



Dacorum Borough Council

**Statement of Accounts
2019/20**

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Introduction – Leader of the Council

Welcome to Dacorum Borough Council's Statement of Accounts for the financial year 2019/20.

During the last financial year, Dacorum has continued to thrive as a borough where people want to live, work and enjoy their leisure time. These accounts show you how we managed our finances in 2019/20 whilst delivering against our key priorities:

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

During 2019/20, the Council has:

- Continued to invest in supporting local businesses to promote growth and employment opportunities.
- Continued to invest in new affordable homes in the borough via the Council's new build housing program and via grant funding to other providers of affordable housing.
- Worked with partner local authorities on proposals for a new residential and commercial development for Hemel Hempstead, known as Hemel Garden Communities.
- Completed structural work on our new multi- storey car park in Berkhamsted, which will help to support local businesses and encourage visitors to the town.
- Retained Green Flag Award for five of our parks and green spaces in recognition of our excellent standards of park management.
- Recognised local achievements via our Community Champion Award ceremony and Community Grant Awards evening.
- Showed our appreciation for our Armed Forces in a day of community celebration at Gadebridge Park.

The coronavirus pandemic emerged in the latter stages of the 19/20 financial year and continues to have a profound effect upon the way we live and work in Dacorum, the council will remain focussed in 20/21 to ensure those who need help are supported, especially those most vulnerable.

During 2020/21, Dacorum Borough Council will:

- Continue to build new Council homes for local people.
- Continue to support local businesses.
- Continue to ensure that those who need help due to the impact of the coronavirus pandemic are supported.

Councillor Andrew Williams
9th November 2020

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 2019/20.

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

The financial implications for local government of the coronavirus pandemic continue to unfold and we will maintain our responsive and adaptive approach to support our local residents and businesses, as well as manage our finances during this period of uncertainty.

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

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

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

James Deane MA, BA, ACMA, CGMA
Corporate Director (Finance & Operations)
9th November 2020

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 2020 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 Movement on the Housing Revenue Account Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the Notes to the Core Financial Statements, Notes to the Housing Revenue Account Statement and Notes to the Collection Fund 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 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Corporate Director (Finance and Operations) and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

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 and 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 and 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.

In our evaluation of the Corporate Director (Finance and Operations)'s conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings

We draw attention to Note 5 of the financial statements, which describes the effects of the Covid-19 on the valuation of the Authority's land and buildings as at 31 March 2020. As disclosed in note 5 to the financial statements, the full impact of the Covid -19 is currently unknown and valuations of property may be affected and property valuations are subject to a material valuation uncertainty clause. Our opinion is not modified in respect of this matter.

Other information

The Corporate Director (Finance and 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 Edition' 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 and Operations) and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 17, 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 and Operations). The Corporate Director (Finance and 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 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Corporate Director (Finance and 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 and 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 April 2020, 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 2020.

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 April 2020, 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 2020.

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

10 November 2020

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. Hemel Hempstead the largest settlement in Dacorum, with a population of over 90,000. Almost 80% of the land in Dacorum is classified as rural land with 60% of the land designated as Green belt.

Corporate Plan 2020-2025

Dacorum Borough Council's five priorities for the community for the period 2020-2025 were adopted in January 2020.

The five priorities are:

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

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

Political and Strategic Framework

The Council holds elections for all Members once every four years, with elections last held in May 2019. As at 31 March 2020, the Council was made up of 31 Conservatives, 19 Liberal Democrats and 1 Independent.

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

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

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

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

Council Structure and Services

The Council provides the following services within the borough:

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

Environmental and Community Protection Services – including emergency planning and environmental health.

Housing Services – including management of the council's Housing Revenue Account (HRA) housing stock and the provision of information and service for Council tenants and leaseholders.

Planning and Regeneration Services – including building control, planning enforcement and economic development.

Revenues and Benefits Provision – including the collection of council tax and business rates and the payment of housing benefit and council tax support.

Community Services – including leisure, arts and entertainment provision and community grant funding.

Challenges and Opportunities

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

- The social and economic consequences of the Covid 19 pandemic are currently unfolding at the time of the publication of the Council's draft 2019/20 accounts. The full financial impact of the pandemic will not be known for some time and represents the key financial risk for the authority.
- In the immediate term, the Council has seen a significant impact on local businesses, with income to the Council from business rates and commercial rents lower than 2020/21 target levels. Pressures on Council expenditure are also forecast for 2020/21. The Council is working with its suppliers in order to support continuity of Council services and objectives in the medium to long term.
- The Government has issued limited funding to the Council to help mitigate the impact of the pandemic. The Council continues to monitor the pressures arising from the pandemic and their implications for the financial position for 20/21 and beyond. Longer term planning to manage the financial consequences of the pandemic will be addressed as part of our medium term financial strategy, to be updated later in 2020/21.
- Brexit- the ongoing impact of the United Kingdom's exit from the European Union in January 2020 continues to be uncertain. Interest and inflation rates, labour costs, property and rental values may all be affected either adversely or beneficially.
- Local Authority funding mechanisms are increasingly uncertain as the government has delayed the proposed funding changes until the financial year 22/23. The 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.

The Council also continues work on a number of opportunities for the benefit of the borough:

- The development of proposals for Hemel Garden Communities, a new residential and commercial development for Hemel Hempstead.
- The provision of affordable housing for the borough, via our new build program.
- The development of the Council's updated long term Local Plan.

Operational Performance

The Council operates a robust system of performance management supported by a performance reporting system. Members have the opportunity to scrutinise and challenge operational performance reports via Overview and Scrutiny Committee meetings.

The Council has achieved the following during 2019/20 against its corporate priorities (2018/19 figures in brackets, where figures have changed year on year):

A clean, safe and enjoyable environment

- Collected 9,650 tonnes of food waste (9,562)
- Maintained parks and gardens across Dacorum including 62 play areas, 5 Green Flag parks and 2 Queen Elizabeth II Fields In Trust

- Dealt with 2,700 planning applications (2,754)

Building strong and vibrant communities

- Continued our programme of community grants.
- Recognised our Armed Forces via a day of community celebration at Gadebridge Park
- Entertained around 12,000 people with performances at the Old Town Hall Theatre
- Managed 24 (24) car parks, 19 (22) of which have Park Mark for safety
- Welcomed around 27,000 (32,250) children to our adventure playgrounds

Ensuring economic growth and prosperity

- Completed structural work on a new multi-storey car park in Berkhamsted
- Achieved 100% occupancy at the Maylands Business Centre

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

- Started the development of 87 (133) new affordable homes in the borough (inclusive of registered provider/ housing association developments supported by Council grant funding).

Ensuring efficient, effective and modern service delivery

- Handled 83,902 (88,178) of calls in our Contact Centre
- Identified £0.4m (£1.3m) of savings as part of the 2019/20 budget setting process.

Financial Performance

The Council operates an ongoing reporting cycle on its financial performance throughout the year that sits alongside the publication of the Statement of Accounts (this document) after the end of the financial year. As part of this reporting cycle, financial information is provided internally to senior officers of the Council and publically to its elected members via our committee meeting system. The format of this reporting aims to facilitate officers and elected members in the decision making processes of the organisation. This format is locally agreed by our officers and elected members.

The Statement of Accounts presents a summary of the Council's financial performance for the year in a format that is required by law and best practice accounting guidance. These figures include accounting adjustments to those figures presented in the Council's reporting cycle, described above, as required by law.

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

- **General Fund Revenue Account**

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

- **Housing Revenue Account (HRA)**

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

- **Capital Programme**

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

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

- **Housing and Community** (includes services such as arts and entertainment, adventure playgrounds, the management of anti- social behaviour and homelessness). This committee is

Narrative Report

also responsible for the Council Landlord Function (the HRA), which is identified separately throughout the accounts);

- **Finance and Resources** (includes community centres, cemeteries, leisure management, public conveniences, parking services and support services such as human resources, IT and finance).
- **Strategic Planning and Environment** (includes services such as waste collection, planning and development)

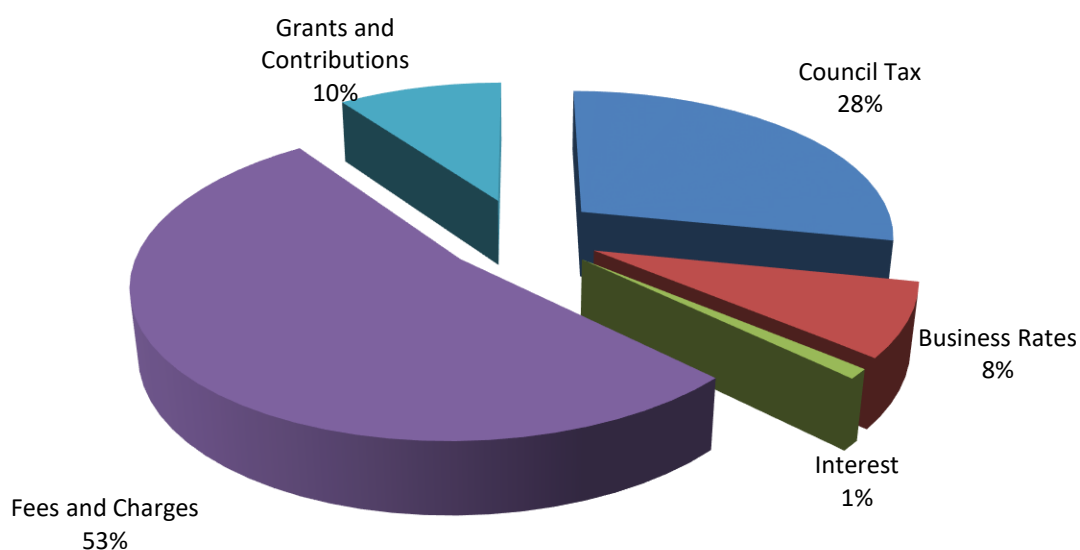
The three committees shown play an important role in guiding and examining our policies and operational and financial performance. They are involved in keeping the Council's activities under review. They scrutinise the proposals, actions and decisions of the Cabinet and Council; as well as developing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

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

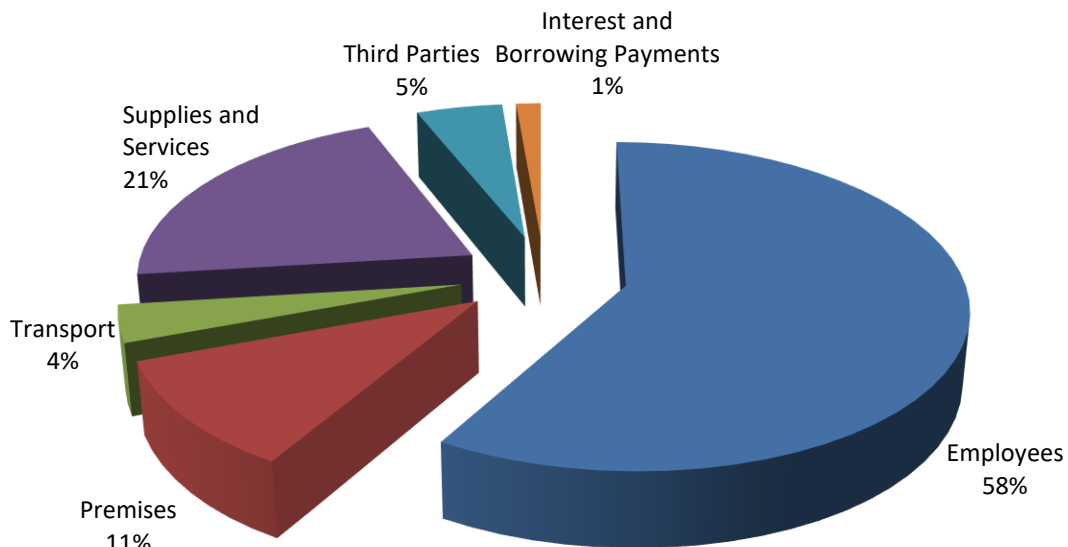
General Fund Revenue Account

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

Sources of funding

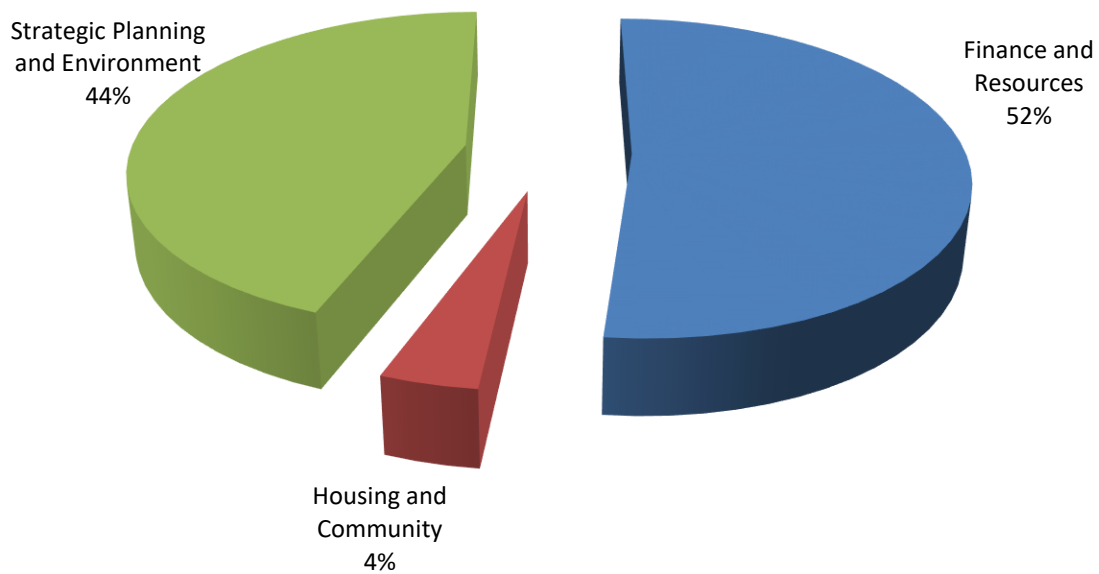


How the funding was spent¹



¹ Third Party payments and supplies and services covers payments made to the Council's contractors as well as day to day operational expenditure not falling in other expenditure categories.

Split of where the funding was spent, by Scrutiny Committee area ²



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

The table below summarises the Council's General Fund Revenue Account for 2019/20:

Table 1- General Fund Revenue Financial Performance 2019/20

	Budget	Actuals	Variance
	£000	£000	£000
Finance and Resources	11,725	11,847	122
Housing and Community	863	912	50
Strategic Planning and Environment	8,976	10,231	1,255
Net Cost of Services	21,564	22,990	1,426
Investment Property	(4,317)	(4,207)	109
Interest on Investment Income, Interest Payable and Minimum Revenue Provision	782	358	(424)
Parish Precept Payments	816	816	0
Government Grants	(2,179)	(4,353)	(2,174)
Revenue Contribution to Capital	0	150	150
Taxation (Council Tax and Business Rates)	(16,276)	(15,906)	370
Net (Income)/ Expenditure- Other Items	(21,174)	(23,143)	(1,969)
(Surplus)/ Deficit on Provision of Services	390	(153)	(543)
Net Recharge to the HRA	(4,213)	(4,346)	(133)
Contribution To / (From) Earmarked Reserves	3,822	4,499	677
Net Movement on General Fund Working Balance	(1)	(0)	1

General Fund services Financial Performance

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

- Housing and Community
 - A shortfall against budgeted income from Council-owned garages
- Strategic Planning and Environment
 - Staff costs and professional fees within the Planning Service
 - A shortfall against target income for Commercial Waste services
 - Maintenance Costs associated with the Council's waste fleet vehicles.

These variances were managed in year and any underlying pressures informed the 2020/21 budget setting process.

These Services variances emerged prior to the Covid 19 pandemic. The steps taken to mitigate these variances in the current year, along with others that emerge, will be monitored and reported to officers and members as part of the 2020/21 financial reporting cycle.

Interest and Minimum Revenue Provision (MRP)

The Council invests its cash balances in line with its agreed Treasury Management Strategy, for which it generates interest receipts, in 2019/20 the returns on investments exceeded budget expectations due to strong cash balances.

The Council has loans with the Public Works Loans Board (PWLb) to support its General Fund capital programme for which it must make interest payments each year.

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

Government Grants

The Council receives some non-ring fenced grants from the Government to support its service provision. This includes the New Homes Bonus and also grants provided by Government to compensate for reliefs awarded to ratepayers.

Taxation (business rates and council tax)

The Council collects business rates and council tax income on behalf of itself, central government and other local government bodies, such as Hertfordshire County Council and the Police and Crime Commissioner. During 2019/20, the Council was also part of a pilot scheme together with all other local authorities in Hertfordshire to increase the proportion of business rates retained locally. The taxation value shown at Table 1 above is the amount of business rates and council tax that the Council is able to retain in 2019/20.

The net collectable amount of council tax in Dacorum for 2019/20 (for Dacorum Borough Council, Hertfordshire County Council and the Police and Crime Commissioner for Hertfordshire) was £102.4m (2018/19 £96.9m). The Council achieved a collection rate of 98.0% (2018/19 98.3%). Total council tax ratepayer arrears attributable to all three authorities (for all years) amounted to £5.3m (2018/19 £4.7m).

Recharge to the HRA

The Council's HRA utilises services provided by the General Fund. A charge is made to the HRA for the provision of these services.

Contributions to and From Reserves

The Council makes use of its reserves to support specific organisational goals. The Council's working balance remains in line with the Council's Medium Term Financial Strategy. A detailed breakdown of the movements to and from reserves can be seen in Note 13 to the Accounts. There is a difference of £1.758m between the reserve movements shown in Table 1 and the sum of the General Fund reserve movements shown in Note 13. This relates to the use of reserves to support capital expenditure in 2019/20, which have nil impact on the General Fund revenue position.

Housing Revenue Account (HRA)

The table below summarises the financial position on the Council's HRA for 2019/20:

Table 2: HRA Revenue Financial Performance 2019/20

	Budget	Actuals	Variance
	£000	£000	£000
Dwelling Rents and Service Charges	(52,786)	(53,080)	(294)
Non Dwelling Rents	(102)	(101)	1
Charges for Services and Facilities	(1,902)	(1,844)	58
Interest on Investment Income	(435)	(372)	63
Contributions towards expenditure	(645)	(672)	(27)
Total Income	(55,870)	(56,069)	(199)
Repairs and Maintenance	12,105	11,549	(556)
Supervision and Management	8,860	8,511	(349)
Recharges	4,232	4,346	114
Depreciation	12,625	14,303	1,678
Revenue Contribution to Capital	5,480	3,814	(1,666)
Interest Payable	11,558	11,558	0
Other Expenditure	1,010	737	(273)
Total Expenditure	55,870	54,818	(1,052)
(Surplus)/ Deficit prior to reserve movements	0	(1,251)	(1,251)
Contribution To / (From) Reserves	0	1,251	1,251
HRA Deficit / (Surplus)	0	0	0
Working Balance Brought Forward	(2,894)	(2,894)	0
Working Balance Carried Forward	(2,894)	(2,894)	0

Income

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

Expenditure

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

Other expenditure includes contributions to the HRA's bad debt provision and the payment of rent and council tax on HRA properties.

Reserve movements

Reserve movements include amounts to support upfront pension costs in 2020/21 and to support future investment in the HRA. A detailed breakdown of the movements to and from reserves can be seen in Note 13 to the Accounts. There is a difference of £13.66m between the reserve movements shown in Table 2 and the sum of the HRA reserve movements shown in Note 13. This relates to the use of reserves to support capital expenditure in 2019/20, which has nil impact on the HRA revenue position.

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.

Link between Tables 1 and 2 and the Expenditure and Funding Analysis

The Council operates an ongoing reporting cycle on its financial performance throughout the year that sits alongside the publication of the Statement of Accounts (this document) after the end of the financial year. As part of this reporting cycle, financial information is provided internally to senior officers of the Council and publically to its elected members via our committee meeting system. The format of this reporting, reflected in Tables 1 and 2 above, aims to facilitate officers and elected members in the decision making processes of the organisation. This format is locally agreed by our officers and elected members.

The Statement of Accounts presents a summary of the Council's financial performance for the year in a format that is required by law and accounting guidance. These figures include accounting adjustments to those figures presented in the Council's reporting cycle, described above, as required by law.

The tables below show how the information presented in Tables 1 and 2 in this Narrative Report relate to Net Expenditure Chargeable to the General Fund and HRA Balances, Column 1 of the Expenditure and Funding Analysis (EFA) presented in note 7 of the Statement of Accounts.

The Net Expenditure chargeable to General Fund balances for each General Fund Scrutiny Committee is presented identically in Table 1 and the EFA.

Table 3: EFA Net Expenditure Chargeable to Housing Revenue Account Balances

	£000
HRA Surplus in Table 2, Before Reserve Movements	(1,251)
Add back:	
Revenue Contribution to Capital	(3,815)
Interest on Investment Income	372
Recharges from the General Fund	(4,346)
Interest Payable	(11,558)
HRA Net Cost of Service- EFA column 1	(20,598)

Table 4: EFA Other Income and Expenditure

	£000	£000
General Fund		
Investment Property	(4,207)	
Interest on Investment Income, Interest Payable and Minimum Revenue Provision	358	
Parish Precepts	816	
Government Grant Income	(4,353)	
Revenue Contribution to Capital	150	
Taxation Income (Council Tax and Business Rates)	(15,906)	
GF Net Income- Other Items (Items in Table 1 Not Included in Net Cost of Services)		(23,143)
Housing Revenue Account		
Revenue Contribution to Capital	3,815	
Interest on Investment Income	(372)	
Interest Payable	11,558	
HRA Net Expenditure (Items in Table 2 Not Included in Net Cost of Services)		15,001
GF and HRA - Items in Tables 1 and 2 Not Included in Net Cost of Services		(8,142)
Use of Earmarked Reserves for GF Capital Purposes		1,758
Use of Earmarked Reserves for HRA Capital Purposes		13,659
Other Income and Expenditure (EFA, column 1)		7,275

Capital Programme

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

- £19.9m on housing development
- £4.8m on parking facilities
- £4.7m to support the development of affordable housing in the borough outside the Council's own new build programme
- £1.2m on leisure facilities.

Key new housing investment in the borough includes:

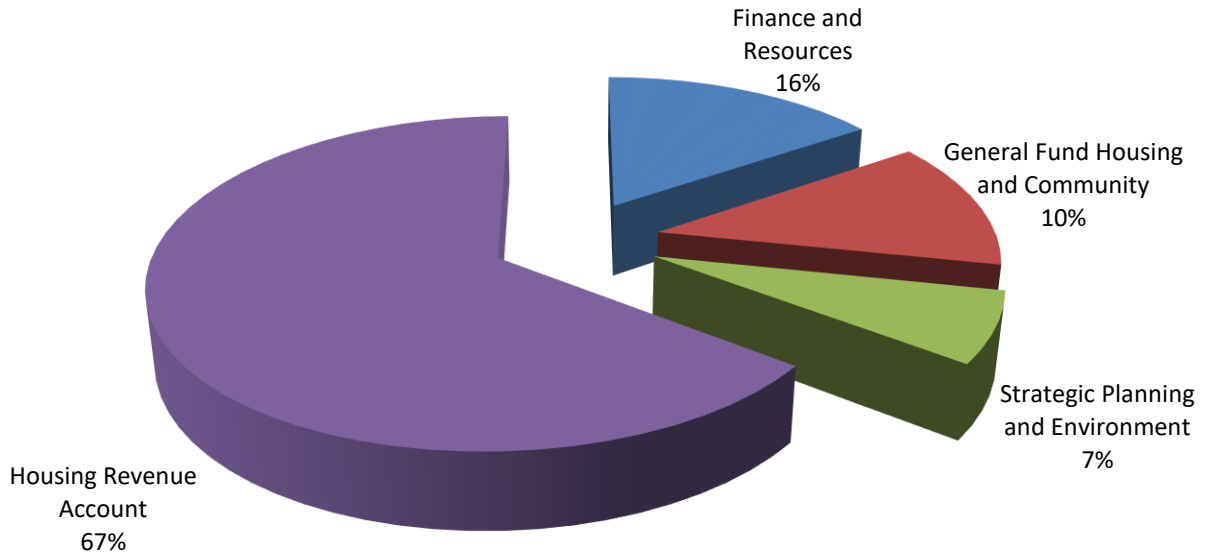
- Martindale Fields in Hemel Hempstead
- Corn Mill Court in Berkhamsted
- Magenta Court in Apsley
- The acquisition of land at Paradise Fields.

Other projects include:

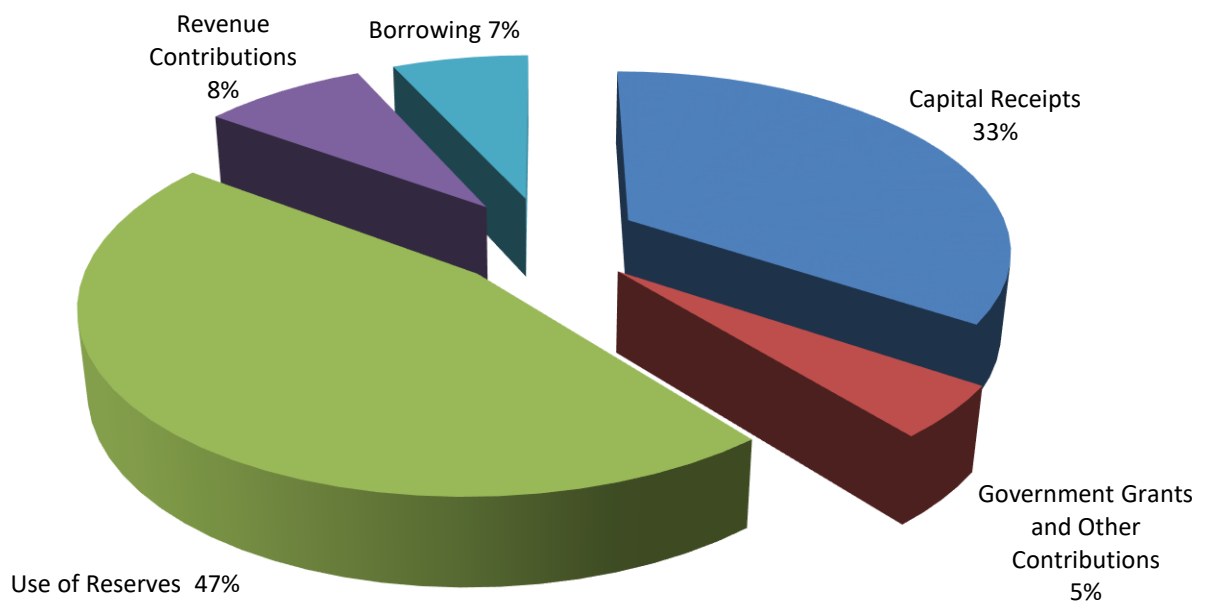
- Berkhamsted Multi- Storey car park
- The development of a new cemetery at Bunkers Farm
- Development of the Northend and Westerdale garage sites for the provision of temporary accommodation
- Fleet vehicle replacement programme.

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

Areas of capital investment 2019/20



Sources of capital financing 19/20



The Council's Financial Outlook

The Council's budget for 2020/21 and Medium Term Financial Forecast were approved by Full Council in February 2020. The Covid 19 pandemic, which emerged after the approval of this budget, will present significant financial challenges for the Council. A material loss of income is forecast for the authority in 2020/21, and the pace of economic recovery across the borough will determine the extent to which these pressures continue to affect the Council's funding into the medium-term. Business Rates growth, investment returns and income from the Council's historic commercial property portfolio are all areas at risk from the economic consequences of the pandemic. Additional expenditure will also be incurred over current budget targets as the Council responds to local demands to deliver local recovery measures.

The Government has made several funding streams available to the Council early in 2020/21 as part of their response to the Covid 19 pandemic. The majority of this funding has been passed on directly to local businesses and residents in the form of grants and business rates relief.

The Council is closely monitoring its budget position in 2020/21 and the expected impact on its finances. This is both as part of our own internal reporting requirements and the new external requirements placed on us by the Government. This position continues to evolve as the pandemic evolves and will be reported on to officers and members of the Council.

Cashflow is always carefully managed, and is now under additional scrutiny to ensure the availability of funds and forecast expected year end cash balances. Business rates, council tax and rental income (housing and commercial) are key sources of cash for the authority, all of which are expected to reduce from target levels as a consequence of the anticipated recession.

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. Delivery of the capital programme may be impacted by the Covid 19 pandemic, as may levels of capital receipts from the sale of Council assets during the year. This will be monitored and reported on to officers and members.

The Council's Medium Term Financial Strategy will be updated during 2020/21. Within this update we will look at the resources available to us including: retained business rates, council tax income, grant funding and funding from fees, charges and rent. We will compare this to forecast expected levels of expenditure and identify any resulting savings that need to be delivered.

Structure of the Statement of Accounts

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

Dacorum Borough Council's Statement of Accounts (the Accounts) has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (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 2019/20, and the financial position of the Council as at 31 March 2020. In order to present this information clearly, the Accounts encompasses the following elements:

The Main Financial Statements are:

Comprehensive Income and Expenditure Statement

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

Movement in Reserves Statement

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

Balance Sheet

The Balance Sheet shows the value as at 31 March 2020 of the assets and liabilities recognised by the Council. The net assets of the authority (assets less liabilities) are matched by the reserves held by the Council.

Cash Flow Statement

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

Other notes and additional Statements providing further additional information are:

Accounting policies

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

Annual Governance Statement

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

Expenditure and Funding Analysis

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

Housing Revenue Account and Notes

The Housing Revenue Account (HRA) reflects the Councils statutory duty to maintain a separate account to measure the resources generated and consumed in the provision of council housing during 2019/20, and the cumulative HRA balance.

Collection Fund and Notes

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

Statement of Responsibilities for the Annual Statement of Accounts

The Council's responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Corporate Director (Finance and Operations).
- Manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.
- Approve the Statement of Accounts by 30 November 2020. Approval of the Statement of Accounts has been delegated to the Audit Committee.

In accordance with the requirements of regulation 10 of the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, I confirm that the Statement of Accounts for the year ended 31 March 2020 was approved by resolution of the Audit committee of Dacorum Borough Council on 17th September 2020.

Councillor Herbert Chapman
Audit Committee Chairman
9th November 2020

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 2020, and its income and expenditure for the year ending 31 March 2020.

James Deane
Corporate Director (Finance and Operations)
2nd November 2020

Introduction

Dacorum Borough Council is committed to ensuring good governance principles and management practices. This Annual Governance Statement has been produced in accordance with the CIPFA/SOLACE² framework *Delivering Good Governance in Local Government (2016)* and Regulation 6 of the Accounts and Audit Regulations 2015.

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

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

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

The self-assessment in this statement takes account of assurance statements provided by managers from across the organisation, internal audit reports and regular reviews of risk management. Account has been taken of the statutory codes and ethical governance tool-kit produced by the IDeA³ 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' (defined in its corporate plan) as well as underpinning that vision with mechanisms for control and management of risk. Whatever our successes in the past, we make no assumptions about the future. In a fast-changing world, the maintenance of high standards of good governance requires constant vigilance.

Good governance means:

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

Scope of responsibility

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

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

³ IDeA - Improvement and Development Agency

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs including management of risk. Cabinet and senior management are responsible for delivering the Council's services and activities within these arrangements. Audit Committee is responsible for reviewing the effectiveness on behalf of the Council and making any recommendation necessary as a result of its review or of any issue it identifies from external bodies' reports such as internal or external audit or the Local Government Ombudsman.

Purpose of the Governance Framework

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

The Council's system of internal control is a key element of the framework and designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies and objectives and can therefore only provide reasonable not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies and objectives. It evaluates the likelihood of those risks coming to fruition, their impact should they do so and identifies ways to manage them efficiently, effectively and economically.

The governance framework has been in place throughout the 2019/20 financial year and continues to be in place up to the date of the approval of the statement of accounts.

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

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

The Governance Framework

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

During 2019/20 the Council reviewed its overall vision and priorities. This was captured in its Corporate Plan 2020-2025 that was adopted by the Council in January 2020. The 5 priorities are:

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

To help engage communities in setting and achieving this vision and priorities, Dacorum Borough Council is committed to reviewing and improving services to ensure it is providing the services needed by local people. Throughout the year an independent market research company, Opinion Research Services undertakes a residents' tracker survey on our behalf to understand our residents' opinions and 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 tried to improve communications with service users through its website (improved 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 during 2019/20 and as part of the budget preparation for 2020/21. With regard to the Capital Programme, this included aligning resources to priorities through the appraisal of new schemes based on the Council's key priorities. Our 2020/21 budget consultation included a residents' deliberative forum.

The organisation has a robust framework for project management. All project proposals follow a standard approval and review process involving four key stages. Every project is defined and resourced with named individuals responsible for project and programme delivery. A specialist project management resource is employed to promote high standards.

Reviewing the 'vision' and its implications for governance arrangements

The Council's Corporate Plan is reviewed by Cabinet and then agreed by Council. The plan covers a five year period and is reviewed annually to ensure it remains relevant.

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

The Corporate Improvement and Innovation Team lead and advise on standards in relation to performance and project management and initiatives to ensure progress in this area include performance clinics and reviewing operational performance management.

The Performance Board has an advisory and scrutiny role and makes recommendations on the types of projects and resourcing to the Cabinet or Portfolio Holder (as appropriate), so the Board's recommendations can be carried forward into formal decisions. In addition, CMT receive updates on the work and recommendations of five Corporate Officer 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 in Service Plans. In preparing their service plans, managers are required to consider measuring their services' value for money and to set out measures for improving it. The Council has rolled out a programme to promote evidence based decision making which supports teams to make better use of data and ensure actions are closely linked to outcomes and impacts. Satisfaction surveys are undertaken by key services following the provision of services.

External Audit's Audit Findings report for 2018/19, the most recent undertaken, concluded 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 roles and responsibilities for governance are defined and allocated so accountability for decisions made and actions taken are clear. These are included in the Council's Constitution.

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

The Council appoints Committees to discharge the Council's regulatory and scrutiny responsibilities. These and the delegated responsibilities of officers, are set out in Part 3 of the Council's Constitution (Responsibility for Functions). All Committees and internal corporate officer groups supporting the Council's governance framework have defined terms of reference. Audit Committee provides assurance to the Council on the effectiveness of the governance arrangements and internal control environment.

The Council's Chief Executive, as the Council's Head of Paid Service, has overall corporate policy management and operational responsibility and chairs the Corporate Management Team. Cross-organisational management groups are in place for cross-directorate operational issues.

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

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

During 2019/20, the Assistant Director, Corporate and Contracted Services, as the Council's Monitoring Officer, had overall responsibility for legal compliance and appointed a new post of Group Manager, as the Deputy Monitoring Officer. All Legal Services staff work closely with departments to advice on legal requirements. The Assistant Director, Corporate and Contracted Services was the lead officer on Member and employee conduct and supported the Standards Committee and its Sub-Committees.

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

The Council adopted in July 2012 a 'local' Code of Conduct for Members in accordance with the Localism Act 2011. The Code includes the mandatory provisions relating to the registration and declaration of Disclosable Pecuniary Interests. All elected and co-opted Members are aware of the Code and enter their interests in the Register of Members' Interests. This is published on the Council's website as required by the Localism Act.

Susan Johnson was the Council's Independent Person for the purposes of the Localism Act as part of the Council's arrangements for dealing with complaints about Members. The Council re-appointed the Standards Committee, which will continue to oversee the promotion of high standards among Members and deal with allegations of breaches of the Members' Code.

Part 5 of the Constitution contains the Code of Conduct for Members. It sets out 7 general principles: Selflessness, Honesty, Integrity, Objectivity, Accountability, Openness and Leadership. The Code requires Members to show respect for others and uphold the law. Part 5 also contains sections on:

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

Training on the Employees' Code of Conduct and governance issues was provided during the year. The Employees' Code of Conduct is included within induction Training for all new employees.

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

The Council's Constitution sets out how the Council operates and the processes for policy and decision making. Various amendments were made to the Constitution and approved by Council during 2019/20

so the Constitution remains fit for purpose. It was not necessary to make more substantial changes to the Constitution during 2019/20.

Updates to the Financial Regulations were reviewed by Cabinet in December 2019. The Commissioning & Procurement Strategy and Commissioning and Procurement Standing Orders were updated and approved by Council in November 2019. Thresholds were reviewed and based on value there is clear process for authorisation.

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 with a borough-wide application.

The Cabinet is responsible for the discharge of most of the main functions of the authority that are not the responsibility of full Council. As such, the Cabinet is the main decision-making body of the Council and its decisions, whilst subject to scrutiny, are ultimately not capable of being overturned, other than through legal proceedings. The Cabinet makes recommendations to Council for approval on financial and policy framework matters. Authority to make day-to-day operational decisions is detailed in Part 3 of the Council's Constitution 'Responsibility for Functions'.

The decision-making process is reviewed by a scrutiny function which has power to call in decisions made. It undertakes some pre-decision scrutiny and some policy development work. The Finance & Resources Overview and Scrutiny Committee oversees effectiveness of risk management.

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

The Corporate Business Continuity Plan was updated during 2019/20. Service-specific business continuity plans are reviewed on a regular basis.

Amendments to Governance Arrangements arising from Covid 19

Following the outbreak of the Covid-19 pandemic, the Council reviewed its constitutional arrangements to take account of the introduction of the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 ("The Regulations") on the 4th April, and agreed new procedures to facilitate the holding of virtual meetings. This also included extending officer delegations for a temporary period in respect of planning decisions until virtual meetings had been properly tested.

Council also agreed that Annual Council would be suspended and all Council appointments continued until Annual Council in May 2021, including the role of the Mayor. The Chief Executive's emergency decision making powers were also reviewed and extended to ensure that they could include the ability to provide support funding to external organisations in need of support.

The Council added the Covid-19 pandemic to its Strategic Risk Register, reported to Cabinet and Audit Committee in June 2020. In line with the Council's Business Continuity plan, meetings of the Council's Incident Management Team commenced in March as a means of managing the risks to the organisation of the Covid-19 pandemic.

Undertaking the core functions of an Audit Committee

The Audit Committee's terms of reference have been prepared to ensure full compliance with CIPFA guidance. Key areas covered are Audit Activity, Regulatory Framework, Accounts and Ombudsman.

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

All reports going to Cabinet or Portfolio Holders are properly scrutinised for governance issues by the Statutory Officers. Reports to Council, Cabinet and Portfolio holders for Portfolio Holder decisions

contain comments from the Monitoring Officer and the Section 151 Officer. All key executive decisions taken by officers under delegated powers are required to be recorded on an executive decision sheet which must include the comments of the Section 151 officer and the Monitoring Officer.

All Cabinet draft reports are made available for the Statutory Officers to review and comment. Any legal or financial issues discussed with the author and resolved prior to being published.

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

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

Statutory Officers, Corporate Directors and Assistant Directors provide further representations and assurances in the form of signed assurance statements, that sound systems of internal control and processes for managing risk have been implemented and complied with in their service. Assurance statements have to be submitted annually to the Monitoring Officer.

Compliance with the Regulation of Investigatory Powers Act (RIPA)

The Council is required to monitor its use of covert surveillance under RIPA. The Monitoring Officer submits an annual return to the Office of the Surveillance Commissioner on usage of covert surveillance.

In compliance with the revised Home Office Codes of Practice, the Monitoring Officer was designated as the Council's Senior Responsible Officer with overall responsibility for ensuring the Council complies with RIPA and its own policy and procedures on the use of covert surveillance. During 2019/20 3 applications were made for an authorisation under RIPA to carry out covert surveillance. The Council therefore remains a sparing user of directed surveillance.

All local authorities are subject to a three- year cycle of inspections carried out on behalf of the Chief Surveillance Commissioner. The July 2018 inspection audit reported the Council's RIPA structure remains in good working order, with a sound Policy and good record keeping. 2 relatively minor recommendations are being implemented and a report is going to Audit Committee in September 2020 to approve all changes required and update members on use of RIPA.

Compliance with the Data Protection Act (DPA)

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

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

Data Protection Act and Information Security training is mandatory and provided quarterly to current and new staff. Training focuses on breach types, offences, breach reporting and location of policies and procedures. All Data Protection and Information Security Policies are linked to the Council's conduct procedures.

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

Whistle-blowing and investigating complaints from the public.

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

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

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

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

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

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

The Council is committed to developing and supporting elected members. This is particularly important given the ever changing skills and competencies essential to fulfil the requirements of being a councillor. After the borough elections of 2019, mandatory training was introduced for members. Non-attendance is reported to Group Leaders and continuous non-attendance can be reported to the Standards committee. Details of member training is below:

Course	Date	Attendance
Budget Setting Process	August 2019	35
Chairing Skills (Mandatory for Chairs/Vice Chairs)	June 2019	14
Community Leadership	November 2019 & January 2020	14
Development Management Committee Training	May 2019	13
Emergency Planning Awareness	July 2019	16
GDPR/FOI	May, June & August 2019	48
Licensing	November 2019	6
Licensing Committee Training	May 2019	11
Overview and Scrutiny	July 2019	24
Planning	October 2019	33
Safe, Confident and Effective Use of Social Media	September & October 2019	42
Strategy, Improvement & Engagement Briefing	February 2020	10

Staff Performance Appraisals are carried out to identify competencies and training needs and sets standards of behaviour and performance for all staff. Competencies reflect skills and abilities needed to deliver services throughout the organisation. All Council employees have individual training records detailing courses attended. Performance reviews are undertaken midway and at the end of the year.

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

Annual Governance Statement 2019/20

The Council's planning and decision-making processes are designed to include consultation with local people and stakeholders and to take account of their views. Consultation and gauging local views includes Town and Parish consultation, the Tenant and Leaseholder Committee, Citizens Panel and resident associations.

The Council's Local Petition Scheme helps neighbourhood action groups set the agenda for future improvements to local areas. Our magazine Dacorum Digest and the Council's website are the main methods for communicating with residents. We have close relationships with local broadcast and newspaper journalists. We have social media accounts on Facebook, Twitter and YouTube and run campaigns on specific issues using community noticeboards and campaign materials in our three Civic reception areas, as well as occasional radio and newspaper advertising.

Incorporating good governance arrangements in respect of Partnerships

The Council participates in partnerships aimed at improving services to the community including 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 clear protocols are established early to minimise and manage risk. The Council keeps its register of Partnerships under constant review.

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

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

In 2019/20, Mazars Public Sector Internal Audit Limited provided the Council's Internal Audit service and gave an independent opinion on the adequacy and effectiveness of the Council's system of internal control. The opinion used internal audit methodology that complies with international auditing standards.

Priority 1 recommendations made by the Council's internal auditors relate to issues deemed to be fundamental to the systems concerned and upon which immediate action is taken. In the 2018/19 Statement of Accounts, in response to a priority 1 recommendation, the Council committed to ensuring that its new planning case management system (Uniform) would include restrictions upon user permissions, once the system was implemented. This was delivered during 2019/20.

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">○ Four scheduled meetings per annum○ Review and scrutinise the outcome of Internal and External audit reports and other external agencies such as the Ombudsman○ Monitor the Governance arrangements within the Council○ Delegated responsibility to scrutinise and approve the Financial Statements on behalf of the Council

Annual Governance Statement 2019/20

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

Annual Governance Statement 2019/20

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

The Audit Committee has advised us of the result of the review of the effectiveness of the governance framework and a plan to address the weaknesses and ensure continuous improvement of the system are in place.

The Council's Internal Audit service, is delivered by Mazars Public Sector Internal Audit Limited and the programme of works outlined for 2019/20 included 17 internal audits to be undertaken. All 17 Internal audits have been finalised and all recommendations collated. The internal audit reports provide an assurance rating for a service and make recommendations for improvements.

In 2019/20 the internal audit reports resulted in 11 good assurances (the best available rating) and 6 substantial assurances.

Internal audit reports provide recommendations for improvements. In total 15 recommendations were suggested and none of these recommendations were priority 1 recommendations. Priority 1 recommendations relate to issues deemed fundamental to the systems concerned and upon which immediate action will be required.

Published internal audit reports are available at www.dacorum.gov.uk. Further details are available upon request. The Internal Auditor's Annual Report for 2019/20 was published and presented to the Audit Committee in June 2020.

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

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

We give our further assurance the Council's financial management arrangements conform to the governance requirements of the CIPFA *Statement on the role of the Chief Financial Officer in Local Government* (2016).

Signed
(Councillor Andrew Williams - Leader of the Council)

9th November 2020

Signed
(Claire Hamilton - Chief Executive)

9th November 2020

Comprehensive Income and Expenditure Statement

	Note	2019/20			2018/19		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£'000	£'000	£'000	£'000	£'000	£'000
Finance and Resources (GRF)		61,347	(45,916)	15,431	71,420	(51,759)	19,661
Housing and Community (GRF)		13,454	(5,242)	8,213	12,137	(5,050)	7,087
Strategic Planning and Environment (GRF)		20,433	(6,459)	13,973	18,803	(7,315)	11,488
Housing and Community (HRA)		55,258	(55,698)	(439)	57,929	(56,009)	1,920
Total Cost of Services		150,492	(113,315)	37,178	160,289	(120,133)	40,156
Other Operating Expenditure	9			(2,408)			(4,999)
Financing and Investment Income and Expenditure	10			5,163			4,422
Taxation and Non Specific Grant Income	11			(29,162)			(24,773)
(Surplus)/Deficit on Provision of Services				10,771			14,805
(Surplus)/ Deficit on Revaluation of Property Plant, Equipment	32			(108,005)			(161,114)
Actuarial (Gains)/Losses on Pension Asset / Liabilities	38			(30,529)			6,847
Other Comprehensive Income and Expenditure				(138,534)			(154,267)
Total Comprehensive Income and Expenditure				(127,763)			(139,462)

Movement in Reserves Statement

Note	General Fund £'000	Earmarked Reserves General Fund £'000	Housing Revenue Account £'000	Earmarked Reserves HRA £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve* £'000	Total Usable Reserves £'000	Total Unusable Reserves* £'000	Total Council Reserves £'000	
Balance at 31 March 2018	2,502	9,650	2,892	18,100	2,153	2,084	30,256	67,637	701,404	769,041	
Movement in Reserves During 2018/19:											
Surplus or (Deficit) on Provision of Services	(2,402)		(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	3,803	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	
Balance at 31 March 2019	2,501	13,453	2,892	18,146	627	5,670	25,334	68,624	839,879	908,503	
Movement in Reserves During 2019/20:											
Surplus or (Deficit) on Provision of Services	(132)		(10,639)	0	0	0	0	(10,771)	0	(10,771)	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	138,534	138,534	
Total Comprehensive Income and Expenditure	(132)	0	(10,639)	0	0	0	0	(10,771)	138,534	127,763	
Adjustments Between Accounting Basis and Funding Basis Under Regulations:	12	2,873	0	(1,769)	0	(615)	6,769	(9,924)	(2,665)	2,665	0
Net Increase/(Decrease) Before Transfers to Earmarked Reserves	2,742	0	(12,408)	0	(615)	6,769	(9,924)	(13,437)	141,199	127,763	
Transfer (to)/from Earmarked Reserves	13	(2,741)	2,741	12,407	(12,407)	0	0	0	0	0	
Balance at 31 March 2020	2,502	16,194	2,892	5,739	12	12,439	15,410	55,189	981,077	1,036,265	

*opening balance has been restated

Balance Sheet

	Note	1 April 2018 £'000	31 March 2019 £'000	31 March 2020 £'000
Long-term Assets				
Property, Plant & Equipment*	27	1,037,588	1,183,999	1,299,852
Investment Property	29	75,782	80,575	82,361
Heritage Assets	35	9,103	9,104	9,130
Intangible Assets	30	558	309	251
Long-term Debtors	22	2,183	160	2,537
Total Long Term Assets		1,125,214	1,274,147	1,394,131
Current Assets				
Short-term Investments	36	70,097	79,680	51,688
Assets Held for Sale	31	2,853	372	0
Inventories		207	234	109
Short-term Debtors	23	14,567	16,187	19,712
Cash and Cash Equivalents	36	23,720	13,622	18,494
Total Current Assets		111,444	110,095	90,002
Current Liabilities				
Short-term Creditors	21	(24,986)	(25,540)	(26,939)
Short-term Borrowing	36	(3,220)	(4,719)	(5,065)
Revenue Grants and Contributions	19	(444)	(788)	(1,571)
Capital Grants and Contributions	19	(368)	(503)	0
Short-term Provisions	25	(4,777)	(5,231)	(5,806)
Total Current Liabilities		(33,795)	(36,781)	(39,381)
Long-term Liabilities				
Long-term Creditors*	20	(2,380)	(259)	(259)
Long-term Borrowing	36	(362,383)	(358,441)	(353,502)
Net Pension Liability	38	(69,059)	(80,258)	(54,726)
Total Long-term Liabilities		(433,822)	(438,958)	(408,487)
Net Assets (Assets Less Liabilities)		769,041	908,503	1,036,265
Usable Reserves				
General Fund	12	2,502	2,502	2,502
Earmarked Reserves – General Fund	13	9,650	13,453	16,194
Housing Revenue Account (HRA)	12	2,892	2,892	2,892
Earmarked Reserves – HRA	13	18,100	18,146	5,739
Major Repairs Reserve	12	2,153	627	12
Capital Grants Unapplied Account	12	2,084	5,670	12,440
Capital Receipts Reserve*	12	30,256	25,334	15,410
Total Usable Reserves		67,637	68,624	55,188
Unusable Reserves				
Revaluation Reserve*	32	313,819	468,076	567,919
Capital Adjustment Account*	33	456,524	453,614	470,064
Deferred Capital Receipts		0	0	0
Collection Fund Adjustment Account		259	(1,427)	(1,994)
Pension Reserve	38	(69,059)	(80,258)	(54,726)
Accumulated Absences Account		(139)	(126)	(186)
Total Unusable Reserves		701,404	839,879	981,077
Total Reserves		769,041	908,503	1,036,265

*restated from 1st April 2018

Cashflow Statement

	2019/20	2018/19
	£'000	£'000
Net Surplus/(Deficit) on Provision of Services	(10,771)	(14,805)
Operating Activities		
Adjustments to surplus/deficit for non cash movements		
Depreciation & Impairment & Valuations to the CIES for Property	39,375	43,280
Amortisation of Intangible Assets	122	125
Disposal of Assets	5,078	5,742
Changes in Inventory	125	(27)
Changes in Debtors	(6,891)	(41)
Changes in Creditors	(1,617)	2,242
Changes in Net Pension Liability	4,997	4,351
Other non-cash Movements	(3,057)	(4,389)
	38,132	51,284
Adjustment for items included in the net surplus or deficit on the provision of services that are investing & financing activities		
Proceeds from short-term investments	0	(550)
Proceeds from the sale of non-current assets	(10,124)	(13,014)
Any other items for which the cash effects are investing or financing cash flows	(9,480)	(6,377)
	(19,604)	(19,941)
Net Cash Flows from Operating Activities	7,757	16,537
Cash Flows from Investing Activities		
Purchase of Property, Plant & Equipment, Investment Property and Intangibles	(49,408)	(31,050)
Net Changes in Short-term and Long-term Investments	28,000	(8,950)
Other payments for investing activities	(108)	(100)
Proceeds from the Disposal of Property, Plant and Equipment	10,197	12,860
Other receipts from investing activities	8,977	4,568
Net Cash Flows from Investing Activities	(2,342)	(22,673)
Cash Flows from Financing Activities		
Repayments of borrowing	(4,306)	(2,440)
Other payments for financing activities	3,763	(1,523)
Net Cash Flows from Financing Activities	(542)	(3,963)
Net Increase/(Decrease) in Cash and Cash Equivalents	4,872	(10,098)
Cash and Cash Equivalents at the Beginning of the Period	13,622	23,720
Cash and Cash Equivalents at the End of the Period	18,494	13,622
The cash flows for operating activities include the following items:		
Interest Receivable and Similar Income	836	685
Interest Payable and Other Similar Charges	(12,434)	(12,192)

1. Accounting Policies

Summary of Significant Accounting Policies

Principal accounting policies applied in preparing the Statement of Accounts (the Accounts) are below.

Basis of Preparation

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting 2019/20 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). In preparing the Accounts, conforming to the Code requires the use of certain critical accounting estimates and management to exercise judgement in applying the accounting policies.

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

Going Concern

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

Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser, and it is probable economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable economic benefits or service potential associated with the transaction will flow to the Council.
- Expenses in relation to services received (including those provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and consumed, they are carried as inventories on the Balance Sheet.
- Long-term contracts are accounted for by charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

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

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.

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

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

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

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

Council Tax and Non-Domestic Rates (NDR)

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

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

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

Community Infrastructure Levy (CIL)

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

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions.

Government Grants and Other Contributions

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

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

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

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

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

Overheads and Support Services

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

Charges to Revenue for Non-Current Assets

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

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

Fair Value

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

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

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

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

Level 3 – unobservable inputs for the asset or liability.

Property, Plant and Equipment

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

Initial and Subsequent expenditure on Property, Plant and Equipment is capitalised on at cost on an accruals basis when it will bring future economic benefits or service potential to the Council for more than one reporting period and the costs can be reliably measured, subject to a de-minimis capitalisation threshold of £10,000 per scheme. Items below this limit are charged to revenue. The Council does not capitalise borrowing costs incurred whilst assets are under construction. The carrying amount of any replaced part is derecognised. All other repairs and maintenance are charged to the Comprehensive Income and Expenditure Statement during the financial period they are incurred.

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

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

Where an asset comprises two or more major components with substantially different useful economic lives, each component is accounted for separately and depreciated over its individual useful life.

No depreciation is charged on land or assets under construction.

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

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

Heritage Assets

The Council holds various items classified as Heritage Assets. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses, acquisitions and disposals) in accordance with the Council's accounting policies on Property, Plant and Equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets. Where valuations are undertaken, they are reviewed sufficiently regularly to ensure their carrying amount is not materially different from their valuation at the year-end, but as a minimum every five years.

The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment, e.g. where the item has suffered physical deterioration or breakage, or where doubt arises to its authenticity.

The groups of Heritage Assets along with the measurement basis are:

Land

The Council holds three areas of land forming part of the Borough's history. Within this land various sculptures and cultural assets are on display. These assets are valued at fair value. Fair value is primarily based on the amount that would be paid for the asset in its existing use.

Civic Regalia/Treasuries

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

Sculptures/Statues/Artwork

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

Other Heritage Assets

The majority of other Heritage Assets are held and managed by the Dacorum Heritage Trust (DHT), and are available for public viewing on request. These assets are held on the Balance Sheet at insurance valuation. The miscellaneous assets not managed by the DHT are not reported on the Balance Sheet as the cost of valuation would be disproportionate to the benefits of the users of the accounts.

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

Revenue Expenditure Funded From Capital Under Statute (REFCUS)

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

Lease Classification

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

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

Operating Leases (Council as Lessee)

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

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

Finance Leases (Council as Lessee)

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

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

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

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

Operating Leases (Council as Lessor)

Where the Council grants an operating lease over a non-current asset, the leased asset remains on the Balance Sheet. The lease income is recognised over the term of the lease on a straight-line basis in the Income and Expenditure in the Investment Properties line in the Comprehensive Income and Expenditure Statement. Contingent rent is recognised in the period it arises.

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

Finance Leases (Council as Lessor)

Where the authority grants a finance lease over a non-current asset, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line for property, plant and equipment or assets held for sale and the investment properties line for investment in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

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

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

Investment Property

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

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

Gains and losses on revaluations and disposals and rental income are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Investment Properties are not depreciated but revalued annually.

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

Non-current Assets Held for Sale

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

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

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Any subsequent decrease (loss) in fair value less costs to sell, is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

Disposals

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

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

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

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 an amount calculated on a prudent basis or by the Council in accordance with statutory guidance.

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

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 maturing in no more than three months or less from acquisition date and readily convertible to known amounts of cash with insignificant risk of change in value.

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

Leave Accrual

The accrual represents leave earned at year end that can be utilised in the next financial year. The leave accrual is measured as the amount of the benefit earned by Council employees. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement to the Accumulated Absences Account so leave benefits are charged in the financial year the leave absence occurs.

Termination Benefits

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

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

Pensions

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

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

- The liabilities of the Hertfordshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and projected earnings for current employees;
- Liabilities are discounted to their value at current prices, using a discount rate annually reviewed and recommended by the Actuary;

- The assets of Hertfordshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price;
 - unquoted securities – professional estimate;
 - unitised securities – current bid price; and
 - property – market value.

- The change in the net pensions liability is analysed into the following components:
 - Service cost comprising:
 - current service cost - the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
 - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Finance and Resources line in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement
 - net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) arising from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate use to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

 - Re-measurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions –charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

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

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

Provisions

Provisions are recognised when:

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year the Council becomes aware of the obligation, and are measured at

the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

Contingent Liabilities

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

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

Reserves

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

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

Financial Instruments

Recognition

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

Financial Assets measured at amortised cost

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

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

Expected Credit Loss Model

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

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

Financial Liabilities

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

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

Value Added Tax (VAT)

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

Events after the Balance Sheet Date

Events after the Balance Sheet date are events, both favourable and unfavourable, that occur between the end of the reporting period and the date the Accounts are authorised for issue. There are two types:

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

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

2. Prior Period Adjustment

The Council discovered a technical issue with the financial treatment of Leases in 2010/11. This meant the Capital Adjustment Account was understated by £3.554m and Long Term creditors overstated by £3.554m.

The Council is required to adjust for the accounting treatment of a capital loan repayment in 2017/18. This understated Usable Capital Receipts by £1m and overstated the Capital Adjustment Account by £1m.

During 2019/20, an overstatement on a piece of land was recognised and required revaluation in the accounts. This overstated Property, Plant and Equipment by £1.930m and corresponding corrections were required to the Revaluation Reserve (£0.476m) and Capital Adjustment Account (£1.454m).

An asset should have been revalued following significant capital expenditure in 2017/18. A downwards adjustment is required to Property, Plant and Equipment of £1.702m and a corresponding entry to the

Notes to the Accounts

Capital Adjustment Account of £1.702m. Corrections were also required to the classification of this asset within Property, Plant and Equipment. See note 27.

Effect on the Balance Sheet

	Originally Stated 1st April 2018 £'000	Restated 1st April 2018 £'000	Amount of Restatement £'000
Property, Plant and Equipment	1,041,220	1,037,588	(3,632)
Long Term Creditor	(5,934)	(2,380)	3,554
Capital Receipts Reserve	(29,256)	(30,256)	(1,000)
Revaluation Reserve	(314,295)	(313,819)	476
Capital Adjustment Account	(457,126)	(456,524)	602
	234,609	234,609	(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 not yet to be adopted by the Code, and therefore the Council, at the Balance Sheet date:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associate and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.
- Implementation of IFRS 16: Leases- effective date of 1 April 2021. This removes the distinction between finance and operating lease for the lessee and the lessee recognises right of use assets and lease liabilities on their balance sheet.

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

4. Critical judgements in applying Accounting Policies

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

Frequency of asset Valuations

The Council has made a judgement that revaluation of its balance sheet assets every 5 years is sufficiently regular. High value PPE assets are valued yearly and Council Dwellings are also valued at least once a year. The remaining assets not being valued yearly are not material.

Capital de Minimis Levels

The Council has made a judgement regarding materiality in setting a capital de Minimis of £10k.

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 at the Balance Sheet date and the amounts reported for revenues and expenses during the year. The nature of estimation means actual outcomes could differ from those estimates. The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities are:

Valuation of Property, Plant and Equipment

Council dwellings and Other Land and Buildings are disclosed at current value, based on professional valuations carried out in accordance with the Royal Institution of Chartered Surveyors Red Book. Investment Properties are valued at fair value.

The value of Council dwellings fluctuates with changes in the current market value of residential properties. A 5% change in property prices would affect the carrying value of the council dwellings by £55.1m in the Balance Sheet and change the annual depreciation charge by £0.92m in the Comprehensive Income and Expenditure Statement.

A 5% change in value of Council assets categorised as Other Land and Buildings would affect the carrying value of these assets by £6.9m. A 5% change in value of Council assets categorised as Investment properties would affect the carrying value of these assets by £4.1m.

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 £14.38m, of which the Councils share is £5.03m. An increase in the success rate by 5% would change the required provision by £0.72m, 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 2020 as follows:

	£m
0.5% decrease in the real discount rate	24.2
0.5% increase in salary increase rate	2.0
0.5% increase in the pension increase rate	22.0
	48.2

The table presents the changes in isolation; however the assumptions interact in complex ways. See note 38 for information on the pension liability.

COVID-19

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

6. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Corporate Director (Finance and Operations) on 9th November 2020. 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 2020.

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

Expenditure and Funding Analysis

	2019/20			2018/19		
	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)	11,847	3,583	15,431	12,095	7,566	19,661
Housing and Community (GRF)	912	7,301	8,213	716	6,371	7,087
Strategic Planning & Environment (GRF)	10,231	3,742	13,973	8,353	3,134	11,488
Housing and Community (HRA)	(20,598)	20,158	(439)	(22,093)	24,013	1,920
Net Cost of Services	2,393	34,785	37,178	(930)	41,085	40,156
Other Income and Expenditure	7,275	(33,682)	(26,407)	(2,918)	(22,432)	(25,350)
(Surplus)/Deficit on Provision of Services	9,668	1,103	10,771	(3,848)	18,653	14,805

	2019/20	2018/19
Opening Balance on General Fund, Earmarked Reserves and HRA Balance	(36,992)	(33,144)
Less Surplus/Deficit on Provision of Services on Provision of Services	9,668	(3,848)
Closing Balance on General Fund, Earmarked Reserves and HRA Balance	(27,324)	(36,992)

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
	£'000	£'000	£'000	£'000
2019/20				
Finance and Resources (GRF)	3,617	(52)	19	3,583
Housing and Community (GRF)	6,640	656	5	7,301
Strategic Planning & Environment (GRF)	1,939	1,789	14	3,742
Housing and Community (HRA)	19,499	638	21	20,158
Net Cost of Services	31,694	3,031	60	34,785
Other Income and Expenditure	(37,774)	1,966	2,126	(33,682)
(Surplus)/Deficit on Provision of Services	(6,080)	4,997	2,186	1,103

	Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Adjustments	Total Adjustments Between Funding & Accounting Basis
	£'000	£'000	£'000	£'000
2018/19				
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

8. Expenditure and Income Analysed by Nature

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

	2019/20	2018/19
	£'000	£'000
Expenditure		
Employees (including pension adjustments)	36,900	34,548
Premises	14,724	14,294
Transport	1,660	1,705
Supplies & Services	13,300	12,923
Third Party & Transfer Payments	41,659	47,727
Capital Charges/Revaluations	42,368	46,874
Parish Precepts	816	778
Interest Payments	12,145	12,188
Non Current assets written off as part of disposal gain	5,078	5,742
Payments to the Housing Receipts Pool	1,559	1,559
Total Expenditure	170,209	178,339
Income		
Fees, Charges and Other Service Income	(77,652)	(76,851)
Interest & Investment Income	(839)	(768)
Income from Council Tax	(12,476)	(11,937)
Income from Business Rates	(3,802)	(2,448)
Government Grants & Other Contributions	(54,545)	(58,515)
Sale proceeds on asset disposal and lease amortisation	(10,124)	(13,014)
Total Income	(159,438)	(163,534)
(Surplus) or Deficit on the Provision of Services	10,771	14,805

9. Other Operating Expenditure

	2019/20	2018/19
	£'000	£'000
Parish Council Precepts	816	778
Payments to the Government Housing Capital Receipts Pool	1,559	1,559
(Gains)/Losses on the Disposal of Non Current Assets	(4,783)	(7,336)
Total	(2,408)	(4,999)

10. Financing and Investment Income & Expenditure

	2019/20	2018/19
	£'000	£'000
Interest Payable and Other Similar Charges	12,145	12,188
Interest Receivable and Similar Income	(839)	(768)
Net Interest on the Net Defined Benefit Liability/Asset	1,966	1,829
Rental Income from Investment Property	(5,049)	(4,843)
Direct Operating Expenses Arising from Investment Property	836	794
Investment Property Disposals	(263)	64
Changes In Fair Value of Investment Property	(3,634)	(4,842)
Total	5,163	4,422

11. Taxation and Non-Specific Grant Income

	2019/20	2018/19
	£'000	£'000
Council Tax Income	(12,466)	(11,937)
Non Domestic Rates Income & Expenditure	(2,863)	(2,448)
Non-ring-fenced Government Grants	(4,353)	(4,010)
Capital Grants and Contributions	(9,480)	(6,378)
Total	(29,162)	(24,773)

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 is capital resources yet to be applied.

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

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

Notes to the Accounts

2019/20	General Fund Balance	Major Repairs Reserve	Housing Revenue Account	Capital Grants Unapplied	Capital Receipts Reserve	Movement in usable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments involving the Capital Adjustment Account						
<u>Reversal of Items debited or credited to the Comprehensive Income & Expenditure Statement (CIES):</u>						
Capital grants and contributions	(2,671)	0	(4)	0	0	(2,675)
Amortisation of Intangible Assets	121	0	0	0	0	121
Non Current Asset Depreciation & revaluation	5,573	0	1,657	0	0	7,230
HRA impairment reversal	0	0	17,841	0	0	17,841
Movements Investment Property fair value	(3,633)	0	0	0	0	(3,633)
Non-current assets written off as part of disposal gain	781	0	4,297	0	0	5,078
<u>Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement (CIES):</u>						
Minimum Revenue Provision/HRA debt repayment	(237)	0	(3,586)	0	0	(3,822)
Revenue Expenditure Funded From Capital Under Statute	6,506	0	0	0	0	6,506
Capital expenditure charged to General Fund or HRA	(150)	0	(3,814)	0	0	(3,964)
Capital expenditure funded by Reserves	(1,758)	0	(13,660)	0	0	(15,418)
Adjustments involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited to CIES as part of the gain/loss on disposal	(963)	0	(9,161)	0	10,124	0
Repayment of Capital Loans					10	10
Use of Capital Receipts to finance capital expenditure	0	0	0	0	(18,499)	(18,499)
Housing Capital Receipts Pooling Payment	1,559	0	0	0	(1,559)	0
Adjustments involving the Major Repairs Reserve:						
HRA Depreciation	0	14,303	0	0	0	14,303
Loan Repayment Funded by the MRR	0	(3,586)	3,586	0	0	0
Use of MRR to Finance Capital Expenditure	0	(11,332)	0	0	0	(11,332)
Adjustments involving the Capital Grant Unapplied Account						
Capital Grants and Contributions unapplied credited to the CIES	(6,805)	0	0	6,805	0	0
Capital Grants applied	0	0	0	(36)	0	(36)
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	8,409	0	2,244	0	0	10,653
Employer's pension contributions to pension fund payable in the year	(4,465)	0	(1,191)	0	0	(5,656)
Adjustments involving the Collection Fund Adjustment Account:						
Amount council tax & business rates credited to the CIES differs from that calculated under statutory requirements	567	0	0	0	0	567
Adjustments involving the Accumulated Absences Reserve:						
Absences Accrual transferred to the Accumulated Absences Account	38	0	21	0	0	60
Adjustments Between Accounting Basis & Funding Basis Under Regulations	2,873	(615)	(1,769)	6,769	(9,924)	(2,665)

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

13. Earmarked Reserves

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

	Balance 31/03/18	Transfers Out 2018/19	Transfers in 2018/19	Balance 31/03/19	Transfers Out 2019/20	Transfers in 2019/20	Balance 31/03/20
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund Reserves:							
Management of Change	1,426	(1,154)	842	1,114	(341)	350	1,123
Local Development Framework	66	(22)	375	419	(203)	400	616
Vehicle Replacement	1,050	0	350	1,400	(1,750)	350	0
Funding Equalisation	2,480	0	2,817	5,297	0	1,000	6,296
Capital Development	465	(165)	0	300	0	0	300
Uninsured Loss	586	0	86	672	(252)	0	420
Litigation Reserve	201	(86)	0	115	(170)	372	317
Pensions Reserve	1,773	0	200	1,973	0	200	2,173
Dacorum Development	164	(128)	0	36	(72)	3,235	3,199
Savings Efficiency	0	0	604	604	(60)	377	921
Technology Reserve	56	0	200	256	0	0	256
Other Under £250k	1,383	(198)	83	1,268	(935)	240	574
Total General Fund Reserves	9,650	(1,753)	5,556	13,453	(3,783)	6,524	16,194
Housing Revenue Account Reserves:							
Strategic Acquisition	17,701	0	0	17,701	(13,660)	0	4,041
Revenue Commitments	0	0	0	0	0	1,225	1,225
Other HRA (Under £300k)	399	0	46	445	0	28	473
Total HRA Reserves	18,100	0	46	18,146	(13,660)	1,252	5,739
Total Earmarked Reserves	27,750	(1,753)	5,602	31,599	(17,443)	7,776	21,933

14. Members' Allowances

The following amounts were due to Members:

	2019/20 £'000	2018/19 £'000
Salaries (Basic & Special allowances)	416	402
Allowances (Broadband)	2	2
Expenses (Travel & Subsistence)	2	1
Total	420	405

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	2019/20	2018/19
£50,000 - £54,999	12	9
£55,000 - £59,999	2	3
£60,000 - £64,999	4	4
£65,000 - £69,999	9	6
£70,000 - £74,999	4	1
£75,000 - £79,999	1	0
Total	32	23

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

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

Notes to the Accounts

2018/19	Salary including Fees & Allowances	Benefits in Kind (Lease Car)	Total Excluding Pension Contribution	Pension Contribution	Total
	£	£	£	£	£
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).

The number of exit packages are in the table below.

Exit Package Cost Band (including special payments)	Number of Redundancies		Number of Other Departures Agreed		Total number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band £'000	
	19/20	18/19	19/20	18/19	19/20	18/19	19/20	18/19
£0 - £20,000	1	4	0	1	1	5	2	20
£20,001 - £40,000	1	2	0	0	1	2	39	50
£40,001 - £60,000	0	1	0	0	0	1	0	47
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	1	0	0	0	1	0	82
Total	2	8	0	1	2	9	42	199

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 the Council might have been constrained in its ability to operate independently or limit another party's ability to bargain freely with the Council.

Members and Senior Officers of the Council

Members and Senior Officers of the Council have direct control over the Council's financial and operating policies. The total Member allowances paid in 2019/20 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 (excluding major and local precepting authorities). Where grants were given, they were made with proper consideration of the declaration of interests and the relevant Members did not take part in any discussion or decision relating to the grants. The Register of Members' Interests shows both potential financial and other interests, including involvement with voluntary organisations, public authorities and various other bodies. It is available on the Council's website.

Transactions in 2019/20 are disclosed below. There were no balances over £1k owed to the Council on invoices past their due date at the 31st March 2020. 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 2019/20	Income 2019/20	Amount owed by the Council 31/03/2020	Nature of Transaction
		£'000	£'000	£'000	
Jarvis Group Ltd	Fiona Jump (Group Manager Financial Services)	4,653	(0.1)	712	Construction
Community Action Dacorum	Cllr John Birnie	148	(0.1)	6	Grants
Dacorum Heritage Trust	Cllr Suqlain Mahmood	61	0	0	Grants
West Herts Crematorium	Cllr Terry Douris	0	(50)	0	Contribution
DP Taylor	Chris Taylor (Group Manager Strategic Planning & Regeneration)	14	0	0	Maintenance
The Chilterns Conservation Board	Cllr Phil McDowell	8	0	0	Grants
Chaulden Neighbourhood Association	Cllr Fiona Guest & Cllr Terry Douris	7	(0.1)	0	Grants & Hall Hire
Stage Two Ltd	Cllr Terry Douris	0.7	(1)	0	Equipment Hire and Garage Rent
Sutton Envelopes	Cllr Rosie Sutton & Cllr Graham Sutton	0	(9)	0	Rent

In addition, Cllr Graeme Elliot and his wife and Cllr Sammy Barry own leasehold properties, which incur service charge, maintenance and ground rent expenditure with the Council. Cllr Graham Sutton and Cllr Gbola Adeleke rent a garage from the Council. Cllr Rob Beauchamp rents a Caravan pitch at Woodwells.

Herts Building Control

In December 2019, the Council joined Herts Building Control. Herts Building Control is a fully integrated building control service owned by 8 local authorities, each owning a 12.5% share of the business and having representation on the board. The Corporate Director of Housing and Regeneration acts as a Director of Herts Building Control on behalf of the Council. During 19/20, there was expenditure of £155k and a loan was provided of £107k, which is included within long term debtors. At the 31st March 2020 the Council owed Herts Building Control £67k.

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.

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.

	2019/20 £'000	2018/19 £'000
External audit services carried out by the appointed auditor for the year	56	56
Certification of grant claims and returns for previous years	7	5
Certification of grant claims and returns for the year	11	11
Total	74	72

In addition in 2019/20, the Council received £5.7k rebate from the Public Sector Audit Appointments Ltd relating to the 2018/19 surplus arising from audit fees under transitional arrangements.

18. Revenue Grant Income

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

Non Specific Grant Income	2019/20 £'000	2018/19 £'000
New Homes Bonus and Other	(2,179)	(2,110)
Business Rates Relief	(1,861)	(1,588)
Other	(313)	(312)
Total	(4,353)	(4,010)
Grants Credited to Services	2019/20 £'000	2018/19 £'000
Benefits Subsidy and Administration (included in Finance & Resources)	(39,859)	(46,594)
Other	(853)	(1,473)
Total	(40,712)	(48,067)

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:

	2019/20	2018/19
	£'000	£'000
Revenue Grants and Other Contributions		
As of the Beginning of the Period	(788)	(444)
Receipts	(1,635)	(1,817)
Conditions Satisfied	853	1,473
Closing Balance	(1,570)	(788)

The balances of the revenue grants are as follows:

	2019/20	2018/19
	£'000	£'000
Revenue Grants Yet to be Recognised as Income		
Homelessness Support Grant	(362)	(378)
Planning Delivery Grant	(713)	(250)
Public Health	(58)	(24)
Refugee Grant	(316)	(113)
Rough Sleeping Initiative	(90)	0
Other	(31)	(23)
Total	(1,570)	(788)

	2019/20	2018/19
	£'000	£'000
Capital grants & Contributions yet to be recognised as income		
As of the Beginning of the Period	503	368
Receipts	939	981
Conditions Satisfied	(1,442)	(847)
Closing Balance	0	503

	2019/20	2018/19
	£'000	£'000
Breakdown of Capital grants & Contributions yet to be recognised as income		
Growth Area Fund	0	250
Disabled Facilities Grant	0	253
Total	0	503

20. Long-term Creditors

The long-term creditors relate to 2 leases.

	2019/20	2018/19*
	£'000	£'000
Other Entities and Individuals	259	259
Total Long-term Creditors	259	259

*restated

21. Short Term Creditors

	2019/20	2018/19
	£'000	£'000
Central Government Bodies	5,415	5,762
Other Local Authorities	4,297	1,229
NHS Bodies	96	157
Other Entities and Individuals	17,130	18,392
Total Short-term Creditors	26,939	25,540

22. Long-term Debtors

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

	2019/20	2018/19
	£'000	£'000
Other Entities and Individuals	2,537	160
Total Long-term Debtors	2,537	160

This includes a bad debt provision of £767k for Community Infrastructure Levy payment plan debtors.

23. Short-term Debtors

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

	2019/20	2018/19
	£'000	£'000
Central Government Bodies	2,977	2,831
Other Local Authorities	2,837	2,410
NHS Bodies	0	7
Other Entities and Individuals	13,898	10,939
Total Short-term Debtors	19,712	16,187

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

	2019/20	2018/19
	£'000	£'000
Bad Debt Impairment Allowances		
Sundry Debtors	1,812	320
Housing Rents and Garages	1,851	1,983
Council Tax/Summons Fees	233	235
Business Rates/Summons Fees	659	708
Benefits Overpayments	1,927	2,038
Total Bad Debt Provisions	6,483	5,284

Within the £659k of Business rates/summons fees bad debt impairment allowance, £453k relates to specific companies which are known to be insolvent or where recovery of debt is assessed as unlikely.

24. Contingent Liabilities

The Council is part of a collective of local authorities appealing a court decision in respect of water charges made by another local authority to its housing tenants. The value of any possible obligation is uncertain at present.

25. Provisions

The Council maintains the following provisions:

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

	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
Insurance-HRA	226	443	(182)	(197)	290
Total Short-term Provisions	4,777	1,841	(610)	(777)	5,231

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.

26. Building Control

Trading operations for building control are included in the Comprehensive Income and Expenditure Statement within the Strategic Planning and Environment heading. On the 16th December 2019, Building Control transferred from a trading operation within the Council to a separate company, Herts Building Control. 2019/20 shows transactions prior to the transfer.

	2019/20 Chargeable £'000	2018/19 Chargeable £'000
Building Control		
Employees	282	507
Non Employee Costs	229	164
Total Expenditure	511	672
Total Income	(310)	(541)
Building Control (Surplus)/Deficit	200	131

27. Property, Plant & Equipment

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
2019/20	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost / Valuation at the beginning of the period	1,011,307	137,029	19,650	3,068	8,029	17,022	1,196,105
Depreciation written out to Gross Carrying Amount on Revaluation	(14,293)	(1,847)					(16,140)
Revaluation increases recognised in the Revaluation Reserve	127,057	6,415	0				133,472
Revaluation decreases recognised in the Revaluation Reserve	(19,077)	(4,859)	0		(1,557)		(25,493)
Revaluation increases/(decreases) recognised in the(Surplus)/Deficit on Provision of Services	(1,710)	(1,550)	0				(3,260)
Additions	18,586	1,519	3,433	196		26,280	50,014
Impairment recognised in the(Surplus)/Deficit on Provision of Services	(17,841)	0	0				(17,841)
Reclassifications	2,976	1,927	11	1		(3,207)	1,708
Assets reclassified (to)/from Assets Held for Sale	0	372	0				372
Disposals	(4,329)	(399)	(1,790)				(6,518)
Cost / Valuation at the end of the period	1,102,676	138,607	21,304	3,265	6,472	40,095	1,312,419
Accumulated Depreciation at the beginning of the period	(0)	(1,146)	(10,817)	(143)	0	0	(12,106)
Depreciation Charge	(14,324)	(1,700)	(2,199)	(49)			(18,272)
Reclassifications							0
Depreciation written out to Gross Carrying Amount on Revaluation	14,293	1,847					16,140
Assets reclassified to Assets Held for Sale							0
Disposals	31	0	1,639				1,670
Accumulated Depreciation at the end of the period	(0)	(999)	(11,377)	(192)	0	0	(12,568)
Net Book Value At 31 March 2020 (all owned, no finance leases)	1,102,675	137,608	9,927	3,073	6,472	40,095	1,299,852

Notes to the Accounts

2018/19	Council Dwellings	Other Land & Buildings *restated	Vehicles, Plant & Equipment *restated	Infrastructure Assets *restated	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost / Valuation at the beginning of the period	891,950	116,877	18,539	2,792	4,921	19,620	1,054,699
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 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)
Cost / Valuation at the end of the period	1,011,307	137,029	19,650	3,068	8,029	17,022	1,196,105
Accumulated Depreciation at 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
Accumulated Depreciation 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	135,883	8,833	2,925	8,029	17,022	1,183,999

Notes to the Accounts

Rental income from Council Dwellings owned by the Housing Revenue Account is recognised in the Housing and Community (HRA) line of the CIES on an accruals basis.

Capital expenditure which is not completed at year end is treated as an Asset under construction. When the scheme is complete the costs are then transferred from assets under construction to the relevant PPE or investment property category

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

Council Dwellings and high value assets are valued annually. The valuation date is 31st January 2020, with the exception of dwellings which are the 31st March 2020. The remaining assets are valued on a five year cycle. Within other Land and Buildings the Council revalued £80.963m in year. The valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Surplus assets are valued using level 2 observable inputs and in estimating the fair value of the council's surplus assets the highest and best use has been applied. In determining the highest and best use valuation, the valuer has considered the current use (rental value) compared with the potential redevelopment of the land value for the site. Further details on highest and best fair value valuations can be found in note 29.

28. 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 2020 are:

Contract	Contractor	Estimated Value £'000
Total Asset Management	Osborne Property Services Ltd	12,025
Replacement, repair and maintenance services of boilers	Sun Realm Ltd	9,000
Construction of social housing at Martindale	Bugler Developments Ltd	2,119
Construction of social housing at Stationers Place, Hemel Hempstead	Jarvis Group Ltd	821
Verge Hardening	Ringway Infrastructure Services Limited	809

The capital commitment at the 31 March 2019 was £58,971k.

29. Investment Property

Investment Properties as per Balance Sheet	2019/20 £'000	2018/19 £'000
As at the beginning of the period	80,575	75,782
Additions (Purchases/construction)	109	118
Reclassifications	(1,725)	(103)
Disposals	(231)	(64)
Net gains/(losses) from fair value movements	3,633	4,842
As at the end of the period	82,361	80,575

The investment properties were valued at the 31st January 2020 by an independent external valuer using level 2 observable inputs to estimate their fair value. In determining the highest and best use valuation, the valuer has considered the current use (rental value) compared with the potential redevelopment of the land value for the site. Significant observable level 2 inputs were recent sales prices, market rental, size, location, current market conditions and other relevant information for similar assets in the locality. See note 10 for transactions relating to Investment Properties in the Comprehensive Income and Expenditure Statement.

30. Intangible Assets

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

	2019/20	2018/19
	£'000	£'000
Intangible Assets		
As of the beginning of the Period		
Gross Carrying Amounts	1,982	2,686
Accumulated Amortisation	(1,673)	(2,128)
Net Carrying Amount as of the Beginning of the Period	309	558
Reclassifications	16	0
Purchases	47	68
Disposals (net book value)	0	(192)
Amortisation for the Period	(122)	(126)
Net Carrying Amount as of the End of the Period	251	309
Comprising:		
Gross Carry Amounts	1,867	1,982
Accumulated Amortisation	(1,616)	(1,673)
Net Carrying Amount as of the End of the Period	251	309

31. Assets Held For Sale

	2019/20	2018/19
	£'000	£'000
Opening Balance	372	2,853
Additions	0	29
Reclassification	(372)	(565)
Revaluation decreases in Surplus/Deficit	0	0
Sold to other entities and individuals	0	(1,945)
Closing Balance	0	372

32. 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.

	2019/20	2018/19*
	£'000	£'000
Opening Balance	468,076	313,819
Upward revaluation of assets	133,498	189,672
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(25,493)	(28,553)
Difference between fair value depreciation and historical cost depreciation	(6,365)	(5,395)
Amount written off to the Comprehensive Income and Expenditure Statement	(1,796)	(1,467)
Closing Balance	567,919	468,076

*restated

33. 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.

	2019/20	2018/19*
	£'000	£'000
Balance as of beginning of the period	453,614	456,524
Capital grants and contributions applied	2,711	2,792
Amortisation of intangible assets	(122)	(125)
Charges for depreciation and Revaluation losses on property, plant and equipment	(7,231)	(15,004)
Repayment of Loans for Capital	(10)	0
HRA impairment reversal	(17,841)	(15,215)
Difference between fair value depreciation and historical cost depreciation	6,365	5,395
HRA depreciation	(14,303)	(13,140)
Non-current assets written off to CIES on sale as part of the gain on disposal	(5,078)	(5,742)
Transfer from the Revaluation Reserve on disposal of assets	1,796	1,467
Revenue expenditure funded from capital under statute	(6,506)	(8,231)
Movements in market value of Investment Properties	3,633	4,842
Capital receipts applied to capital expenditure	18,499	16,377
Revenue contribution to capital	3,964	8,774
Use of reserves to finance capital expenditure	15,418	0
Use of Major Repairs Reserve to finance capital expenditure	11,332	12,030
Minimum Revenue Provision (MRP)	237	237
HRA Debt Repayment	3,586	2,636
Closing Balance	470,064	453,614

*restated

Notes to the Accounts

34. 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.

	2019/20	2018/19
	£'000	£'000
Capital Financing Requirement		
Opening Capital Financing Requirement	352,769	355,541
Capital Investment:		
Property, Plant and Equipment	50,014	31,526
Assets held for Sale	0	30
Loans treated as capital expenditure	0	100
Investment Property	109	118
Intangible Assets	47	68
Revenue Expenditure Funded from Capital under Statute	6,506	8,231
Total Expenditure	56,676	40,073
Sources of Finance:		
Capital Receipts	(18,499)	(16,377)
Government Grants and Other Contributions	(2,711)	(2,792)
Use of Reserves (including Major Repairs Reserve)	(26,750)	(12,030)
Revenue Contributions (including statutory provision for repayment of debt)	(7,786)	(11,646)
Total Financing	(55,746)	(42,845)
Closing Capital Financing Requirement	353,699	352,769
	2019/20	2018/19
	£'000	£'000
Capital Financing Requirement		
Increase/(Decrease) in underlying need to borrow (unsupported by government financial assistance).	931	(2,772)
Assets Acquired Under Finance Lease	0	0
Increase/(Decrease) in Capital Financing Requirement	931	(2,772)

35. Heritage Assets

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

	2019/20	2018/19
	£'000	£'000
Land	7,095	7,069
Sculptures/Artwork	1,820	1,820
Assets managed by Dacorum Heritage Trust	3	3
Civic Regalia and Treasuries	212	212
Total	9,130	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. A qualified external valuer using the Existing Use Valuation method values the sites. Gadebridge Park and the Water Gardens are managed and preserved by the Council.

Tring Park is managed by the Woodland Trust and believed to date back to 1066. The Rothschild's opened a zoological museum on the site and were responsible for introducing numerous exotic animals to the park. The park was revalued on 31st March 2017.

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 park was revalued on 31st March 2017.

The Water Gardens were designed by Geoffrey Jellicoe as an integral part of his master plan for Hemel Hempstead New Town and were placed on English Heritage's Register of Parks and Gardens of Special Historic Interest in 2010 as one of the very important post war urban landscapes. The Water Gardens were revalued during 2019/20.

Sculptures and Artwork Held at Cost

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

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

Assets managed by The Dacorum Heritage Trust

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

Civic Regalia and Treasuries

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

36. Financial Instruments

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

Financial Assets – All carried at Amortised Cost	2019/20	2018/19
	£'000	£'000
Cash Equivalents: Investments with Original Maturities of 3 Months or Less	17,620	12,608
Cash held by the Council	1	1
Cash: Bank Account Balance/(Overdraft)	873	1,013
Short-term Debtors	14,495	10,787
Long-term Debtors	2,537	160
Short-term Investments	51,688	79,680
Long-term Investments	0	0
Total	87,214	104,250

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	2019/20	2018/19
	£'000	£'000
Short-term Creditors	15,686	17,300
Long-term Creditors	188	188
Short-term Borrowings	5,065	4,719
Long-term Borrowings	353,502	358,441
Total	374,441	380,649

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

Notes to the Accounts

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

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

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

The fair values are as follows:

Financial Liabilities – Fair Value	2019/20	2018/19
	£'000	£'000
Short-term Creditors	15,686	17,300
Long-term Creditors	188	188
Short-term Borrowings	5,080	4,738
Long-term Borrowings	396,310	416,640
Total	417,264	438,867

The exit price fair value of £417.264m has been calculated using redemption and new loan borrowing discount rates. The Authority has no contractual obligation to pay these penalty costs and does not incur any additional cost if the loans run to their planned maturity date.

Liquidity Risk

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

Refinancing and Maturity Risk

The Council maintains a significant investment portfolio. The prudential indicator limiting the amount of funds placed in investments for terms exceeding one year is a key factor limiting this risk, as is the medium term financial policy on reducing the Council's reliance on interest earnings to fund its core activities. Most of the Council's current borrowing is fixed-term from the PWLB in relation to Self-Financing at a preferential fixed rate. The repayment of these loans is factored into the Housing Revenue Account 30-year plan and so there is minimal risk the Council will need to refinance these loans at a time of unfavourable interest rates. £17.9m 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:

	2019/20	2018/19
	£'000	£'000
Less than 1 Year	5,065	4,719
Between 1 and 2 Years	3,822	4,939
Between 2 and 5 Years	8,004	8,166
Between 5 and 10 years	30,965	26,586
More than 10 Years	310,710	318,750
Total	358,567	363,161

Interest Rate/Credit Risk

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

The Council's maximum exposure to credit risk for its short investments has been assessed using the lowest credit rating for each investment from Fitch, Moody's and Standard & Poor's Historic Default Rates. Given the expected credit loss is not material and the Council has not recently experienced a default, no impairment allowance has been made. The maximum Credit Risk exposure at the 31st March 2020 is:

Credit Risk Rating	Gross carrying amount 2019/20 £'000	Default Rate	12 month expected credit loss £'000
A+	10,069	between 0.017% and 0.035%	1.9
A	22,590	between 0.004% and 0.026%	2.3
A-	7,016	between 0.006% and 0.02% statutory provisions prevent	0.3
Other Local Authorities	12,012	default	0.0
Total	51,688		4.6

For Short-term debtors, the bad debt impairment allowance is shown in note 23. Sundry debtors and Housing Rents are financial assets. The bad debt provision is calculated based on aged of debt and/or value, with a higher impairment allowance for older and higher value debts as based on experience these are less likely to be recovered. The long-term debtors comprise of amounts owed by parish councils, the loan to Herts Building Control and Community Infrastructure debtors on payment plans due after the 31st March 2021. See note 22 for the impairment allowance. Parish Councils are considered low risk as traditionally they have low risk of default on payments so not impaired.

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

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

37. Leases

Operating Leases - Council as Lessee

The Council leases various land and/or buildings under non-cancellable operating lease agreements. Lease terms range between 3 and 999 years. The operating leases do not have purchase options, although some have rent escalation clauses. The Council paid no contingent rent during 2019/20 or 2018/19.

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

	2019/20 £'000	2018/19 £'000
Operating Lease Commitments (DBC as Lessee)		
Not later than one year	52	50
Later than one year but not later than five years	204	201
Later than five years	28	77
Total Commitments under Operating Leases	284	329

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:

	2019/20	2018/19
	£'000	£'000
Operating Lease Income (DBC as Lessor)		
Not later than one year	4,225	3,941
Later than one year but not later than five years	13,782	13,209
Later than five years	58,312	51,472
Total Minimum Lease Income under Operating Leases	76,319	68,622

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 2019/20 contingent rents of £1.5m were receivable by the Council (£1.1m in 2018/19).

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:

	2019/20	2018/19
	£'000	£'000
Finance Lease Assets (Council as Lessee)	623	579

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

	2019/20	2018/19
	£'000	£'000
Finance Lease Minimum Payments		
Current	0	0
Non-current	188	188
Finance Costs Payable in Future Years	1,592	1,612
Minimum Lease Payments	1,780	1,800

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

	2019/20	2018/19
	£'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	1,680	1,720
Total Commitments Under Finance Leases	1,780	1,820

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 £26k (2018/19 £20k). The Council has sub-let these properties. At 31 March 2020 the minimum payments expected to be received under non-cancellable agreements was £300k (£208k at 31 March 2019).

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

Transactions Relating to Post-employment Benefits

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

	2019/20	2018/19
	£'000	£'000
Comprehensive Income & Expenditure Statement		
Cost of Services:		
Current Service Cost	8,687	7,267
Past Service Cost/(Gain) – Including Curtailments	0	663
Financing and Investment Income and Expenditure:		
Net Interest Expense	1,966	1,827
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	10,653	9,757
Other Comprehensive Income & Expenditure:		
Return on Plan Assets (excluding amounts included in net interest expense)	(12,225)	(7,518)
Actuarial (Gains) & Losses Arising on Changes in Demographic Assumptions	(6,521)	0
Actuarial Gains & Losses Arising on Changes in Financial Assumptions	(22,956)	14,366
Other	11,173	0
Total Post Employment Benefit Charged to Other Comprehensive Income and Expenditure	(30,529)	6,848
	2019/20	2018/19
	£'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	(10,653)	(9,757)
Employer's Contributions Payable to the Pension Scheme	5,656	5,406
Total	(4,997)	(4,351)

Notes to the Accounts

Pension Assets & Liabilities Recognised in the Balance Sheet	2019/20 £'000	2018/19 £'000
Present value of the defined benefit obligation	(251,399)	(261,524)
Fair value of plan assets	196,673	181,266
Sub-total	(54,726)	(80,258)
Other movements in the liability	0	0
Net liability arising from defined benefit obligation	(54,726)	(80,258)
	2019/20 £'000	2018/19 £'000
Reconciliation of Present Value of Scheme Liabilities		
Liabilities as of the Beginning of the Period	(261,524)	(238,594)
Current Service Cost	(8,687)	(7,267)
Interest Cost	(6,312)	(6,229)
Contributions by Scheme Participants	(1,319)	(1,235)
Actuarial (Losses)/Gains	18,304	(14,366)
Losses on Curtailments		
Benefits Paid	8,139	6,830
Past Service Costs	0	(663)
Liabilities as at 31 March	(251,399)	(261,524)
	2019/20 £'000	2018/19 £'000
Reconciliation of Fair Value of Scheme Assets		
Assets as of the Beginning of the Period	181,266	169,535
Expected Rate of Return	4,346	4,402
Actuarial Gains/(Losses)	12,225	7,518
Employer Contributions	5,656	5,406
Contributions by Scheme Participants	1,319	1,235
Benefits Paid	(8,139)	(6,830)
Closing Fair Value of Scheme Assets	196,673	181,266

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

Fair Value of Employer's Assets	2019/20 £'000	2018/19 £'000
Quoted Prices in Active Markets		
<u>Equity Securities</u>		
Consumer	3,755	8,063
Manufacturing	2,998	7,029
Energy and Utilities	0	1,871
Financial Institutions	2,882	7,474
Health and Care	1,770	1,474
Information Technology	6,738	5,671
Other	322	484
<u>Investment Funds and Unit Trusts</u>		
Equities	61,183	45,738
Bonds	64,480	63,064
Other	1,659	1,532
<u>Cash and Cash Equivalents</u>		
All	4,248	5,866
Total of Assets with Prices Quoted in Active Markets	150,032	148,266

Quoted Prices not in Active Markets

<u>Debt Securities</u>		
Other	5,097	83
<u>Private Equity</u>		
All	10,522	8,499
<u>Real Estate</u>		
UK Property	5,947	6,422
Overseas Property	11,737	6,875
<u>Investment Funds and Unit Trusts</u>		
Infrastructure	181	1,757
Other	13,366	9,580
<u>Derivatives</u>		
Foreign Exchange	(208)	(216)
Total of Assets with Prices Quoted not in Active Markets	46,641	33,000
Total Fair Value of Employers Assets	196,673	181,266

Basis for Estimating Asset and Liabilities

Liabilities have been assessed on an actuarial basis by Hymans Robertson LLP using the Projected Unit Credit Method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Estimates for the fund were based on the latest full revaluation of the scheme as at 31 March 2019. The principal assumptions used are:

Principal Assumptions	2019/20	2018/19
	%	%
Rate of inflation	1.9	3.5
Rate of increase in salaries	2.3	2.6
Rate of increase In pensions	2.0	2.5
Rate of discounting scheme liabilities	2.3	2.4
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	2019/20	2018/19
	Age	Age
Longevity at 65 for current pensioners		
Men	21.9	22.5
Women	24.1	24.9
Longevity at 65 for future pensioners		
Men	22.8	24.1
Women	25.5	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 £54.726m has an impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean the financial position of the Council remains healthy. The deficit on the LGPS will be funded by improved investment returns or increased contributions over the remaining working lives of employees, as assessed by the scheme's actuary.

Funding levels are monitored annually, and the next triennial review is due to be based on 31 March 2020 data. Based on this review, the fund liability may go up or down. Sensitivity analysis is shown in note 5. The total value of contributions expected to by the Council in 2020/21 is £9.644m.

The weighted duration for all members is 16.8 years. The weighted average duration split of the defined benefit obligation for scheme members as at 31 March 2020 is:

	Weighted Average Duration
Active Members	22.9
Deferred Members	22.2
Pensioner Members	11.0
Total	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:

	2019/20 £'000	2018/19 £'000
Surplus /(Deficit) as of Beginning of the Period	(80,258)	(69,059)
Actuarial Gains/(Losses) on Pension Assets and Liabilities	30,529	(6,848)
Reversal of Items Relating to Retirement Benefits Debited/Credited to the Surplus or Deficit on the Provision of Services in the CIES	(10,653)	(9,757)
Employer's Pension Contributions	5,656	5,406
Surplus/(Deficit) as of End of the Period	(54,726)	(80,258)

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 legislation; this may differ from accounting cost. The increase or decrease in the year, on the basis upon which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

	2019/20	2018/19
	£'000	£'000
Income		
Dwelling Rents (Gross)	(53,080)	(53,213)
Non Dwelling Rents (Gross)	(101)	(148)
Charges for Services & Facilities	(1,844)	(1,660)
Contributions towards Expenditure	(672)	(987)
Total Income	(55,697)	(56,009)
Expenditure		
Repairs and Maintenance	11,549	12,184
Supervision and Management	9,171	8,646
Rents, Rates, Taxes and Other Charges	103	60
Increase in Allowance for Bad and Doubtful Debts	634	375
Depreciation and Impairment of Non Current Assets	33,802	36,664
Total Expenditure	55,258	57,929
Net Expenditure/(Income) of HRA Services as Included in the Comprehensive Income & Expenditure Statement (CIES)	(439)	1,920
HRA Share of Corporate and Democratic Core	326	244
Other recharges to the HRA	4,020	3,870
Total recharge to HRA	4,346	4,114
HRA Share of Operating Income & Expenditure Included in the Comprehensive Income & Expenditure Account		
(Gain)/Loss on Disposal of Non-Current Assets	(4,863)	(3,717)
Interest and Investment Income	(372)	(328)
Interest Payments	11,558	11,594
Net Interest on the Net Defined Benefit Liability	414	352
Capital Grants and Contributions Received	(4)	(1,534)
(Surplus)/Deficit for the Year on HRA Services	10,639	12,403

Housing Revenue Account

Statement of Movement on the Housing Revenue Account

	2019/20 £'000	2018/19 £'000
Balance as at 1 April	2,892	2,892
Movement in Reserves:		
Surplus/(Deficit) on Provision of Services	(10,639)	(12,403)
Adjustments Between Accounting Basis & Funding Basis Under Regulations:		
Capital Grants and Contributions Applied	(4)	(1,534)
Reversal of Employee Leave Accrual	21	(6)
Reversal Revaluation & Impairment (Gains)/Losses on Property	19,498	23,527
Amounts of non-current assets written off on sale as part of the gain on disposal to the CIES	4,297	2,775
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	(9,161)	(6,492)
Revenue Contribution to Capital	(3,814)	(6,663)
Reserve Contributions to Capital	(13,660)	0
Debt Repayment Provision	(3,586)	(2,636)
Loan Repayment from Major Repairs Reserve	3,586	2,636
Reversal of retirement benefits items debited or credited to the CIES	(1,191)	(1,047)
Employer's Pension Contributions to Pension Fund Payable in the year	2,244	1,889
Total Adjustments Between Accounting Basis and Funding Basis Under Regulations	(1,769)	12,450
Net Increase/(Decrease) Before Transfers to Earmarked Reserves	(12,408)	46
Transfer (to)/from Earmarked Reserves	12,408	(46)
Balance as at 31 March	2,892	2,892

Notes to the Housing Revenue Account

1. Value of HRA Property, Plant and Equipment

	2019/20 £'000	2018/19 £'000
Council Dwellings	1,098,449	1,011,438
Other Land & Building	1,350	1,141
Vehicles, Plant, Furniture and Equipment and intangibles	96	32
Assets Under Construction	27,653	13,046
Net Book Value as at 31 March	1,127,548	1,025,657

Council dwellings had an existing use assuming vacant possession valuation of £2,891 million as at 31st March 2020. To comply with regulations, a regional adjustment factor of 38% was applied to the Council Dwelling valuation to reflect that housing is let at sub-market rents.

Housing Revenue Account

2. Number and type of dwellings

	31/03/2020	31/03/2019
Flats	3,771	3,773
Houses	6,310	6,337
Chiltern Hostel- equivalent	18	18
Total Dwellings	10,099	10,128

3. Rent Arrears

	2019/20	2018/19
	£'000	£'000
Rent - Current Arrears	1,979	1,701
Rent - Former Arrears	615	885
Supporting People and Other	262	255
Total Arrears:	2,855	2,841
Provision for Bad and doubtful Debts	(1,821)	(1,931)
Total Rent Arrears:	1,034	910

4. Capital Financing

	2019/20	2018/19
	£'000	£'000
Total Capital Expenditure	37,722	24,725
Financed by:		
Capital Receipts	(8,912)	(4,498)
Major Repairs Reserve	(11,332)	(12,030)
Contributions from Reserves	(13,660)	0
Capital Grants & Contributions	(4)	(1,534)
Revenue Contributions	(3,814)	(6,663)
Total Financing	(37,722)	(24,725)

5. Capital Receipts from the sale of HRA assets:

	2019/20	2018/19
	£'000	£'000
Sale of Land And Freehold	0	23
Easement Granted- Deed of Release, Variation, Covenants	202	77
Sale of HRA Dwellings	8,922	6,225
Discount Repaid	38	167
Total Capital receipts	9,162	6,492

Housing Revenue Account

6. Depreciation and Impairment

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

	2019/20	2018/19
	£'000	£'000
Depreciation on Council Dwellings	14,264	13,102
Revaluation on Council Dwellings	1,657	8,312
Impairment	17,841	15,215
Depreciation on Vehicle, Plant and Equipment	21	17
Amortisation of Intangible Assets	1	1
Depreciation on Other Land and Building	18	17
Total Depreciation and Impairment	33,802	36,664

Collection Fund Income and Expenditure Account 2019/20

	Council Tax £'000	Business Rates £'000	Total £'000
Income:			
Council Tax Receivable	102,397	0	102,397
Business Rates Receivable	0	66,272	66,272
Total Income	102,397	66,272	168,670
Expenditure			
<u>Precepts, Demands and Shares</u>			
Hertfordshire County Council	77,884	25,837	103,721
Hertfordshire Police & Crime Commissioner	10,767	0	10,767
Dacorum Borough Council	12,348	22,608	34,956
Central Government (Business Rates Only)	0	16,148	16,148
<u>Charges to Collection Fund</u>			
Transitional Payment Protection	0	81	81
Costs of collection	0	205	205
Increase/(decrease) allowances for impairment	349	392	741
Increase/(decrease) provision for appeals	0	3,034	3,034
Enterprise Zone & Renewable Energy Growth	0	1,067	1,067
<u>Contribution towards previous year surplus/deficit</u>			
Hertfordshire County Council	501	(169)	333
Hertfordshire Police & Crime Commissioner	62	0	62
Dacorum Borough Council	79	(675)	(595)
Central Government (Business Rates Only)	0	(843)	(843)
Total Expenditure	101,991	67,686	169,677
Movement on fund balance	(406)	1,413	1,007
Balance at beginning of year	(901)	4,374	3,473
Balance at end of year	(1,307)	5,787	4,480
Shares of balance			
Hertfordshire County Council	(1,008)	1,508	500
Hertfordshire Police & Crime Commissioner	(139)	0	(139)
Dacorum Borough Council	(160)	2,160	2,000
Central Government (Business Rates Only)	0	2,119	2,119
	(1,307)	5,787	4,480

In addition, the Council has £6k in the Collection Fund Adjustment Account on the Balance Sheet relating to designated area growth and renewable energy.

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.

1. General

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

2. Business Rates

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

The Council collects and calculates Business rates. The Government specifies an amount (2019/20: 49.1 for small businesses; 50.4p for other rateable businesses) and, subject to the effects of transitional arrangements, local businesses pay NNDR calculated by multiplying their rateable value by that amount. NNDR income was £66.27m in 2019/20 (£65.8m in 2018/19). The rateable value for the Council's area was £162.25m at 31 March 2020 (2018/19: £162.8m).

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 2019/20 was calculated as 57,270.20 dwellings as follows:

Band	Estimated equivalent no. of taxable properties after effect of discounts	Ratio to Band D	Band D Equivalent Dwellings
A*	1	5/9	0.6
A	1,002.75	6/9	668.5
B	6,610.50	7/9	5,141.5
C	17,583.50	8/9	15,629.8
D	14,135.25	9/9	14,135.3
E	8,338.75	11/9	10,191.8
F	5,277.50	13/9	7,623.1
G	4,694.00	15/9	7,823.3
H	721.75	18/9	1,443.5
Totals	58,365.00		62,657.40
Council Tax Support			(5,042)
Adjustment for collection rate and contributions in lieu (0.6%)			(346)
Council Tax Base 2019/20			57,270.20
Council Tax Base 2018/19			56,743.60

A* = Disabled Band A

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

Asset: An item having value measurable in monetary terms. A non-current asset has use and value for more than 1 year. Current assets (e.g. inventory or short-term debtors) are readily convertible into cash.

Budget: financial statement of an organisation's service delivery and capital programme plans.

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

Capital Receipt: proceeds from land/assets disposals, as long as £10,000 or more. Government rules set out what capital receipts can be used for-usually capital expenditure and specific revenue purposes.

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

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

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

Financial Year: For Local Authorities this is the 1 April to 31 March.

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

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

Infrastructure Assets: Non-current assets with no prospect of sale or alternative use, e.g. footpaths, bridges and drainages systems.

Intangible Assets: Non-current assets without physical substance but identifiable and controlled by the authority though custom legal rights e.g. computer software.

Inventory: includes goods or other assets for resale and consumable stores.

Liability: arises when the Council owes money to others.

Materiality: one of the main accounting concepts. It ensures the statement of accounts includes all the transactions that, if omitted, would lead to a significant distortion of the financial position.

Precept: levy made by precepting authorities on billing authorities, e.g. Dacorum. Our precepting authorities are Hertfordshire County Council, Hertfordshire Police & Crime Commissioner and Parishes.

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

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

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

Related Party Transactions: transfer of assets, liabilities or services between the Council and its related parties.

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

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