
| Balance as at 1 April | 2,892 | 2,892 |
| Movement in Reserves: | | |
| Surplus/(Deficit) on Provision of Services | (12,403) | 1,235 |
| Adjustments Between Accounting Basis & Funding Basis Under Regulations: | | |
| Capital Grants and Contributions Applied | (1,534) | (587) |
| Reversal of Employee Leave Accrual | (6) | 7 |
| Reversal Revaluation & Impairment (Gains)/Losses on Property | 23,527 | 15,743 |
| Amounts of non-current assets written off on sale as part of the gain on disposal to the CIES | 2,775 | 5,429 |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES | (6,492) | (13,183) |
| Revenue Contribution to Capital | (6,663) | (9,380) |
| Debt Repayment Provision | (2,636) | 0 |
| Loan Repayment from Major Repairs Reserve | 2,636 | 0 |
| Reversal of retirement benefits items debited or credited to the CIES | (1,047) | (997) |
| Employer's Pension Contributions to Pension Fund Payable in the year | 1,889 | 1,733 |
| Total Adjustments Between Accounting Basis and Funding Basis Under Regulations | 12,450 | (1,235) |
| Net Increase/(Decrease) Before Transfers to Earmarked Reserves | 46 | 2,892 |
| Transfer (to)/from Earmarked Reserves | (46) | 0 |
| Balance as at 31 March | 2,892 | 2,892 |

Notes to the Housing Revenue Account

1. Value of HRA Property, Plant and Equipment

| | 2018/19 £'000 | 2017/18 £'000 |
|--|------------------|------------------|
| Council Dwellings | 1,011,438 | 886,227 |
| Other Land & Building | 1,141 | 1,174 |
| Vehicles, Plant, Furniture and Equipment | 32 | 38 |
| Assets Under Construction | 13,046 | 17,190 |
| Net Book Value as at 31 March | 1,025,657 | 904,629 |

Council dwellings had an existing use assuming vacant possession valuation of £2,663 million as at 31st March 2019. To comply with regulations, a regional adjustment factor of 38% has to be applied to the valuation to reflect that housing is let at sub-market rents.

Housing Revenue Account

2. Number and type of dwellings

| | 31/03/19 | 31/03/18 |
|------------------------------|---------------|---------------|
| Flats | 3,773 | 3,707 |
| Houses | 6,337 | 6,355 |
| Chiltern Hostel - equivalent | 18 | 17 |
| Total Dwellings | 10,128 | 10,079 |

3. Rent Arrears

| | 2018/19 £'000 | 2017/18 £'000 |
|--------------------------------------|------------------|------------------|
| Rent - Current Arrears | 1,701 | 1,954 |
| Rent - Former Arrears | 885 | 953 |
| Supporting People and Other | 255 | 221 |
| Total Arrears: | 2,841 | 3,128 |
| Provision for Bad and doubtful Debts | (1,931) | (2,118) |
| Total Rent Arrears: | 910 | 1,010 |

4. Capital Financing

| | 2018/19 £'000 | 2017/18 £'000 |
|----------------------------------|------------------|------------------|
| Total Capital Expenditure | 24,725 | 24,591 |
| Financed by: | | |
| Capital Receipts | (4,498) | (4,466) |
| Major Repairs Reserve | (12,030) | (19,537) |
| Capital Grants & Contributions | (1,534) | (588) |
| Revenue Contributions | (6,663) | 0 |
| Total Financing | (24,725) | (24,591) |

5. Capital Receipts from the sale of HRA assets:

| | 2018/19 £'000 | 2017/18 £'000 |
|---|------------------|------------------|
| Sale Of Lane And Freehold | 23 | 27 |
| Easement Granted- Deed of Release, Variation, Covenants | 77 | 140 |
| Sale of HRA Dwellings | 6,225 | 13,373 |
| Discount Repaid | 167 | 171 |
| Total Capital receipts | 6,492 | 13,711 |

Housing Revenue Account

6. Depreciation and Impairment

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

| | 2018/19 | 2017/18 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Depreciation on Council Dwellings | 13,102 | 12,231 |
| Revaluation on Council Dwellings | 8,312 | (655) |
| Impairment | 15,215 | 16,397 |
| Depreciation on Vehicle, Plant and Equipment | 17 | 26 |
| Amortisation of Intangible Assets | 1 | 14 |
| Depreciation on Other Land and Building | 17 | 17 |
| Total Depreciation and Impairment | 36,664 | 28,030 |

Collection Fund Income and Expenditure Account 2018/19

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

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

Collection Fund Income and Expenditure Account 2017/18

| | Council Tax £'000 | Business Rates £'000 | Total £'000 |
|---|-------------------------|----------------------------|----------------|
| Income: | | | |
| Council Tax Receivable | 90,721 | 0 | 90,721 |
| Business Rates Receivable | 0 | 61,830 | 61,830 |
| Total Income | 90,721 | 61,830 | 152,551 |
| Expenditure | | | |
| <u>Precepts, Demands and Shares</u> | | | |
| Hertfordshire County Council | 70,284 | 5,795 | 76,079 |
| Hertfordshire Police & Crime Commissioner | 8,575 | 0 | 8,575 |
| Dacorum Borough Council | 11,448 | 23,208 | 34,656 |
| Central Government (Business Rates Only) | 0 | 28,975 | 28,975 |
| <u>Charges to Collection Fund</u> | | | |
| Transitional Payment Protection | 0 | 292 | 292 |
| Costs of collection | 0 | 207 | 207 |
| Write offs of uncollectable amounts | 765 | 356 | 1,122 |
| Increase/(decrease) allowances for impairment | (465) | (69) | (534) |
| Increase/(decrease) provision for appeals | 0 | 1,353 | 1,353 |
| <u>Contribution towards previous year surplus/deficit</u> | | | |
| Hertfordshire County Council | 492 | (52) | 440 |
| Hertfordshire Police & Crime Commissioner | 61 | 0 | 61 |
| Dacorum Borough Council | 82 | (208) | (126) |
| Central Government (Business Rates Only) | 0 | (261) | (261) |
| Total Expenditure | 91,244 | 59,597 | 150,841 |
| Movement on fund balance | 522 | (2,232) | (1,710) |
| Balance at beginning of year | (745) | 1,652 | 907 |
| Balance at end of year | (223) | (580) | (803) |
| Shares of balance | | | |
| Hertfordshire County Council | (174) | (58) | (232) |
| Hertfordshire Police & Crime Commissioner | (22) | 0 | (22) |
| Dacorum Borough Council | (27) | (232) | (259) |
| Central Government (Business Rates Only) | 0 | (290) | (290) |
| | (223) | (580) | (803) |

1. General

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

2. Business Rates

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

Since the 1st April 2013, Business Rates Retention applies, whereby 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, every Council receives a top-up from government if business rates collected are below the government's deemed level of funding required or pays a tariff if business rates collected are above this. 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 is known as a levy payment. The Government ensures no local authority suffers a reduction in business rate income of more than 7.5% of its Business Rates funding baseline. If business rates income falls below this 7.5% level then the Government will make a safety net payment.

The Council collects and calculates Business rates. The Government specifies an amount (49.3p in 2018/19; 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. NNDR income was £65.8m in 2018/19 (£61.8m in 2017/18). The rateable value for the Council's area was £162.8m at 31 March 2019 (2017/18: £159.9m).

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 2018/19 was calculated as 56,743.64 dwellings as follows:

| Band | Estimated equivalent no. of taxable properties after effect of discounts | Ratio to Band D | Band D Equivalent Dwellings |
|---|--|-----------------|-----------------------------|
| A* | 1.0 | 5/9 | 0.6 |
| A | 1,010.8 | 6/9 | 673.8 |
| B | 6,565.8 | 7/9 | 5,106.7 |
| C | 17,368.1 | 8/9 | 15,438.3 |
| D | 14,158.3 | 9/9 | 14,158.3 |
| E | 8,238.0 | 11/9 | 10,068.7 |
| F | 5,234.5 | 13/9 | 7,560.9 |
| G | 4,639.0 | 15/9 | 7,731.7 |
| H | 715.0 | 18/9 | 1,430.0 |
| Totals | 57,930.4 | | 62,168.9 |
| Council Tax Support | | | (5,083) |
| Adjustment for collection rate and contributions in lieu (0.6%) | | | (343) |
| Council Tax Base 2018/19 | | | 56,743.6 |
| Council Tax Base 2017/18 | | | 56,415.4 |

A* = Disabled Band A

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

Asset: An item having value measurable in monetary terms. A non-current asset has use and value for more than one year whereas a current asset (e.g. inventory or short-term debtors) can readily be converted into cash.

Budget: is a financial statement that expresses an organisation's service delivery plans and capital programme plans.

Capital Expenditure: Expenditure to acquire or enhance non-current assets that will be used in providing services for more than one year.

Capital Financing: the raising of money to pay for capital expenditure. There are various methods including borrowing, revenue financing, capital receipts, capital grants, capital contributions and revenue reserves.

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

Capital Receipt: The proceeds from the disposal of land and other assets, as long as the amount is £10,000 or more. There are rules set down by government on what capital receipts can be used for—usually capital expenditure and specific revenue purposes.

CIPFA (Chartered Institute of Public Finance and Accountancy): is the professional body for accountants in the public sector.

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

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

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

Financial Year :Period of time to which the Statement of Accounts relates. For Local Authorities this is the 1 April to 31 March.

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

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

Infrastructure Assets: Non-current assets where there is no prospect of sale or alternative use, includes footpaths, bridges and drainages systems.

Intangible Assets: Non-current 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.

International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS): set out the correct accounting treatment. The accounts have been prepared in accordance with IAS and IFRS, adapted for the public sector where appropriate.

Inventory: This includes 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.

Liability: arises when the Council owes money to others.

Materiality: 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.

National Non-Domestic Rate (NNDR): 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.

Precept: The levy made by precepting authorities on billing authorities, e.g. Dacorum Borough Council. The precepting authorities are Hertfordshire County Council, Hertfordshire Police & Crime Commissioner and Parish Councils within Dacorum.

Rateable Value: The annual assumed rental value of a property that is used for business purposes.

Related Party

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

- One party has direct or indirect control of the other party;
- The parties are subject to common control from the same source;
- One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing its own interests; and
- The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own interests.

Related Party Transactions: The transfer of assets, liabilities or services between the Council and its related parties irrespective of whether a charge is made.

Residual Value: this is the net realisable value of an asset at the end of its useful life.

Revaluation Reserve: An account containing any unrecognised gains or losses arising from the revaluation of non-current assets held by the Council.

Revenue Expenditure: day to day expenses associated with the provision of services.

Revenue Expenditure funded from Capital under Statute (REFCUS): represents expenditure that may be classified under legislation as capital, but does not result in the creation of a non-current asset on the balance sheet.

SeRCOP (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.

Usable Reserves: Amounts held to cover future expenditure.

Useful Life: The period over which an organisation will derive benefits from using an asset.