



**DRAFT**

**STATEMENT OF ACCOUNTS**

**2021/22**

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## STATEMENT OF RESPONSIBILITIES

### STATEMENT OF RESPONSIBILITIES

#### The Council's Responsibilities

The Council is required to:

- ◆ make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Finance;
- ◆ manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets; and
- ◆ approve the Statement of Accounts.

#### The Chief Financial Officer's Responsibilities

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

In preparing the Statement of Accounts, the Director of Finance has:

- ◆ selected suitable accounting policies and then applied them consistently;
- ◆ made judgements and estimates that were reasonable and prudent; and
- ◆ complied with the Code of Practice.

The Director of Finance has also:

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

The Statement of Accounts presents a true and fair view of the financial position of Three Rivers District Council as at 31 March 2022 and its income and expenditure for the year ended 32 March 2021

Signed

Date

**Alison Scott CPFA**  
**Director of Finance**

Signed

Date

**Councillor Tony Humphries**  
**Chairman of Audit Committee**

As the Director of Finance and Section 151 Officer it is my responsibility to ensure that the Council's financial affairs are properly administered, and its financial position remains stable and robust. This is essential to ensure that the Council can continue to provide high quality services to all the residents and businesses within the Watford Borough and to continue to develop it.

The following Statement of Accounts give an overview of the Council's finances for 2021/22. I am pleased to be able to report that the Council has continued to maintain its strong financial position, which shows that there is a high standard of financial management and stewardship of the Council's resources.

The Statement of Accounts are prepared in accordance with the guidance for Local Authorities in the UK. The Statement of Accounts provides information so that members of the public, including electors and residents of Watford, Council Members, partners, stakeholders and other interested parties can have:

- A full and understandable explanation of the overall financial position of the Council.
- Confidence that the Council has been responsible in spending the public money which it has been given and accounted for in an appropriate manner.
- Assurance that the financial position of the Council is sound and secure.

The deadlines for the preparation and audit of the of the Accounts has been extended over the period 2019/20 to 2021/22 as government has recognised that local authorities' priorities altered as a result of dealing with the impact of the COVID-19 pandemic. The well-being of all the residents and businesses has been the top priority for this Council, along with other Councils across the country and that resources will have been redirected to deal with the pandemic.

The latest amendment to the Accounts and Audit Regulations 2015, the Accounts and Audit (Amendment Regulations) 2022 was laid before parliament on 30 June 2022 and came into force on 22 July 2022. This requires local authorities to publish draft accounts by 31 July 2022 and commence the public inspection period on or before the first working day of August 2022. The deadline for conclusion of the audit is extended to 30 November 2022 for 2021/22 and to 30 September for years 2022/23 to 2027/28, extended from 31 July. The extension of the deadline for the completion of audits recognises that there are still significant challenges across the sector in England to meet the audit deadlines.

These draft accounts were authorised for issue by the Section 151 Officer on 31 July 2022

Signed

Date: 31 July 2022

Alison Scott, CPFA  
Director of Finance

### **CORPORATE FRAMEWORK**

The Council's Corporate Framework brings together our high level, medium to long-term objectives. Each year, Three Rivers District Council updates its Corporate Framework. This is a document that brings together our high level, medium to long-term objectives which, following consultation and analysis of data, the Council considers to be its priorities for the District.

We want Three Rivers to be a place for everyone where all our communities enjoy a healthy and sustainable future with access to good quality housing and open spaces, high quality services, and a successful economy.

The 2020-2023 Corporate Framework outlines the Council's priority themes for the next three years.

#### **Housing and Thriving Communities**

- We will work on a local plan to deliver sufficient housing and adopt that plan by 2023
- Through our joint ventures and partnerships we will take all available practicable action to increase the supply of affordable homes in the district
- We will complete the delivery of the main and learner pools and refurbishment to the leisure venue at South Oxhey
- We will seek to increase the number of Green Flag accredited parks and open spaces
- We will work towards reducing inequalities, prevent homelessness and encourage healthy lifestyles
- We will continue to work with partners to tackle crime and anti-social behaviour and secure investment in priority interventions.

#### **Sustainable Environment**

- We will produce and deliver a Climate Change Strategy and action plan
- We will continue to improve the energy efficiency of the Council's buildings
- We will deliver and implement a Cycling and Walking Strategy
- We will seek to maintain our position as the highest recycling authority in Hertfordshire.

#### **Successful Economy**

- We will undertake a review of the Council's role in relation to the economy and agree an economic strategy
- We will continue to participate in the Hertfordshire Growth Board and South West Herts Partnership and engage the Hertfordshire Local Enterprise Partnership to support the economy
- Three Rivers will be recognised as a great place to do business
- We will continue to improve our relationship with the local business community
- We will continue to support Visit Herts and promote Three Rivers as the home of the internationally significant Warner Bros Studios.

#### **High Performing, Financially Independent Council**

- Develop and maintain a medium term forecast that is not dependent upon the decisions and short term viewpoint of central government allowing it to plan services and invest in priorities in a structured way
- Be resilient to unforeseen changes in resource levels and demand for services
- Invest in service transformation to ensure that our services continue to meet the needs of our community, including direct investment in infrastructure and housing
- Provide excellent customer care whilst providing great services as efficiently as possible

## NARRATIVE STATEMENT

- Have an impact greater than its size in developing the wider Hertfordshire region.

### ORGANISATIONAL LEADERSHIP AND GOVERNANCE

Under the Council's Leadership the Corporate Framework with its vision, aims and priorities sits alongside a set of values that underpin all of the Council's work. The plan is refreshed on an annual basis through the Strategic Service and Financial Planning process, with performance indicators and targets reviewed on an annual basis alongside the budget process.

The Council's Portfolio Holders meet on a regular basis to review key project areas, corporate performance, emerging challenges and the direction of policy development. This is translated into a set of key priorities for the Council's Corporate Management Team to oversee which is in turn translated into Service Plans and their associated performance indicators and targets, and individual staff performance objectives and targets.

Corporate Management Team is extended twice a year to include meetings of all managers to ensure that key project issues are jointly discussed, and information from Corporate Management Team is shared through the intranet, departmental heads of service meetings, and team meetings.

Quarterly performance monitoring is reviewed by the Corporate Management Team and is reported to all Members through the Members' Information Bulletin. The Strategic Service and Financial Planning Framework provides for member scrutiny of performance and performance targets of all service, alongside budget monitoring and review.

This brief overview is supplemented by the Annual Governance Statement elsewhere in this Statement of Accounts

### FINANCIAL OUTLOOK INCLUDING THE IMPACT OF COVID-19

This section covers the 2021/22 outturn and looks forward to 2022/23 and its related Medium Term Financial Plan (MTFP) for 2022/23 to 2024/25.

Looking ahead over the next three years, the MTFP has been prepared against the continued backdrop of uncertainty over funding, increasing pressure on services and continuing expectations from stakeholders for service provision. The Council has witnessed a reduction in Revenue Support Grant of £3.0m since 2013/14. In response to the projected reduction in resources the Council has achieved savings of over £1.0 Million over an 8 year period.

The development of the MTFP is supported by annual budget consultations and provide input as to the Council's work and areas of expenditure. The Council has retained a prudent minimum balance of the general fund of £2.0m. At the same time the Council has maintained an ambitious Capital Investment Programme.

The effect of the all variances on the Council's (surplus)/deficit for 2022/23 and the General Fund balance over the medium term is shown in the table below.

<b>Movement on General Fund Balance</b>	<b>2021/22 Outturn £'000</b>	<b>2022/2023 Proposed £'000</b>	<b>2023/24 Draft £'000</b>	<b>2024/25 Draft £'000</b>
Balance Brought Forward at 1 April	(5,210)	(5,364)	(4,372)	(3,776)
Revenue Budget (Surplus)/Deficit for Year	(153)	992	596	645
General Fund Closing Balance at 31 March	(5,364)	(4,372)	(3,776)	(3,131)

The overall MTFP indicates a budget requirement (net expenditure) for 2022/23 of £13.840m including carry forwards from 2021/22. Funding for this will come from a number of sources, as set out below.

### **Government Grant**

The Local Government Finance Settlement in February 2022 provided details of the funding available to the Council for 2022/23.

### **Business rates**

Business rates are collected by the Council, and the proceeds are shared between the District and County Council, and also with central Government to fund services. There is an element of risk and reward involved in the Business Rates scheme, which is designed to incentivise Councils to promote business growth within their areas. The Council expects its share of business rates to be £1.995m in 2022/23. The business rates retention scheme is volatile and estimating the outturn is complex due to factors such as appeals, demolitions, new builds, occupation and reliefs.

It should be noted that the Government postponed implementation of changes to local government funding. The proposed changes will establish new baseline funding levels and business rates baselines for each local authority. Details have not been confirmed at this stage, however it is likely to be a reduction and prudent estimates have been included in future years.

### **Business Rates Pooling**

A business rate pool consisting of the County Council, this Council and other Hertfordshire districts/borough councils has been established for 2022/23 with membership of this pool expecting to contribute £0.600 million to the Council's business rate income. This is already included in the base budget.

### **New Homes Bonus**

New Homes Bonus is a non-ring-fenced grant relating to the number of new homes delivered in a local authority area that may be used at the discretion of the Council for either capital expenditure or to support the revenue account (or combination). For 2022/23, based on the provisional settlement, the Council expects to receive £0.220m which will be split equally between revenue and capital funding. This funding stream will be part of the fair funding review, therefore estimates for future years are hard to predict, and therefore a prudent estimate has been included in the MTFP.

### **Council Tax for 2022/23**

The Council needs to set a budget that gives an acceptable level of council tax, and is balanced in the medium to long term using the resources at its disposal. A council tax increase of £5 per Band D equivalent has been assumed for 2022/23 and subsequent years. The Council expects to collect £9.645m of council tax income in 2022/23 of which £7.416m is retained by the Council and £2.802m is passed to Parish Councils.

### **Council Tax Base**

The Council Tax base for 2022/23 was set at the Council meeting on the 14 December 2021 and totalled 39,259.8 assuming a collection rate of 99%. The base shows an increase of 1.25% over 2021/22. This is largely due to an increase in the number of properties in the District.

### **Local Council Tax Reduction Scheme**

At the Council meeting on 14 December 2021, it was resolved to continue to apply the agreed Local Council Tax Reduction Scheme for 2022/23.

### **Collection Fund**

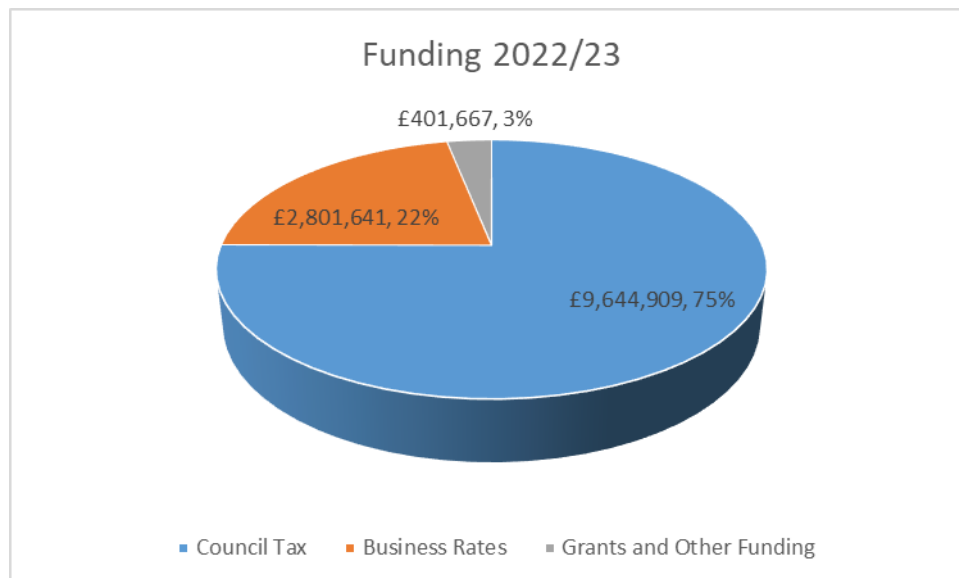
The Collection Fund is a statutory requirement to account separately for Council Tax and Business Rates. The Fund records all transactions such as the yield, exemptions, discounts, provisions for bad debts, payments to major preceptors to Central Government and takes into account collection rates.



## NARRATIVE STATEMENT

Any balance on this fund at 31 March is to be distributed to the Council as the Billing Authority, the major preceptors and Central Government.

The chart below show the value and proportion of each funding stream that supports the Council's revenue account for 2022/23.



### COVID-19

The COVID-19 Pandemic has had, and will continue to have, a notable impact on the public's and businesses' behaviour and consequently has had a considerable impact on the Council which is likely to continue well beyond the ending of lockdown and other restrictions.

The Council has continued to experience substantial losses across many of its largest income streams, most notably Car Parks and Leisure Centres which were closed for large parts of 2020/21 and have not recovered to budgeted levels of usage in 2021/22.

Collection levels of Council Tax have not seen a significant drop. Similarly, planning applications and building control notices remained buoyant, while the Garden Waste service increased its customer base and income generated. However, the cost of living crisis that has arisen as people and business are recovering from the impact of the pandemic is likely to make 2022/23 a challenging year for some income streams.

Helping to offset the direct financial impact, the Council received a Local Authority Support COVID-19 Grant allocation of £0.390m emergency COVID-19 funding. The Council was also able to claim £0.267m from the Government's loss of Income Guarantee Scheme for the first quarter of 2021/22 to the end of June 2021, coinciding with the end of lockdown restrictions. The government also introduced the Lower Tier Support grant for 2021/22, recognising the particular impact on the financials sustainability of lower tier authorities. The Council's allocation was £0.121m in 2021/22. The Council has a prudent General Fund balance and has a separate Economic Impact reserve which it has utilised during the pandemic to maintain financial resilience.

Throughout 2021/22, the Council has continued to take a pro-active approach to ensure that it responded to the emerging needs of residents and businesses. Regular financial monitoring will continue to ensure the Council takes all necessary remedial action, where practicable, with a continued focus on delivering key services against the backdrop of considerably reduced available resources.

### **Capital Programme**

The latest capital programme included in MTFP shows schemes totalling £18.375m in 2022/23 including rephasing from 2021/22, £3.057m in 2023/24, and £3.564m in 2024/25.

The larger capital schemes over the next three financial years include:

- Property Investment Board - £10.471m
- Waste and Recycling Vehicles - £3.487m
- Replacement Grounds Maintenance Vehicles - £1.118m
- Disabled Facilities Grant - £2.000m

The Capital Investment Programme can be funded from the following sources:

### **Government Grants & Other Contributions:**

These are grants for specific purposes which may be available from the Government, e.g. Disabled Facility Grants. The Council can also attract partnership funding from other local authorities and agencies e.g. Local Enterprise Partnership (LEP). The Council has also benefited in the past from other funding such as lottery grants.

### **Section 106 Contributions:**

These are contributions from developers to the public services and amenities required for the development. These have been in part replaced by the Community Infrastructure Levy (CIL).

### **Capital Receipts Reserve:**

Capital receipts are derived when selling assets such as land and/or buildings. The main receipt relates to the arrangements made when the Council sold its housing stock to Thrive Homes Ltd in 2008; the Transfer Agreement included a Right to Buy (RTB) Sharing Agreement whereby the Council is entitled to a share of the post-transfer receipts from RTB sales and a 'VAT Shelter Agreement' whereby the Council benefits from the recovery of VAT on continuing works carried out by Thrive.

### **Revenue Contributions:**

Revenue balances from the General Fund may be used to support capital expenditure.

### **Future Capital Expenditure Reserve:**

The Council has a general reserve which it has put aside for future capital expenditure. It has the ability, should it wish, to re-designate this reserve for revenue use.

### **New Homes Bonus Reserve:**

New Homes Bonus is a grant relating to the number of new homes delivered in a local authority area. There are no government restrictions on whether this is capital or revenue, nor is there any ring-fence imposed. The amount received from 2021/22 onwards has reduced as the grant is phased out.

### **Borrowing:**

The Council is allowed to borrow to support its capital expenditure as long as this is prudent, sustainable, and affordable. The Council has borrowed to support the new leisure centre provision in South Oxhey. The costs of this are recovered through the management fee income received from the leisure contractor.

### **Future Investment**

## NARRATIVE STATEMENT

Future Investment Schemes will be assessed on the basis of a full business case which will include full resourcing for the project and an assessment of affordability. Priority areas for future capital investment are:

Schemes that generate a financial surplus for the Council, and in particular those that increase the supply of housing locally (for example through the joint ventures with Watford Community Housing and Thrive); Schemes that generate revenue budget savings for the Council;

Schemes that allow the Council to benefit from future economic regeneration and potential within the local area, especially those that attract additional investment into the local area from regional or national agencies; and Schemes that provide additional or improved services to the Council's residents in line with the Council's Corporate Framework.

### FINANCIAL PERFORMANCE

#### Revenue Activity

For accounting purposes, the Council distinguishes between 'revenue' and 'capital' activities. Capital activities are dealt with below. Revenue activities are included in the Comprehensive Income and Expenditure Statement and cover the day to day income and expenditure involved in providing services to the public. The Council holds a General Fund Balance, shown in the Statement of Movement in Reserves and on the Balance Sheet, which is available to support revenue expenditure and to which surpluses are added and from which any deficits are met.

The net cost of revenue activities is met by central government grant, a share of non-domestic rates (business rates) and by the council tax charge made to residents. This is set each February prior to the start of the financial year and takes into account the General Fund Balance and detailed estimates of income and expenditure. A comparison of outturn figures to budgets, therefore, often provides a better indication of financial stewardship than comparison to the prior year. The actual outturn showed a surplus of £0.153m compared to the latest estimated deficit of £1.234m.

## NARRATIVE STATEMENT

Income and Expenditure Account 2021/22	Net Approved Budget £'000	Net Outturn £'000
<b>Committee- Net Cost of Services</b>		
Leisure, Environment & Community	5,387	4,786
Infrastructure, Housing & Economic Development	1,699	1,375
Policy & Resources	4,178	3,727
<b>Net Cost of Service</b>	<b>11,264</b>	<b>9,888</b>
Parish Precepts	2,115	2,115
Net Interest	41	(29)
<b>Net Operating Expenditure</b>	<b>13,420</b>	<b>11,973</b>
Contribution to/(from) reserves	(60)	0
<b>Amount to be met from Government Grants and Local Taxpayers</b>	<b>13,360</b>	<b>11,973</b>
Demanded From Collection Fund	(9,245)	(9,245)
Collection Fund Transfer of (surplus)/deficit		
Business Rates	(2,495)	(2,495)
Non- Specific Grants	(336)	(336)
Other Income	(50)	(50)
<b>Total</b>	<b>(12,126)</b>	<b>(12,126)</b>
Balance in Hand on General Fund at 1 April	(5,210)	(5,210)
(Surplus)/Deficit For Year	1,234	(153)
<b>Balance in Hand General Fund at 31 March</b>	<b>(3,976)</b>	<b>(5,364)</b>
Balance in Hand on Economic Impact Reserve at 1 April	(1,803)	(1,803)
(Surplus)/Deficit For Year	0	0
<b>Balance in Hand Economic Impact at 31 March</b>	<b>(1,803)</b>	<b>(1,803)</b>
Total Balance in Hand on General Fund at 1 April	(7,013)	(7,013)
(Surplus)/Deficit For Year	1,234	(153)
<b>Balance in Hand at 31 March</b>	<b>(5,779)</b>	<b>(7,166)</b>

## NARRATIVE STATEMENT

### Capital Activity

Capital expenditure is incurred on assets that benefit the community over a number of years. Capital expenditure for 2021/22 is shown below:

<b>Capital Programme 2021/22</b>	<b>Latest Approved Budget £'000</b>	<b>Net Outturn £'000</b>	<b>Variance £'000</b>
<b>Services</b>			
Infrastructure, Housing & Economic Development	1,040	800	(239)
Leisure, Environment & Community	1,664	1,576	(88)
Policy & Resources	1,290	801	(489)
<b>Service Capital Programme</b>	<b>3,993</b>	<b>3,177</b>	<b>(816)</b>
<b>Major Projects</b>			
Leisure Facility South Oxhey	268	268	0
South Oxhey Initiative	12	73	61
Property Investment Board	10,512	134	(10,378)
Temporary Accommodation	56	56	0
<b>Total Capital Programme</b>	<b>14,843</b>	<b>3,710</b>	<b>(11,133)</b>

The Council planned to complete capital schemes valued at £14.843m in 2021/22. The Council completed and funded £3.710m worth of capital work. The main variance related to a delay in the completion of the purchase of land which will now complete after 31 March 2022 and has resulted in the reprofiling of £10.200m into 2022/23.

Of the £3.710m invested £2.074m was funded from the New Homes Bonus earmarked reserve. The remainder was funded from government grants, contributions from third parties and borrowing.

### FUTURE CHALLENGES

#### General

The future for local government funding remains very uncertain. The conclusion of reviews of Fair Funding, Business Rates and New Homes Bonus, initially expected to come into effect in 2020/21, remain outstanding and are not expected for the 2023/24 planning cycle. The Council has made provision for the expected outcome of these reviews within the MTFP, however, this uncertainty continues to make medium term financial planning far more challenging. Alongside this councils are continuing to manage the ongoing effects associated with the COVID-19 Pandemic which has resulted in longer term income losses, particularly around leisure and parking. The current inflationary environment creates a further challenges as the Council manages the impact of increases in the prices of energy, fuel and contracts. The impact of this will be monitored throughout 2022/23 and incorporated into the MTFP through the budget planning process. Proactive financial stewardship has ensured that we are in a strong financial position to enable us to move forward and react to all of these challenges.

### **BASIS OF PREPARATION AND PRESENTATION**

The Accounts are presented on an International Financial Reporting Standards (IFRS) basis having been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22. References to material and materiality relates to the significance of transactions, balances and errors. Financial information is material if its omission or misstatement could influence the users of the accounts.

### ANNUAL GOVERNANCE STATEMENT 2021/22

#### SCOPE OF RESPONSIBILITY

1. Three Rivers District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
3. Three Rivers District Council has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/Solace Framework 'Delivering Good Governance in Local Government'. It is also in accordance with the requirements of the Accounts and Audit (England & Wales) Regulations 2015.
4. This Governance Statement explains how the Council has maintained sound governance during the 2021/22 financial year and also how the Council meets the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015.

#### THE PURPOSE OF THE GOVERNANCE FRAMEWORK

5. The governance framework has been in place at the Council for the year ended 31 March 2022 and up to the date of approval of the annual report and statement of accounts. It comprises the systems and processes as well as the culture and values, by which the Council is directed and controlled and through which accounts to, engages with and leads the community.
6. The governance framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.
7. The system of internal control is a significant part of this framework and is designed to manage risk to a reasonable level. However, it cannot eliminate all risk of failure to achieve policies, aims and objectives and, therefore, can only provide reasonable and not absolute assurance of effectiveness.
8. 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, aims and objectives, to evaluate the likelihood of those risks being realised and to manage them efficiently, effectively and economically.

#### THE GOVERNANCE FRAMEWORK

9. The key elements of the systems and processes that comprise the Council's governance arrangements, as per the CIPFA 'Delivering Good Governance in Local Government: Framework – Addendum' include the following:

### General

10. Three Rivers District Council operates a Committee model form of governance under the Localism Act 2011 (“the Act”) and has done so since June 2014, with some further changes made in 2018. This has ensured that there is a more democratic approach to decision making in the organisation with no elected members having any individual executive power to make decisions and requiring Committees to be politically proportionate.
11. The Council’s written Constitution sets out how the Council operates, how decisions are made including which decisions are delegated to the various Committees or to Officers under the scheme of delegation and the terms of reference for the various Committees. The procedures that are followed to ensure that these are efficient, transparent and accountable to the local community. Some of these procedures are required by law as set out in the Act and regulations made thereunder, whilst others are adopted locally by the Council. The Constitution is reviewed at least annually and is available on the Council’s website and intranet. Changes to the Constitution are reported to Full Council and where beyond a minor change delegated to the Chief Executive to authorise, are authorised by Council itself.
12. The Council has an approved Local Code of Governance, a copy of which is included in Part 5 of the written Constitution. This sets out and describes its commitment to good governance and identifies the arrangements that have been and will continue to be made to ensure its ongoing effective implementation and application in all aspects of the Council’s work. The Local Code of Governance is available on the Council’s website.
13. The Council acknowledges its responsibility for internal control, and for ensuring that its systems maintain the integrity of accounting records and safeguard its assets. These systems provide reasonable assurance as to the reliability of financial information and maintain proper control over the income, expenditure, assets and liabilities of the Council. However, no system of internal control can provide absolute assurance against material misstatement or loss.
14. The Corporate Management Team is aware of the financial and other procedures and controls outlined in the Constitution, and senior officers are required to sign a declaration of compliance, in the form of a Management Assurance Statement, at the end of each year. This evidences amongst other things, that their staff are aware of and consistently apply the requirements of the Constitution.
15. Elected Members as decision-makers have to declare pecuniary and non-pecuniary interests as defined under the Act as and when they occur as well as formally recording this information in the Register of Members Interests which is available online. Each Councillor is personally responsible for keeping their entry in the Register up to date and are reminded of this obligation on an annual basis. Members have access to the Committee team and the Monitoring Officer for advice on declaration of interests at meetings.

### Strategic Aims and Objectives



16. The Council and the Policy and Resources Committee met regularly to set the strategic direction of the Council and together with the Audit Committee and the Service Committees, monitor service delivery.
17. The Council updates and formally adopts its Strategic Plan annually each February, and this sets out key service improvement priorities for the medium term, with targets for performance and deadlines for achievement. This has been informed by public consultation on a range of topics, particularly around priority setting, and a detailed analysis of the local context. Progress on the Plan is reported to the public. The Strategic Plan reflects the priorities and vision set out in the 2020/23 Corporate Framework.

### Vision

18. We want Three Rivers to be a place for everyone where all our communities enjoy a healthy and sustainable future with access to good quality housing and open spaces, high quality services, and a successful economy.

### Aims and Priorities

#### **Housing and Thriving Communities:** We will:

- Work on a local plan to deliver sufficient housing and adopt that plan by 2023
- Through our joint ventures and partnerships take all available practicable action to increase the supply of affordable homes in the district
- Complete the delivery of the main and learner pools and refurbishment to the leisure venue at South Oxhey. This was achieved in 2020/21.
- Seek to increase the number of Green Flag accredited parks and open spaces
- Work towards reducing inequalities, prevent homelessness and encourage healthy lifestyles
- Continue to work with partners to tackle crime and anti-social behaviour and secure investment in priority interventions.

#### **Sustainable Environments:** We will

- Produce and deliver a Climate Change Strategy and action plan
- Continue to improve the energy efficiency of the Council's buildings
- Deliver and implement a Cycling and Walking Strategy
- Seek to maintain our position as the highest recycling authority in Hertfordshire.

#### **Successful Economy:** We will

- Undertake a review of the Council's role in relation to the economy and agree an economic strategy
- Continue to participate in the Hertfordshire Growth Board and South-West Herts Partnership and engage the Hertfordshire Local Enterprise Partnership to support the economy
- Ensure Three Rivers is recognised as a great place to do business
- Continue to improve our relationship with the local business community
- Continue to support Visit Herts and promote Three Rivers as the home of the internationally significant Warner Bros Studios.

### **High Performing Financially Independent Council: We will**

- Generate enough income to continue to provide services for the district
- Develop and deliver an improved Property Investment Strategy to maximise income from our assets and support the Commercial Strategy
- Progress our Customer Service Strategy that provides a range of contact channels for customers and sets out corporate expectations of how they should be treated
- Produce an Organisational Development Strategy to support the Council in delivering its priorities and objectives.

19. Underpinning these overarching priorities are a series of measurable (SMART) objectives so that every member of staff and our community can feel fully engaged in the process. The Council is also the lead authority for the Local Strategic Partnership, which is made up of key stakeholders from Herts Valleys NHS Clinical Commissioning Group, Hertfordshire Police Constabulary, Police and Crime Commissioner, Hertfordshire County Council, Parish Councils, Thrive Homes, Watford Community Housing Trust, West Herts College, Department of Work and Pensions (Job Centre), Voluntary and Business Sectors.

### **Decision Making Structures**

20. At an officer level, the senior management comprises the Chief Executive, shared Director of Finance, Director of Community and Environmental Services, Executive Head of Services and other Heads of Service. Financial control is primarily the responsibility of the Shared Director of Finance with neighbouring Watford Borough Council. This combined management comprises the Corporate Management Team who meet to review and progress the key objectives of the council.

21. Overall financial control is monitored on a monthly basis by the Corporate Management Team and the Budget Panel. Budget preparation is influenced by the Council's Medium Term Financial Plan (MTFP) which forecasts budget pressures and available resources over a four year period. This MTFP is reported to members and the Budget Panel where variations to the plan are approved. The Council has the ultimate responsibility for approving the annual budget. The final accounts are subject to formal approval by the Audit Committee.

### **Constitution**

22. The Council has a written Constitution which identifies community focus, service delivery arrangements, structures and processes, risk management, internal control arrangements and standards of conduct. This sets out how the Council takes decisions, roles and responsibilities of members and officers, codes of conduct and procedure rules and also sets out the rights of citizens. The Council's Constitution is available on the Council's website.

23. There are regular meetings of the Full Council, Policy and Resources Committee and the other Service and Regulatory Committees. Meetings are open to the public and written reports are available to the public through the Council's website. Information is only treated as confidential when it is necessary to do so for legal / commercial reasons in accordance with the provisions of the Local Government Act 1972 as amended. During 2021/22 meetings were held in-person and virtually with access to the public maintained.

24. Councillors are assisted in their policy and decision-making roles by the advice of staff with suitable qualifications and experience, under the leadership of the Chief Executive. All reports requiring a decision from members include comments on financial, legal, equalities, sustainability, community safety (as relevant) and other appropriate issues such as potential risks to non-achievement, all of which ensures that comprehensive advice is provided prior to decisions being taken.
25. Local Authorities operating a committee system do not have to have or appoint separate overview and scrutiny committees. The scrutiny function for health and community safety is undertaken by the Leisure Environment and Community Committee. At Three Rivers District Council the review and scrutiny of policy is co-ordinated through the Policy and Resources Committee.
26. The Council's protocols and procedures are reviewed and updated on a regular basis for standing orders, financial regulations, a scheme of delegation and supporting procedure notes/ manuals clearly defining how decisions are taken and the process and controls required to manage risks. Compliance with established policies, procedures, laws and regulations is achieved through a combination of training events, written policy and procedural documentation, authorisation procedures, managerial supervision, review by internal and external audit and use of the disciplinary procedure where appropriate.
27. Codes of Conduct defining the standards of behaviour for members, staff, our partners and the community have been developed and communicated and are available on the Council's website. A new Code of Conduct for Members was approved at Annual Council on 25<sup>th</sup> May 2021 and is now in force. All Members have received training on the new Code.
28. The Solicitor to the Council is the Council's Monitoring Officer and duties include: maintaining the council's Constitution; reporting on any potential or actual illegality or maladministration; and giving advice to the Leader and councillors on the Constitution or issues of maladministration, financial impropriety or probity.
29. The Shared Director of Finance is the statutory Chief Finance Officer. Duties include: overall responsibility for financial administration, reporting on any actual or potential instances of illegality in expenditure, including unlawful loss or deficiency or illegal items of account, and giving advice to the Council on financial planning.

### **Data Quality and Risk Management**

30. The Council has a performance management framework linked to the Council's Corporate Framework. The framework is based on the collection and interpretation of data in the form of performance indicators. The Council is committed to using accurate data to inform its decisions and has prepared a Data Quality Strategy to achieve this. The Council's committees review the Council's achievements against targets set for service delivery.
31. The governance framework is dependent upon the underlying system of internal control which is designed to manage risk to a reasonable level. The Council's approach to risk management is governed by its Risk Management Strategy which is updated annually. All of the Council's key objectives, including those in the Strategic Plan have been cascaded into service plans, and the barriers to their achievement (i.e. the risks) have been

identified, assessed and managed through service plans. Risks have been identified and assessed for their impact and likelihood. Where they require managing, a risk treatment plan has been prepared which identifies the controls that exist to minimise the risk together with any further action that is required. Risks associated with the Council's partners are considered and risk management is embedded throughout the Council.

32. Business continuity and emergency planning are other key aspects within the corporate governance framework and again falls within the remit of the Risk Management corporate group.

### **Shared Services with Watford Borough Council**

33. Three Rivers District Council has been a leading authority in developing a shared service for revenues, benefits, ICT, financial services, and human resources with Watford Borough Council. Both Councils also share the statutory post of Chief Financial Officer - the Shared Director of Finance.

34. From April 2014, the Governance arrangements for shared services changed to a lead authority model. Three Rivers District Council are responsible for providing financial services and revenues and benefits, whilst Watford Borough Council are responsible for the provision of ICT and human resources. An executive board of senior management from both councils is responsible for these services. The role of the Board covers:

- monitoring performance and dealing with complaints from either authority;
- resolving conflicts between competing interests amongst the authorities;
- reviewing the governance arrangements;
- dealing with matters referred up to it by the Operations Board;
- having overall supervision of the Shared Service;
- receiving annual reports on each service within the shared service;
- community engagement.

35. The Council has established clear channels of communication with all sections of the community and other stakeholders. It provides citizens and business with information about the Council and its spending through a leaflet that is distributed with council tax and business rate bills and the publication of a summary of its key financial information.

### **REVIEW OF EFFECTIVENESS**

36. The Council has responsibility for conducting at least annually a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of councillors, the officers who have responsibility for the development and maintenance of the governance environment, the Annual Report of the Head of Assurance for the Shared Internal Audit Service and also by comments made by the external auditors and other review agencies and inspectorates. Members receive half-yearly reports and corrective action has been detailed and monitored where necessary. The monthly budget monitoring system incorporated an update on financial and budgetary risks, a quantitative evaluation of fee income and the position on reserves and balances.

### **The Council**

37. All Councillors meet together as the Full Council. These meetings are chaired by the Chairman of the Council appointed in May for the municipal year. At these ordinary meetings, Councillors decide the Council's overall policies and set the budget each year. Certain decisions can only be made by the Council as a whole and these are clearly set out in the written Constitution. The Council also hold debates on issues which affect the district generally. The Leader of the Council can make an oral report on relevant district matters. Members of the public may, on notice, put written questions to the Council.
38. The Full Council comprises all 39 Members. They met four times during 2021/22. In addition, there was a meeting of Annual Council. In cases of urgency an extraordinary meeting of the Council can be called by the Chairman and / or the Monitoring Officer under Part 4, Rule 1 of the Constitution and one such meeting was held in the year.

### **The Policy and Resources Committee**

39. The Policy and Resources Committee sets and co-ordinates all policy for itself and the service and other committees which have been delegated by Council. It reviews and scrutinises the policies made or proposed to be made by the Council and recommends appropriately to the Council:

- whether any new policies are required;
- whether any existing policies are no longer required;
- whether any changes are required to any existing policies;
- whether any action is required to make the policies more effective.

40. Policy and Resources Committee met eight times during 2021/22, including one extraordinary meeting.

### **The Service Committees**

41. The Council has two decision making Service Committees which have detailed terms of reference set out in the Constitution:

- Infrastructure, Housing and Economic Development; and
- Leisure, Environment and Community.

42. The functions of the Service Committees are to:

- make all decisions in respect of their areas of responsibility provided these are within their allocated budgets and agreed policies;
- consider any matter referred to them by the Council or the Policy and Resources Committee and recommend or report to the Council or the Policy and Resources Committee accordingly;
- review performance against the previous year's plans of the services within their remit;
- determine an annual Work Plan;
- liaise and seek views of the local community and other interested parties in relation to the above matters; and
- consider any submitted Community or Councillor Calls for Action.

### **Regulatory Committees**

43. The Council has three regulatory committees: Planning, Licensing and Regulatory Services. The terms of reference and responsibility for functions is set out in Parts 2 and 3 of the Constitution.

### **Member Allowances**

44. Members Allowances were reviewed in 2019 by an Independent Remuneration Panel. The report and recommendations of the Independent Remuneration Panel for 2020/21 was approved by the full Council in December 2019. The Panel did recommend increases in the allowances and these were implemented from 1 April 2019

45. The Independent Remuneration Panel comprised of local residents appointed for a 3 year period, meets on an annual basis. Their recommendation and the decision of the Council on the allowances are published locally.

### **Senior Management**

46. There are three Council officers who have statutory appointments - the Chief Executive's role as the Head of Paid Service, the Director of Finance's role as the Section 151 Officer and the Solicitor to the Council as the Monitoring Officer.

### **Procurement**

47. The Council aims to use its resources efficiently, effectively and economically.

48. The Council has a robust set of documentation to provide guidance and advice to Members and officers to ensure that Procurement is carried out in an effective and ethical manner. This documentation includes Contract Procedure Rules and a Contract Management Toolkit. These documents are regularly reviewed to reflect changes in local requirements and EU policy and legislation.

### **The Audit Committee**

49. Audit Committee comprised seven members and met five times during 2021/22.

50. The role of Audit Committee is to:

- Approve (but not direct) internal audit's strategy, plan and performance;
- Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary;
- Consider the reports of external audit and inspection agencies;
- Consider the effectiveness of the authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements. Seek assurances that action is being taken on risk related issues identified by auditors and inspectors;
- Be satisfied that the authority's assurance statements, including the Statement on Internal Control, properly reflect the risk environment and any actions required to improve it;



- Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted;
- Review the external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit;
- Approve the statutory Statement of Accounts.

### Internal Audit

51. Internal Audit is an assurance function that provides an independent and objective opinion to the Council on its control environment - this comprises the systems of governance, internal control and risk management - by evaluating its effectiveness in achieving the organisation's objectives.
52. The internal audit function is carried out, by the Shared Internal Audit Service (SIAS), a local internal audit partnership hosted by Hertfordshire County Council. This provides greater independence and resilience and a positive step in improving governance. Internal Audit carry out a programme of reviews during the year which are based upon a risk assessment including fraud risk. The audit plan is approved by Audit Committee in March of the preceding year. As part of these audits, any failures to comply with legislation, council policy and practice or best practice guidance issued by a relevant body is identified and reported. Circulation of reports to senior officers, reports to the Audit Committee and follow-up procedures ensure action is taken on priority improvements. Progress on implementing internal audit recommendations is reported in quarterly reviews to Audit Committee.
53. In line with Public Sector Internal Audit Standards, an Annual Assurance Statement and Internal Audit Report was compiled and presented to the September 2021 meeting of the Audit Committee, which:
- included an opinion on the overall adequacy and effectiveness of the Council's internal control environment;
  - disclosed any qualifications to that opinion, together with any reasons for the qualification;
  - drew attention to any issues which are judged particularly relevant to the preparation of the annual Governance Statement.
54. The SIAS Head of Assurance Annual Report is a key source document for the Council's Annual Governance Statement. For 2021/22 this Report includes the following statements:
- In our opinion the corporate governance and risk management framework substantially complies with the best practice guidance on corporate governance issued by CIPFA/SOLACE. This conclusion is based on the work undertaken by the Council and reported in its Annual Governance Statement for 2021/22.
  - A reasonable assurance opinion is given on the adequacy and effectiveness of both financial systems and non-financial systems in the internal control environment. The internal control framework is largely working well in managing the key risks in scope, with some audit findings related to the current arrangements. There are no qualifications to this assurance.

### **The Council's External Auditors**

55. External auditors, Ernst & Young LLP, provide an external review function through the audit of the annual accounts, assessment of value for money, and certification of grant claims. The Annual Audit and Inspection Letter is circulated to all Members and formally reported to the Audit Committee.
56. The conclusion of the external audits for 2019/20 and 2020/21 has been delayed but a plan is in place to bring the audit back in line with the statutory timetable.
57. The Local Government contract for the Council was awarded to EY (Ernst and Young LLP) following re-tendering by the Audit Commission ahead of its abolition in March 2015. In December 2017, EY were appointed by PSAA as auditor for Three Rivers for 2021/22.

### **SIGNIFICANT GOVERNANCE ISSUES**

58. The 'normal' running of Council business has and can be controlled through the governance framework detailed in this report. No significant governance issues have been identified for 2021/22 and no outstanding matters were brought forward from 2020/21.
59. Although not considered to be a significant governance issue, Cyber Security remains a threat (as it does to all organisations). The Council has a number of mitigations in place and the associated risks are managed via the ICT risk register and through reporting to the IT Steering Group forum as part of regular reporting.
60. During 2021/22 COVID-19 continued to impact on the Council's services and in addition, the Council continued to be responsible for administering grant systems and payments which have had an impact on the Council's resources.



**Certification Statement from the Leader of the Council and the Chief Executive**

- 61. We propose to take steps over the coming financial year to address the above matters to further enhance our governance arrangements. We will also monitor the implementation of any audit recommendations that arise during the course of the year.
  
- 62. It is our opinion that the Council’s governance arrangements in 2021/22 were sound and provide a robust platform for achieving the Council’s priorities and challenges in 2022/23. It is our opinion that this has remained the case during the COVID-19 pandemic; and that despite the challenges posed by this, the Council’s governance in dealing with the pandemic and our ability to maintain sound governance during the outbreak, has been effective.

Signed \_\_\_\_\_

Date \_\_\_\_\_

Leader of the Council – Sarah Nelmes

Signed \_\_\_\_\_

Date \_\_\_\_\_

Chief Executive – Joanne Wagstaffe

TRDC Annual Governance Statement 2021/22 Action Plan

No.	Issue	Action	Resolved	Updates
	No significant issues identified.			

**Financial Management Code Compliance Self-Assessment 2021/22**

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
<b>1. Responsibilities of the Chief Finance Officer (CFO) and Leadership Team</b>				
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money (VfM)	Services use peer reviews incorporating benchmarking to inform opportunities to improve VfM. All tenders consider VfM by considering the quality of service and not just price.	Developing a Continuous Improvement Plan which will take shape during 2022/23.	<b>GREEN</b>
B	The authority complies with the CIPFA "Statement of the Role of the CFO in Local Government"	The CFO is qualified accountant with significant experience working as an active member of the leadership team. The CFO is a member of Leadership Board and has an influential role with members of the Cabinet, Audit Committee and lead opposition members. Role profiles within the finance team have been refreshed to ensure that the team is suitably resourced and fit for purpose.		<b>GREEN</b>
<b>2. Governance and Financial Management Style</b>				
C	The Leadership Team demonstrates in its actions and behaviours responsibility for governance and internal control	The Statutory Officer Group exists to ensure good governance and internal control, including driving the production of the Annual Governance Statement (AGS) and Action Plan through the completion of Annual Assurance Statements by Leadership Board.	Expansion of the Statutory Officers Group to include the Chief Internal Auditor (role fulfilled by Client Audit Manager through SIAS Partnership)	<b>GREEN</b>
D	The authority applies the CIPFA/SOLACE "Delivering Good Governance in Local Government: Framework (2016)"	Annual Governance Statement (AGS) includes internal audit opinion on effectiveness of internal control environment and systems of internal control. The Council updates the Local Code of Governance annually.		<b>GREEN</b>

## ANNUAL GOVERNANCE STATEMENT

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
E	The Financial Management style of the authority supports financial sustainability	At the core of the Finance Shared Service is a technical accounting team that provides the accounting framework, treasury management function for the organisation. The budget setting process and support for strategic financial matters is delivered by the Director of Finance and Head of Finance. The Finance Business Partner team provides dedicated support to Heads of Service and budget managers with financial planning and monitoring.	Implementation of the Finance Business Partnering model will strengthen relationships between finance and services.	<b>GREEN</b>
<b>3. Long to Medium-Term Financial Management</b>				
F	The authority has carried out a credible and transparent financial resilience assessment	An annual assessment is made for the prudent minimum level of General Balances and this forms the basis of the budget planning process. In addition, the authority holds earmarked reserves to manage specific risks such as the Croxley Business Park Reserve and the Business Rates Reserve. In making this assessment Officers use the CIPFA Financial Resilience index to benchmark against other local authorities.		<b>GREEN</b>
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members	The budget papers and MTFS outline the financial challenges and opportunities facing the Council. Budget planning reports to Cabinet clearly set out the financial planning environment and any assumptions made.		<b>GREEN</b>

## ANNUAL GOVERNANCE STATEMENT

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
H	The authority complies with the CIPFA “Prudential Code for Capital Finance in Local Authorities”	An annual Capital and Investment Strategy is set by Council alongside a three-year Capital Investment Programme, Treasury Management Strategy, Annual Investment Strategy and Minimum Revenue Provision Policy. The Capital Programme is monitored monthly with reports produced quarterly for Leadership Board, Finance Scrutiny Committee and Cabinet. Mid-term and Outturn Treasury Management reports are taken to Audit Committee and Cabinet, including monitoring of Prudential Indicators.		<b>GREEN</b>
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans	The Council has an integrated Business and Budget Planning Process with a three-year MTFS supported by Service Plans.		<b>GREEN</b>
<b>4. The Annual Budget</b>				
J	The authority complies with its statutory obligations in respect of the budget setting process	The Council produces an annual balanced budget and supporting documentation within the necessary timeframe.		<b>GREEN</b>
K	The budget report includes a statement by the CFO on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves	The CFO’s S25 report forms part of the budget report to Council and includes a commentary of the adequacy of proposed financial reserves.		<b>GREEN</b>

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
<b>5. Stakeholder Engagement and Business Plans</b>				
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget	The Council's budget priorities are closely linked to the Council's Corporate Plan and Mayoral manifesto pledges which are voted on every four years. The Finance Scrutiny Committee considers and provides comments to Cabinet on the budget proposals. Specific proposals for service changes are taken through a formal public consultation process as part of the decision making process.	Establishment of Citizen Panels which will help to establish resident priorities in terms of budget allocation.	<b>GREEN</b>
M	The authority uses an appropriate documented options appraisal methodology to demonstrate the value for money of its decisions	A business case is required for all capital schemes which sets out alternative options, the reasons for discounting them and benefits of progressing with the scheme. All tenders consider VfM by considering the quality of service and not just price – the appraisal process is documented. Cost estimates for capital projects are subject to robust challenge. Projects are managed within the Council's project management framework and supported by the Council's well established Enterprise Programme Management Office (EPMO).		<b>GREEN</b>

## ANNUAL GOVERNANCE STATEMENT

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
<b>6. Monitoring Financial Performance</b>				
N	The Leadership Team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability	The quarterly monitoring report to Cabinet enables Leadership Board and Cabinet to respond to emerging risks – the effectiveness was evidenced during 2020/21 and 2021/22 as the Council agreed an in year budget changes to respond to the financial impact of COVID-19. The report is also considered by Finance Scrutiny Committee.	During 2022/23 the reporting framework will be enhanced to provide greater transparency.	<b>GREEN</b>
O	The Leadership Team monitors the elements of its balance sheet that pose a significant risk to financial sustainability	The quarterly monitoring report to Cabinet includes monitoring of key balance sheet items including balances, reserves, debtors, and cash (including the performance of Treasury Management).	Increase the visibility of relevant balance sheet items for service managers through improving service level reporting on earmarked reserves and aged debtors.	<b>GREEN</b>
<b>7. External Financial Reporting</b>				
P	The CFO has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the “Code of Practice on Local Authority Accounting in the United Kingdom” (The Code)	The annual accounts are produced in compliance with The Code. The accounts receive an unqualified audit opinion. Issues raised by the External auditors in relation to the 2019/20 accounts have been addressed by Officers.	The delay to the audit of the 2019/20 and 2020/21 accounts has impacted on the timeliness of financial reporting. However, a plan is in place with the Council’s external auditors to bring the audit timetable back within the statutory framework by April 2023.	<b>AMBER</b>

## ANNUAL GOVERNANCE STATEMENT

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions	Leadership Board and Cabinet consider outturn report and year end variances in a timely manner enabling strategic financial decisions to be made as necessary including transfers to reserves and agreed carry forwards for both revenue and capital budgets.		GREEN



### **Movement in Reserves Statement (MIRS) (Page 24)**

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 applied to fund expenditure or reduce local taxation) and other reserves (unusable reserves). The (Surplus) or Deficit on the Provision of Services line shows the true and fair cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council tax setting. The net (increase)/decrease before transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

### **Comprehensive Income and Expenditure Statement (Page 25)**

This statement shows the true and fair view of cost in the year of providing services in accordance with generally accepted accounting policies, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations, and this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

### **Balance Sheet (Page 26)**

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the Council is not able to use to provide services (unusable reserves). This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve) where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

### **Cash Flow Statement (Page 27)**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses the cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from finance activities are useful in predicting claims on future cash flows by providers of capital to (i.e. borrowing by) the Council.

## CORE FINANCIAL STATEMENTS

### MOVEMENT IN RESERVES STATEMENT

2021/22	Note	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance as at 1 April 2019</b>		(4,868)	(23,060)	(217)	(1,482)	(29,627)	(52,164)	(81,791)
Total Comprehensive income and expenditure		4,330				4,330	(11,776)	(7,446)
Adjustments between accounting basis, and funding basis under regulations	8	(2,940)		(6,355)	(881)	(10,176)	10,176	0
Transfer to/from Earmarked Reserves		1,186	1,012			2,198	(2,198)	0
<b>Total Increase\decrease) during the year</b>		<b>2,576</b>	<b>1,012</b>	<b>(6,355)</b>	<b>(881)</b>	<b>(3,648)</b>	<b>(3,798)</b>	<b>(7,446)</b>
<b>Balance as at 31 March 2020</b>		<b>(2,292)</b>	<b>(22,048)</b>	<b>(6,572)</b>	<b>(2,363)</b>	<b>(33,275)</b>	<b>(55,962)</b>	<b>(89,237)</b>

2020/21	Note	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance as at 1 April 2019</b>		(5,048)	(17,362)	(233)	(860)	(23,503)	(71,958)	(95,461)
Total Comprehensive income and expenditure		1,968				1,968	11,702	13,670
Adjustments between accounting basis, and funding basis under regulations	8	(10,861)		16	(622)	(11,467)	11,467	0
Transfer to/from Earmarked Reserves		9,073	(5,698)			3,375	(3,375)	0
<b>Total Increase\decrease) during the year</b>		<b>180</b>	<b>(5,698)</b>	<b>16</b>	<b>(622)</b>	<b>(6,124)</b>	<b>19,794</b>	<b>13,670</b>
<b>Balance as at 31 March 2020</b>		<b>(4,868)</b>	<b>(23,060)</b>	<b>(217)</b>	<b>(1,482)</b>	<b>(29,627)</b>	<b>(52,164)</b>	<b>(81,791)</b>

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2020/21					2021/22		
Gross Spend	Gross Income	Net Spend			Gross Spend	Gross Income	Net Spend
£'000	£'000	£'000		Note	£'000	£'000	£'000
			<b>Services</b>				
12,072	(3,670)	8,402	Leisure Wellbeing and Health		13,254	(5,113)	8,141
3,880	(1,630)	2,250	Infrastructure Housing and Economic Development		3,935	(1,878)	2,057
31,143	(22,897)	8,246	Policy Resources		32,333	(25,010)	7,323
<b>47,095</b>	<b>(28,197)</b>	<b>18,898</b>	<b>Cost of Services</b>		<b>49,522</b>	<b>(32,001)</b>	<b>17,521</b>
		(3,889)	Other Operating (Income)	<b>9</b>			(460)
		(782)	Financing and Investment (Income)/Expenditure	<b>10</b>			(519)
		(12,259)	Taxation and Non-Specific Grant Income	<b>11</b>			(12,212)
		<b>1,968</b>	<b>Deficit on Provision of Services</b>				<b>4,330</b>
		1,023	(Surplus) on Revaluation of PPE	<b>38(e)</b>			0
		10,679	Re-measurement of the net defined benefit pension liability	<b>35</b>			(11,776)
		<b>11,702</b>	Other Comprehensive (Income)/Expenditure				<b>(11,776)</b>
		<b>13,670</b>	<b>Total Comprehensive (Income)/Expenditure</b>				<b>(7,446)</b>

## BALANCE SHEET

2020/21			2021/22
£'000		Note	£'000
	Property, Plant and Equipment		
67,459	Land and Buildings	22	67,490
4,981	Vehicles, Plant and Equipment	22	4,454
266	Infrastructure Assets	22	494
1,187	Community Assets	22	1,246
2,490	Assets Under Construction	22	2,545
145	Heritage Assets	23	145
	Surplus Assets	24	77
11,187	Investment Properties	24	11,217
25,857	Long-Term Debtors	27	11,482
2,863	Long-Term Investments	27	2,857
<b>116,435</b>	<b>Total Long term Assets</b>		<b>102,007</b>
13,791	Inventories	28	13,825
5,230	Short-Term Debtors	29	3,989
1	Short-Term Investments	39	13,001
7,445	Cash and Cash Equivalents	30	8,856
<b>26,467</b>	<b>Total Current Assets</b>		<b>39,671</b>
(15,526)	Short-Term Creditors	32	(23,237)
(8,009)	Short Term Borrowings	32	0
<b>(23,535)</b>	<b>Total Current Liabilities</b>		<b>(23,237)</b>
0	Deferred Liabilities	33	0
(8,000)	Loans	33	(8,009)
(1,343)	Provisions	34	(1,344)
(107)	Grants & Contributions		(41)
(28,127)	Defined Benefit Pension Scheme	35	(19,810)
<b>(37,577)</b>	<b>Total Long Term Liabilities</b>		<b>(29,204)</b>
<b>81,790</b>	<b>Net Assets</b>		<b>89,237</b>
	<b>Reserves</b>		
(29,627)	Usable Reserves	37	(33,275)
(52,164)	Unusable Reserves	38	(55,962)
<b>(81,791)</b>	<b>Total Reserves</b>		<b>(89,237)</b>

Signed

**Alison Scott**  
**Director of Finance**

Date: 31 July 2022

Signed

**Councillor Margaret Hofman**  
**Chairman of Audit Committee**

Date: 31 July 2022

CASH FLOW STATEMENT

2020/21				2021/22	
£'000	£'000		Note	£'000	£'000
(1,944)		Net (deficit) on the provision of services	CIES	(4,330)	
15,197		Adjustments to net surplus or deficit on the provision of services for non cash movements	31a	15,324	
(2,030)		Adjustments for items that are outflows in provision of services from investing and financing activities	31a	(2,108)	
	<b>11,223</b>	<b>Net cash inflows/(outflows) from Operating Activities</b>			<b>8,886</b>
	(3,511)	Investing Activities outflows	31b		(194)
	(10,118)	Financing Activities outflows	31c		(7,280)
	<b>(2,406)</b>	<b>Net increase in cash and cash equivalents</b>			<b>1,412</b>
	<b>9,851</b>	<b>Cash and Cash equivalents at the beginning of the reporting period</b>			<b>7,445</b>
	<b>7,445</b>	<b>Cash and Cash equivalents at the end of the reporting period</b>	30		<b>8,857</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Expenditure and Funding Analysis

The Expenditure and Funding Analysis is a note to the Financial Statements, however it is positioned here as it provides a link between the figures reported in the Narrative Statement and the Comprehensive Income & Expenditure Statement (CIES) notes

2020/21				2021/22		
Net Expenditure chargeable to General Fund	Adjustments	Net Expenditure in the CIES		Net Expenditure chargeable to General Fund	Adjustments	Net Expenditure in the CIES
£'000	£'000	£'000		£'000	£'000	£'000
5,731	2,671	8,402	Leisure Wellbeing and Health	4,776	3,365	8,141
1,704	546	2,250	Infrastructure Housing and Economic Development	1,416	641	2,057
3,653	4,593	8,246	Policy Resources	5,136	2,187	7,323
<b>11,088</b>	<b>7,810</b>	<b>18,898</b>	<b>Net Cost of Services</b>	<b>11,328</b>	<b>6,193</b>	<b>17,521</b>
(19,980)	3,026	(16,954)	Other Income and Expenditure	(9,939)	(3,252)	(13,191)
<b>(8,892)</b>	<b>10,837</b>	<b>1,944</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>1,389</b>	<b>2,941</b>	<b>4,330</b>
9,073			Transfer (from)/to Reserves	1,186		
<b>180</b>			<b>(Surplus)/Deficit as per Outturn</b>	<b>2,575</b>		
<b>(5,048)</b>			Opening General Fund Balance	<b>(4,868)</b>		
180			(Surplus)/Deficit on Provision of Services	2,575		
<b>(4,868)</b>			<b>Closing General Fund Balance</b>	<b>(2,293)</b>		

## NOTES TO THE FINANCIAL STATEMENTS

### 1(a) Note to Expenditure and Funding Analysis

2020/21					2021/22			
Adjustments for capital purposes	Net change for the pension adjustments	Other Difference	Total Adjustments		Adjustments for capital purposes	Net change for the pension adjustments	Other Difference	Total Adjustments
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
2,058	557	56	2,671	Leisure Wellbeing and Health	2,199	1,163	3	3,365
306	199	41	546	Infrastructure Housing and Economic Development	221	438	(18)	641
3,697	676	220	4,593	Policy Resources	1,333	902	(48)	2,187
<b>6,061</b>	<b>1,432</b>	<b>317</b>	<b>7,810</b>	<b>Net Cost of Services</b>	<b>3,753</b>	<b>2,503</b>	<b>(63)</b>	<b>6,193</b>
(2,134)	125	5,036	3,026	Other Income and Expenditure	(2,232)	956	(1,976)	(3,252)
<b>3,927</b>	<b>1,557</b>	<b>5,353</b>	<b>10,837</b>	<b>Difference between General Fund (surplus)/deficit and CIES (surplus)/deficit</b>	<b>1,521</b>	<b>3,459</b>	<b>(2,039)</b>	<b>2,941</b>

## 2 Accounting Policies

### 2.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year end of 31 March 2021. The Council is required to prepare Regulations 2015, which require these to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act, primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, supported by the International Financial Reporting Standards (IFRS). There have been no material changes to the accounting policies for 2020/21.

The accounting convention adopted in the Statement of Accounts is primarily historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. These statements have been compiled on the basis of the Council remaining a going concern and all amounts have been rounded to the nearest £1,000.

### 2.2 Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed — where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made
- 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
- Where income 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. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### 2.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management. The Council has no overdraft facility.



### **2.4 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, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

### **2.5 Charges to Revenue for Long Term Assets**

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. These entries are adjusted through the Movement in Reserves Statement.

### **2.6 Employee Benefits**

#### **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

#### **Termination Benefits**

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional

debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### Post-Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme, administered by Hertfordshire County Council. The scheme provided defined benefits to members (retirement lump sums and pensions), earned as employees who worked for the Council. The schemes arrangements are summarised as follows:-

### The Local Government Pension Scheme

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

- The liabilities of 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, etc. and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds).
- The assets of Hertfordshire County Council (HCC) Pension Fund attributable to the Council are included in the Balance Sheet at their bid value as required by International Accounting Standard (IAS) 19. Full details of the assets held by the Fund are disclosed as part of the Pension scheme disclosure.

The change in the net pension liability is analysed into seven components:

- 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 arising from current year decisions which relate to years of service earned in earlier years — debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs
- Interest cost — the expected increase in the present value of liabilities during the year as they move one year closer to being paid — debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Expected return on assets — the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Gains or losses on settlements and curtailments — the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees — debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs
- 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 — credited to the Comprehensive income and expenditure - Other Comprehensive Income and Expenditure line and reversed through the Movement in Reserves to the Pensions Reserve;
- Contributions paid to the HCC pension fund — cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense in the Comprehensive Income and Expenditure Statement.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount

calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows, rather than as benefits earned by employees.

### **Discretionary Benefits**

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

### **2.7 Financial Instruments**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- Amortised cost;
- Fair value through profit or loss (FVPL); and
- Fair value through other comprehensive income (FVOCI).

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cashflows do not take the form of a basic debt instrument).

#### **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

#### **Expected Credit Loss Model**

The Authority recognises expected credit losses on all of its material financial assets held at amortised cost, or where relevant FVOCI, either on a 12-month or lifetime basis. The expected credit loss model also applies to material lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Authority.

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

#### **Financial Assets Measured at Fair Value through Profit of Loss (FVPL)**

The Authority recognises gains and losses on its Pooled Investment through Surplus / Deficit on Provision of Services on the face of the Income Statement. This is a new requirement under IFRS 9. There is a

“statutory reversal” which means that the impact of this change in valuation does not hit the “bottom line” or taxpayers. The impact is reversed out and placed in an unusable reserve.

### **2.8 Government Grants and Contributions**

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

- The Council will comply with the conditions of the payment and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using 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, depending upon their nature. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

### **2.9 Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired — any losses recognised are posted to the relevant service line(s) 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.

Where there is intangible asset expenditure of an immaterial nature, the Council's policy is that these are capitalised and then written off in-year.

### 2.10 Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost or net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

### 2.11 Investment Property

Investment properties are those that are 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 properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, 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 the Capital Receipts Reserve.

### 2.12 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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

#### ***The Council as Lessee***

##### **Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:-

- A charge for the acquisition of the interest in the property, plant or equipment — applied to write down the lease liability; and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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 Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the



deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

### **2.13 Overheads and Support Services**

The actual costs of overheads and support services are charged to those users that benefit from the supply or service as required by the CIPFA Code of Practice on Local Authority Accounting 2020/21.

### **2.14 Property, Plant and Equipment**

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

#### **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

#### **Measurement**

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

It should be noted that at present the Council has no donated assets.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction — depreciated historical
- All other assets — fair value, determined as the amount that would be paid for the asset in its existing use (Existing Use Value — EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

## NOTES TO THE FINANCIAL STATEMENTS

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. In addition, should current valuations of a similar class of asset suggest material differences in valuations, the entire class to which the asset belongs would be revalued. The current valuers have undertaken a market review of individual asset types within the Council's portfolio at year end to identify any material changes to the fair value of assets. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

When decreases in value are identified:

- 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(s) in the Comprehensive Income and Expenditure Statement.

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

### **Impairment**

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

When impairment losses are identified, they are accounted for by:

- 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(s) in the Comprehensive Income and Expenditure Statement

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) 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 provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:-

- Buildings — straight-line allocation over the useful life of the asset as estimated by the valuer - up to 70 years
- Vehicles — straight-line over the estimated life of the asset - up to 20 years
- Plant, furniture and equipment — straight-line over the estimated life of the asset - up to 20 years
- Infrastructure — straight-line over the estimated life of the asset - up to 25 years

- Finance leases — over the life on the underlying asset or over the life of the lease where there is no option to acquire the asset at the end of the lease.

Please note, to ensure consistency across the Councils' policies, the previous accounting policy of depreciating some plant, furniture and equipment has been changed from reducing balance to straight-line. This now means all Councils assets if depreciated are depreciated based on a straight-line basis. The impact was immaterial.

Depreciation commences in the year following acquisition.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately, in order to ensure the depreciation charge is realistic.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### **Disposals of Non-current Assets**

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.

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.

### **Construction Contracts**

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

### **2.15 Heritage Assets**

Heritage Assets are held with the objective of increasing knowledge, understanding and the appreciation of the Council's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules have been simplified in relation to heritage assets as detailed below.

The Heritage Assets are relatively static and acquisitions, donations and disposals are rare. Where acquisitions do occur, they are initially recognised at cost and donations are recognised at valuation ascertained by insurance officers, museum curators or external valuers. Proceeds from the disposal of Heritage Assets are accounted for in accordance with the Council's general policies relating to the disposals of property, plant and equipment. The Council has a rolling programme of major repair and



restoration of its heritage assets and therefore the assets are deemed to have indefinite lives and the Council does not consider it necessary to charge depreciation.

The Council's collection of Heritage Assets, which includes works of art, musical equipment, sculptures, statues, war memorials and civic regalia, are reported at insurance valuations, which are based on market values, internal or external valuations. These insurance valuations are reviewed and updated on an annual basis. The carrying amounts of heritage assets are reviewed where there is evidence of impairment or where an item has suffered physical deterioration or breakage. Any impairment is recognised and measured in accordance with the Council's general policy on impairment.

### **2.16 Provisions, Contingent Liabilities and Contingent Assets**

#### **Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

The level of provisions are reviewed annually by the Council.

#### **Contingent Liabilities**

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

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

#### **Contingent Assets**

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

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

### **2.17 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 Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council — these reserves are explained in the relevant policies.

### **2.18 Revenue Expenditure Funded from Capital under Statute**

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

### **2.19 Value Added Tax (VAT)**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

### **2.20 Jointly Controlled Operations and Jointly Controlled Assets**

Jointly controlled operations are activities undertaken by the Council in conjunction with other organisations, that involve the use of assets and resources of the Council and organisations without the establishment of a separate legal entity.

The Council recognises the assets and liabilities it controls on the Council's balance sheet. Expenditure incurred by the Council and income it earns from the operation is included in the Council's CI&E.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other organisations. The assets being used to obtain benefit to the Council and organisations. The arrangement does not involve the formation of a legal entity.

The Council accounts for only its share of jointly controlled assets, liabilities and expenses incurred in respect of its interest in the arrangement.

An agreement exists between Dacorum Borough Council, Hertsmeire Borough Council, St Albans City & District Council, Three Rivers District Council and Watford Borough Council to constitute a West Herts Crematorium Joint Committee under the Local Government Act 2000.

The Joint Committee has one member from each of the constituent Councils. One Watford Councillor represents the Council on the Joint Committee. The Council's Managing Director is the Clerk to the Joint Committee. Three Rivers District Council provide the Treasurer.

### **2.21 Single Entity Financial Statements**

The financial statements presented by a parent, an investor in an associate or a venturer in a joint venture (jointly controlled entity) in which the investments are accounted for on the basis of the direct equity interest (i.e. at cost) rather than on the basis of the reported results and net assets of the investees. In the context of the Code, an Authority's single entity financial statements are deemed to be separate financial statements.

### **2.22 Fair Value**

The Council measures some of its non-financial assets, such as surplus assets and investment properties, at fair value at each reporting date. 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. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability (assuming those market participants were acting in their economic best interest).

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

- Level 1 – quoted prices,
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly,
- Level 3 – unobservable inputs for the asset or liability.

### **3 Accounting Standards that have been issued but have not yet been adopted**

Paragraph 3.3.4.3 of the Code of Practice requires that the Council discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2021 for 2020/21).

In compiling the 2020/21 accounts there are no material effects in relation to these standards

In response to the Covid-19 pandemic, CIPFA/LASAAC deferred the implementation of IFRS 16 Leases in the public sector until the 2022/23 financial year, with an effective date of 1 April 2022. This will require lessees to recognise assets subject to leases as right-of-use assets on their balance sheet, along with corresponding lease liabilities (there are exceptions for low-value and short-term leases).

### **4 Critical Judgements in Applying Accounting Policies**

In applying the accounting policies, the Council has to make certain judgements about complex transactions or those involving uncertainty about future events.

The assumptions within the accounts are arrived at in a number of ways:

- a) Estimates for accrued expenditure/income - based on service managers' and accountants' calculations at year end.
- b) Bad debt provision - based on historic trends and adjusted for any material movements during 2020/21. This includes an estimation of the impact that the Covid-19 lockdown will have on rates of debt recovery.
- c) Asset lives for the calculation of depreciation charges - based on service managers' experience of previously used assets.
- d) The Council has also placed reliance on technical estimates supplied by third parties for the following:
  - Property valuations made by the Avison Young
  - Pension valuations supplied by Hymans Robertson - Actuary engaged by Hertfordshire County Council.

## NOTES TO THE FINANCIAL STATEMENTS

The Council has received very detailed reports from both of these sources outlining overall valuations and all of the key assumptions made in arriving at these final figures. These reports will be examined by EY during their audit of the Council's Accounts.

e) Delays to the reviews of the future funding mechanisms for Local Government have caused a high degree of uncertainty. The impact of this on the finances of this Council will be material with an expectation that the current various income streams will be altered, reduced and even ceased in some cases. This has been compounded by the Covid-19 pandemic which required various national lockdowns and restrictions to be imposed. Authorities have received some necessary reactive funding and have been reimbursed for the majority of the lost income normally collected through Fees and Charges. This funding, along with the need to close facilities have been sufficient to protect the assets of the Council from impairment.

### **5 Prior Period Adjustments**

We have no prior period adjustments this year.

### **6 Events after the Balance Sheet date**

There are no known events that would have material impact on the Council's position as at 31 March 2021. The draft Statement of Accounts was authorised for issue by the Section 151 Officer on 26 July 2021.

Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

**7 Assumptions Made About Future and Other Major Sources of Uncertainty**

The Statements of Accounts contains estimated figures that are based on assumptions made by the Council about the future that are otherwise uncertain. Estimates are made taking in to account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The Items in the Council's Balance Sheet at 31 March 2021 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:	Uncertainties	Impact
Property, Plant and Equipment (PPE)	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to the individual assets. The current economic climate makes it possible that the Council will be unable to sustain its current spending on repairs and maintenance, bringing in to doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
Investment Properties	Due to the effects of Covid-19 on the property market the Council's valuer Avison Young have provided valuations reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, they advise that less certainty and a higher degree of caution should be attached to the valuation than would normally be the case.	The impact of different valuations would have an impact on the value of non-current assets and reserves on the Balance Sheet changing both by the same amount.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to: the discount rate used; the rate at which salaries are projected to increase; changes in the retirement ages; mortality rates; and expected returns on pension assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The value of pension assets is	The effects on the closing defined benefit obligation of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the closing defined benefit obligation of £13.253m. A 1 year increase in life expectancy assumptions would increase the closing defined benefit obligation by 3-5%.

## NOTES TO THE FINANCIAL STATEMENTS

	<p>based upon information available at the Balance Sheet date, but these valuations may be earlier than the Balance Sheet date. The actual valuations at the Balance Sheet date, which may not be available until sometime later, may give a different value of pension assets, but this is not generally considered to be material.</p>	
Arrears	<p>At 31 March 2021, the Council had a short term debtor balance of £7.897m. A review of significant balances suggested a provision for bad debts of £2.667m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient</p> <p>The economic impact of the Covid-19 pandemic has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts.</p>	<p>If collection rates were to deteriorate an increasing level of doubtful debts would require an additional amount to be put aside as a bad debt provision for additional bad debt write offs.</p>
Non Domestic Rates Appeals Provision	<p>The provision for NDR Appeals includes an assessment of the appeals lodged to 31st March 2021, plus an estimate of the appeals not yet lodged.</p>	<p>There is uncertainty and risk surrounding the calculation of the provision as future events may affect the amount required to settle the obligation. If NDR appeals were to significantly increase, the provision would have to be reassessed and increased. The increased liability would be shared between the Council, Central Government and County Council.</p>
Fair Value Asset Valuations	<p>The Council engages Avison Young, a qualified RICS surveyor, to provide valuations of land and property assets at the year end. The values of assets are adjusted to their current values by reviewing the sales of similar assets in the region, applying indexation and considering impairment of individual assets. Avison Young's valuation experts work closely with finance officers on all valuation matters.</p>	<p>Significant changes in the assumptions of future income streams/growth; occupancy levels; ongoing property maintenance and other factors could result in a significantly higher or lower fair value for these assets.</p> <p>In particular, the measures taken to tackle Covid-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value.</p>

**8 Adjustments between accounting basis and funding basis under regulations**

## NOTES TO THE FINANCIAL STATEMENTS

2020/21	Note	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
		£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>	<b>38(b)</b>				
<b>Reversal of items debited or credited to the CIES:</b>					
Charges for depreciation, impairment and revaluation losses, and Revaluation gains \ (losses) on Property, Plant and Equipment		(3,278)			3,278
Movements in the market value of Investment Properties		0			0
Amortisation of Intangible Assets		(133)			133
Capital Grants and Contributions applied					
Revenue Expenditure Funded from Capital Under Statute		(2,650)			2,650
Amounts of non-current assets written off on disposal or sales as part of the gain/loss on disposals		(198)			198
MRP transfer to CAA		134			(134)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>	<b>37(e)</b>				
Capital grants and contributions unapplied credited to the CIES		771		(775)	
Application of grants to capital financing transferred to the CAA				153	(153)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>	<b>37(b)</b>				
Transfer of cash sale proceeds credited as part of gain/loss on disposal to the CIES		1,428	(1,428)		
Capital Receipts applied			1,444		(1,444)
<b>Adjustments primarily involving the Pensions Reserve:</b>	<b>38(g)</b>				
Reversal of items relating to retirement benefits debited or credited to the CIES		(3,511)			3,511
Employer's pensions contributions and direct payments to pensioners payable in the year		1,954			(1,954)
<b>Adjustments primarily involving the Collection Fund Adjustments Accounts:</b>					
Amount by which council tax & business rates income credited to the CIES is different from statutory requirements		(5,136)			5,136
<b>Adjustments primarily involving the Accumulated Absences Accounts:</b>	<b>38(f)</b>				
<b>Amount by which officer remuneration charged to the CIES on an accruals basis is different from statutory requirements.</b>		<b>(220)</b>		<b>(1)</b>	<b>226</b>



## NOTES TO THE FINANCIAL STATEMENTS

2021/22	Note	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
		£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>	<b>38(b)</b>				
<b>Reversal of items debited or credited to the CIES:</b>					
Charges for depreciation, impairment and revaluation losses		(3,111)			3,111
Revaluation gains \ (losses) on Property, Plant and Equipment					
Movements in the market value of Investment Properties		0			0
Amortisation of Intangible Assets		(58)			58
Capital Grants and Contributions applied					
Revenue Expenditure Funded from Capital Under Statute		(584)			584
Amounts of non-current assets written off on disposal or sales as part of the gain/loss on disposals		0			0
MRP transfer to CAA		168			(168)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>	<b>37(e)</b>				
Capital grants and contributions unapplied credited to the CIES		1,356		(1,356)	
Application of grants to capital financing transferred to the CAA				535	(535)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>	<b>37(b)</b>				
Transfer of cash sale proceeds credited as part of gain/loss on disposal to the CIES		708	(708)		
Capital Receipts applied			708		(708)
Cash payments in relation to deferred capital receipts			(6,354)		6,354
<b>Adjustments primarily involving the Pensions Reserve:</b>	<b>38(g)</b>				
Reversal of items relating to retirement benefits debited or credited to the CIES		(5,444)			5,444
Employer's pensions contributions and direct payments to pensioners payable in the year		1,985			(1,985)
<b>Adjustments primarily involving the Collection Fund Adjustments Accounts:</b>					
Amount by which council tax & business rates income credited to the CIES is different from statutory requirements		1,881			(1,881)
<b>Adjustments primarily involving the Accumulated Absences Accounts:</b>	<b>38(f)</b>				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from statutory requirements.		64			(64)
<b>Adjustments primarily involving the Financial Instrument Adjustment Account:</b>					
Unrealised Gains/(Losses) on Pooled investment funds		(5)			5
Other		100		(60)	(40)
		<b>(2,940)</b>	<b>(6,354)</b>	<b>(881)</b>	<b>10,175</b>

## NOTES TO THE FINANCIAL STATEMENTS

2019/20	Note 18/19	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>	<b>38(b)</b>				
<b>Reversal of items debited or credited to the CIES:</b>					
Charges for depreciation, impairment and revaluation losses, and		(2,571)			2,571
Revaluation gains \ (losses) on Property, Plant and Equipment					
Movements in the market value of Investment Properties		(2,591)			2,591
Amortisation of Intangible Assets		(101)			101
Capital Grants and Contributions applied					
Revenue Expenditure Funded from Capital Under Statute		(761)			761
Amounts of non-current assets written off on disposal or sales as part of the gain/loss on disposals		0			0
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>	<b>37(e)</b>				
Capital grants and contributions unapplied credited to the CIES		1,509		(1,509)	
Application of grants to capital financing transferred to the CAA				2,875	(2,875)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>	<b>37(b)</b>				
Transfer of cash sale proceeds credited as part of gain/loss on disposal to the CIES		1,109	(1,107)		
Capital Receipts applied			1,108		(1,108)
<b>Adjustments primarily involving the Pensions Reserve:</b>	<b>38(g)</b>				
Reversal of items relating to retirement benefits debited or credited to the CIES		(4,180)			4,180
Employer's pensions contributions and direct payments to pensioners payable in the year		1,763			(1,763)
<b>Adjustments primarily involving the Collection Fund Adjustments Accounts:</b>					
Amount by which council tax & business rates income credited to the CIES is different from statutory requirements		1,639			(1,639)
<b>Adjustments primarily involving the Accumulated Absences Accounts:</b>	<b>38(f)</b>				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from statutory requirements.		(35)		(1)	34
		<b>(4,219)</b>	<b>1</b>	<b>1,365</b>	<b>2,853</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 9 Other Operating Income and Expenditure

2020/21		2021/22
£'000		£'000
2,064	Parish Council Precepts	2,115
0	Loss on Disposal of Non-Current Assets	0
(1,231)	Unapplied Capital Receipts	(708)
(4,722)	Other Operating (Income)/Expenditure	(1,867)
<b>(3,889)</b>		<b>(460)</b>

### 10 Financing and Investment Income and Expenditure

2020/21		2021/22
£'000		£'000
354	Net Interest on the Net Defined Benefit Pension Liability/(Asset)	591
(766)	Interest Receivable and Similar Income	(488)
411	Interest Payable & Similar Charges	271
(805)	(Income)/ Expenditure on Investment Properties	(893)
0	Investment Properties - Fair Value losses	0
<b>(806)</b>		<b>(519)</b>

### 11 Taxation and Non Specific Grant Incomes

2020/21		2021/22
£'000		£'000
(8,947)	Council Tax Income	(4,614)
(2,952)	Non-domestic Rates Income and Expenditure	(6,646)
(310)	Non-ringfenced Government Grants	(95)
0	Capital Grants & Contributions	(799)
(50)	Other contributions	(58)
<b>(12,259)</b>		<b>(12,212)</b>

## 12 Expenditure and Income analysed by Nature

The Council's expenditure and income by nature is analysed as follows:

2020/21		2021/22
£'000		£'000
(6,451)	Fees and Charges	(7,152)
(1,571)	Interest and Investment Income	(1,381)
(11,899)	Income From Council Tax and Business Rates	(11,260)
(21,919)	Government Grants and Contributions	(24,446)
(5,953)	Other Income	(2,575)
(183)	Support Services Recharge	(251)
<b>(47,976)</b>	<b>Total Income</b>	<b>(47,065)</b>
16,020	Employee Expenses	18,158
28,005	Other Service Expenditure	27,091
3,200	Depreciation, Amortisation and Impairment	3,169
2,064	Precepts and Levies	2,115
0	(Gains) on disposal of non-current assets	0
411	Interest payment and similar charges	271
354	Pensions adjustments	591
<b>50,054</b>	<b>Total Expenditure</b>	<b>51,395</b>
<b>2,078</b>	<b>(Surplus)/Deficit on Provision of Services (CIES)</b>	<b>4,330</b>

### 13 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2021/22.

Table omitted – to be updated

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that could require the monies to be returned to the giver. The balances at the year-end are:

2020/21		2021/22
£'000		£'000
	<b>Long Term Liabilities</b>	
107	Grants' Receipts in Advance (Capital Grants) Section 106	(41)
(107)	<b>Total</b>	<b>(41)</b>

### 14 Joint Operations

The Council is party to the West Herts Crematorium Joint Committee under the Local Government Act 2000.

### 15 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections by Ernst & Young.

2020/21		2021/22
£'000		£'000
63	Fees payable to the external auditors with regard to external audit services carried out by the appointed auditor for the year.	35
12	Fees payable for other services provided by external auditors during the year.	0
75		35

### 16 Members Allowances

The Local Authorities (Members' Allowances) (England) Regulations 2003 provide for the circumstances in which allowances are payable to members and the maximum amounts payable in respect of certain allowances.

## NOTES TO THE FINANCIAL STATEMENTS

The total of Members' Allowances and expenses paid in the year was:

2020/21		2021/22
£'000		£'000
269	Allowances	272
1	Expenses (travel & subsistence)	2
<b>270</b>		<b>274</b>

Further information on Members' Allowances can be obtained from the Council's Democratic Services section.

### 17 Officers' Remunerations

The Council is required to disclose the number of employees in the accounting period whose remuneration fell in each bracket of a scale in multiples of £5,000, starting with £50,000. For completeness, the Council has included the senior officers' remuneration (excluding pensions) from the second table of this note, in the first table of this note, detailed below:-

2020/21		2020/21
No of Employees	Remuneration Band	No of Employees
7	£50,000 - £54,999	10
7	£55,000 - £59,999	7
5	£60,000 - £64,999	8
4	£65,000 - £69,999	0
1	£70,000 - £74,999	2
2	£75,000 - £79,999	4
1	£80,000 - £84,999	1
0	£85,000 - £89,999	2
1	£90,000 - £94,999	1
1	£95,000 - £99,999	1
1	£100,000 - £104,999	1
0	£110,000 - £114,999	1
0	£115,000 - £119,999	1
1	£125,000 - £129,999	0
0	£130,000 - £134,999	1
<b>31</b>		<b>40</b>

## NOTES TO THE FINANCIAL STATEMENTS

The Director of Finance is a shared post with Watford Borough Council. Three Rivers District Council as the lead authority, picks up the costs of this post which are recharged to Watford Borough Council on a 50:50 basis.

The following tables provide additional detail for senior officers' remuneration where salary for the establishment post falls between £50,000 and £150,000.

There were no bonuses given during either period.

2021/22	Salary Including Fees and Allowances	Expenses Allowances	Compensation for Loss of Office	Pension Contribution	Total Remuneration
Post	£	£	£	£	£
Chief Executive	132,190	1,239	-	25,969	159,398
Deputy Chief Executive	103,667	1,239	-	18,867	123,773
Director of Finance (Shared post with WBC)	87,212	1,239	-	15,873	104,324
Solicitor to the Council (Monitoring Officer)	76,924	-	-	14,000	90,924
<b>Total</b>	<b>399,993</b>	<b>3,717</b>	<b>-</b>	<b>74,710</b>	<b>478,419</b>

2020/21	Salary Including Fees and Allowances	Expenses Allowances	Compensation for Loss of Office	Pension Contribution	Total Remuneration
Post	£	£	£	£	£
Chief Executive	128,438	1,239	0	23,376	153,053
Deputy Chief Executive	102,199	1,239	0	18,600	122,038
Director of Finance (Shared post with WBC)	82,989	1,239	0	15,104	99,332
Solicitor to the Council (Monitoring Officer)	68,865	0	0	10,774	79,639
<b>Total</b>	<b>382,491</b>	<b>3,717</b>	<b>0</b>	<b>67,854</b>	<b>454,062</b>

### 18 Termination Benefits

The Council terminated the contracts of 4 employees in 2020/21, incurring liabilities TBC (£112,306 in 2019/20). All of this total was payable in the form of compensation for loss of office and no payments were made for enhanced pension benefits as part of the Council's rationalisation of Services.

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:-

## NOTES TO THE FINANCIAL STATEMENTS

2020/21			Remuneration Band	2021/22		
Compulsory Redundancy	Other Departures	Total Cost £		Compulsory Redundancy	Other Departures	Total Cost £
1	1	24,647	£0 - £20,000	0	2	27,032
1	1	49,361	£20,001 - £40,000	0	0	0
0	0	0	£60,001 - £80,000	0	0	0
2	2	74,008		0	2	27,032

The total cost (TBC) in the table above is for exit packages that have been charged to the Council's CIES in the current year.

### 19 Related Party Transactions

This disclosure note has been prepared using specific declarations obtained in respect of related party transactions from Members and Senior Officers. The Council is required to disclose material transactions with related parties - bodies and individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

Name	Role	Position	Name of Entity	Details
Sara Bedford	Councillor	Member	Abbots Langley Parish Council	Occasional transactions in the normal course of business
			Hertfordshire County Council	
Joanne Wagstaffe	Chief Executive	Board Member	Three Rivers Commercial Services Ltd	Occasional transactions in the normal course of business
Alison Scott	Director of Finance	Director		
Joanne Wagstaffe	Chief Executive	Board Member	Three Rivers Homes LLP	Occasional transactions in the normal course of business



## NOTES TO THE FINANCIAL STATEMENTS

Alison Scott	Director of Finance	Director	Three Rivers Homes LLP	Occasional transactions in the normal course of business
Joanne Wagstaffe	Chief Executive	Honorary Treasurer	West Hertfordshire Crematorium	An Agreement existing between neighbouring authorities (Hertsmere, St Albans, Dacorum, Three Rivers & Watford) to constitute a Joint Committee under the Local Government Act 2000. In 2020/21, Three Rivers received a contribution of £50,000 (2019/20 £50,000)

### Central Government

Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates. It provides a substantial part of the funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (for example- Council tax bills and Housing Benefits).

Details of grant funding transactions with government departments and agencies are set out in Note 8 to the Core Financial Statements. The Council also paid precepts to Hertfordshire County Council, Hertfordshire Police Authority and Parish Council's with which details can be found in the Collection Fund Accounts.

### Members and Senior Officers

Information gathered through declarations provided by both members and officers alike has been tabulated below:

Name	Role	Name of Entity	Details	
		Treasurer	West Herts Crematorium	An agreement existing between neighbouring authorities (Hertsmere, St Albans, Dacorum, Three Rivers and Watford) to constitute a Joint Committee under the Local Government Act 2000.

## NOTES TO THE FINANCIAL STATEMENTS

Jo Wagstaffe	Chief Executive	Designated Member	Three Rivers Housing Developments LLP	A limited liability partnership between Three Rivers Commercial Services Limited and Clarendon Living Limited
		Director	Three Rivers Commercial Services	Wholly owned subsidiary of the Council
Alison Scott	Director Finance	Director	Three Rivers Homes Limited	The Council has a 50% Stake
Geof Mugeridge	Director of Community & Environmental Services	Director	Three Rivers Homes Limited	The Council has a 50% Stake

### Entities Controlled or Significantly Influenced by the Council

The Council has an agreement with five other Hertfordshire authorities for the running of the West Hertfordshire Crematorium through a Joint Committee. The Agreement provides for deficits to be met by the constituent councils but in practice the Crematorium meets its running costs from its own income, and builds up reserves where possible to meet future capital improvement costs. The Agreement also allows for surpluses to be paid to the constituent councils, where they are not required for future capital investment.

The assets and liabilities of the Joint Committee are shared by the five Hertfordshire Local Authorities in ratio of their populations except that the Land and Building assets are vested in the local authority where the Crematorium is situated. The Council's share of the assets and liabilities and of the net income is immaterial to the accounts and has not been consolidated.

Three Rivers Homes Limited is a joint venture between Clarendon Living Limited and Three Rivers District Council.

There are two loan facilities in place between Three Rivers District Council and Three Rivers Homes Limited. The first loan facility is for £1.51 million and carries a fixed interest rate of 2.5%. This has been utilised in full. The second loan facility is for £3.43 million carries a fixed interest rate of 4.8%. At 31<sup>st</sup> March 2020, £3.25 million of this facility had been utilised.

### 20 Partnership Working

From April 2009 to March 2014, Three Rivers District Council and Watford Borough Council had been participating in shared services, provided by a Joint Shared Services Committee. From April 2014, the Governance arrangements changed with the Council being the lead authority for the provision of Revenue & Benefits and Finance Services.

The table below shows the net expenditure of the 5 shared services (4 when Tax and Benefits are considered as one) and the charge to each authority of which Three Rivers District Council's share was £2.479m in 2020/21 (£2.479m 2019/20).

2019/20		2020/21		
Total Net Cost		Provided by TRDC	Provided by WBC	Total Net Cost
£'000	Services	£'000	£'000	£'000
1,474	Local Tax Collection	1,679		1,679
1,486	Housing Benefits	1,632		1,632
1,397	Finance	1,375		1,375
668	HR		888	888
1,201	ICT		1,280	1,280
<b>6,226</b>	<b>Net Cost of Services / Operating Expenditure</b>	<b>4,686</b>	<b>2,168</b>	<b>6,854</b>
<b>(2,479)</b>	<b>Paid by Three Rivers District Council</b>	<b>(1,905)</b>	<b>(796)</b>	<b>(2,701)</b>
<b>(3,747)</b>	<b>Paid by Watford Borough Council</b>	<b>(2,781)</b>	<b>(1,372)</b>	<b>(4,153)</b>
<b>0</b>	<b>(Surplus) /Deficit for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>

The Council has an agreement with five other Hertfordshire authorities for the running of the West Hertfordshire Crematorium through a Joint Committee. The Agreement provides for deficits to be met by the constituent councils but in practice the Crematorium meets its running costs from its own income, and builds up reserves where possible to meet future capital improvement costs. The Agreement also allows for surpluses to be paid to the constituent councils, where they are not required for future capital investment – in 2020/21 the Council received £50k. (50K in 2019/20)

## 21 Intangible Assets

Intangible non-current assets are non-financial assets which do not have a physical substance but are identified and controlled by the Council through legal rights, e.g. IT software, which brings benefits to the Council for more than one year.

2020/21		2021/22
£'000		£'000
133	Expenditure on Software Licences	58
(133)	Written out in year of Acquisition	(58)
<b>0</b>	<b>Total</b>	<b>0</b>

During 2021/22, all capital expenditure recorded in this category (£58k) was written off in year (£133k 2020/21).

22 Property, Plant and Equipment

(a) Movement of Property, Plant and Equipment

2021/22	Assets under Construction	Community Assets	Land & Buildings	Plant & Eqpt	Infra-Structure	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>						
<b>Gross at 1 April 2021</b>	2,489	1,187	70,223	18,029	1,995	93,923
Additions - Capital Programme	56	59	1,818	721	307	2,961
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	0	0	0	0	0
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provisions of services	0	0	0	0	0	0
Assets reclassified	0	0	0	0	0	0
Other movements in cost or valuation	0	0	0	0	0	0
<b>Balance as at 31 March 2022</b>	<b>2,545</b>	<b>1,246</b>	<b>72,041</b>	<b>18,750</b>	<b>2,302</b>	<b>96,884</b>
<b>Accumulated Depreciation and Impairment</b>	0					
<b>Total at 1 April 2021</b>	<b>0</b>	<b>0</b>	<b>(2,765)</b>	<b>(13,047)</b>	<b>(1,732)</b>	<b>(17,545)</b>
Depreciation Charge	0	0	(1,786)	(1,249)	(76)	(3,111)
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0
<b>Total at 31 March 2022</b>	<b>0</b>	<b>0</b>	<b>(4,551)</b>	<b>(14,296)</b>	<b>(1,808)</b>	<b>(20,656)</b>
<b>Balance Sheet Value at 31 March 2022</b>	<b>2,545</b>	<b>1,246</b>	<b>67,490</b>	<b>4,454</b>	<b>494</b>	<b>76,228</b>
<b>Balance Sheet Value at 1 April 2021</b>	<b>2,489</b>	<b>1,187</b>	<b>67,458</b>	<b>4,982</b>	<b>263</b>	<b>76,378</b>

## NOTES TO THE FINANCIAL STATEMENTS

2020/21	Assets under Construction	Community Assets	Land & Buildings	Plant & Eqpt	Infra-Structure	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>						
<b>Gross at 1 April 2020</b>	<b>1,506</b>	<b>1,181</b>	<b>68,476</b>	<b>17,118</b>	<b>1,947</b>	<b>90,228</b>
Additions - Capital Programme	1,006	6	3,156	913	51	5,131
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	0	(1,222)	0	0	(1,222)
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provisions of services	(23)		(184)	0	(3)	(210)
Assets reclassified	0	0	0	0	0	0
Other movements in cost or valuation	0	0	(3)	(2)		(5)
<b>Balance as at 31 March 2021</b>	<b>2,489</b>	<b>1,187</b>	<b>70,223</b>	<b>18,029</b>	<b>1,995</b>	<b>93,923</b>
<b>Accumulated Depreciation and Impairment</b>	<b>0</b>					
<b>Total at 1 April 2020</b>	<b>0</b>	<b>0</b>	<b>(1,520)</b>	<b>(11,326)</b>	<b>(1,632)</b>	<b>(14,478)</b>
Depreciation Charge	0	0	(1,245)	(1,721)	(100)	(3,067)
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0
<b>Total at 31 March 2021</b>	<b>0</b>	<b>0</b>	<b>(2,765)</b>	<b>(13,047)</b>	<b>(1,732)</b>	<b>(17,545)</b>
<b>Balance Sheet Value at 31 March 2021</b>	<b>2,489</b>	<b>1,187</b>	<b>67,458</b>	<b>4,982</b>	<b>263</b>	<b>76,378</b>
<b>Balance Sheet Value at 1 April 2020</b>	<b>1,506</b>	<b>1,181</b>	<b>66,956</b>	<b>5,792</b>	<b>315</b>	<b>75,750</b>

### (b) Revaluations

The Council carried out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations are carried out externally and the basis of valuations is in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. All assets have been valued individually, with the final Statement of Accounts reconciled to the valuation certificates. The basis of valuing individual classes of assets owned by the Council is detailed in Note 1 to the Core Financial Statements.

## NOTES TO THE FINANCIAL STATEMENTS

The following table illustrates the scope of the revaluation work undertaken and demonstrates the Council's rolling revaluation programme. The Council undertakes an impairment review at the year end and any asset which has had a material gain or loss in value during the year is adjusted.

Therefore, the Council believes that the prior year valuations are still appropriate.

Revaluations	Community Assets	Land & Building	Plant & Eqpt	Infra-structure	Total
	£'000	£'000	£'000	£'000	£'000
<b>Carried at historical cost</b>	<b>1,187</b>		<b>18,029</b>	<b>1,995</b>	<b>21,211</b>
31/03/2021	To be updated				
31/03/2020	0	1,747	0	0	1,747
31/03/2019	0	3,494	0	0	3,494
31/03/2018	0	6,722	0	0	6,722
31/03/2017	0	6,587	0	0	6,587
31/03/2016	0	10,184	0	0	10,184
<b>Total cost at 31 March 2021 carried forward</b>	<b>1,187</b>	<b>28,734</b>	<b>18,029</b>	<b>1,995</b>	<b>49,945</b>

### (c) Information about Depreciation Methodologies

Depreciation has been provided for all assets with a finite useful life. The basis for depreciating assets is detailed in the Statement of Accounting Policies (Note 1.15). Depreciation commences in the year following acquisition. Freehold land, Investment Properties, Assets under construction, Surplus Assets and Heritage Assets are not depreciated.

### 23 Heritage Assets

The Council's Heritage Assets are reported in the Balance Sheet at insurance valuations which are based on market values. These insurance values are reviewed and updated as part of the rolling five year plan. The Council has a rolling programme of repair and restoration of its heritage assets and regularly reviews the conditions of its assets. The Council keeps a register of all its Heritage Assets and records the nature, condition and location of each asset.

2021/22	Musical Instrument	Works of Art	Civic Regalia	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2021	90	41	15	145
Revaluation increases (decreases) recognised in the Revaluation				0
<b>At 31 March 2022</b>	<b>90</b>	<b>41</b>	<b>15</b>	<b>145</b>

## NOTES TO THE FINANCIAL STATEMENTS

2020/21	Musical Instrument	Works of Art	Civic Regalia	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2021	90	41	15	146
Revaluation increases (decreases) recognised in the Revaluation				(1)
<b>At 31 March 2022</b>	<b>90</b>	<b>41</b>	<b>15</b>	<b>145</b>

### 24 Investment Properties and Surplus Assets

#### 24(a) Movement of Investment Properties and Surplus Assets

2021/22	Investment Properties	Surplus Assets	Total
	£'000	£'000	£'000
<b>At 1 April 2021</b>	<b>11,187</b>	<b>0</b>	<b>11,187</b>
Additions	30	77	107
Revaluation (decreases) recognised in the surplus/deficit on the provision of services	0		0
Derecognition - disposals	0	0	0
Derecognition - Other	0	0	0
Assets reclassified	0		0
<b>At 31 March 2022</b>	<b>11,217</b>	<b>77</b>	<b>11,294</b>
<b>Balance Sheet Value at 31 March 2022</b>	<b>11,217</b>	<b>77</b>	<b>11,294</b>
<b>Balance Sheet Value at 1 April 2021</b>	<b>11,187</b>	<b>0</b>	<b>11,187</b>

2020/21	Investment Properties	Surplus Assets	Total
	£'000	£'000	£'000
<b>At 1 April 2020</b>	<b>11,187</b>	<b>0</b>	<b>11,187</b>
Additions	0		0
Revaluation (decreases) recognised in the surplus/deficit on the provision of services	0		0
Derecognition - disposals	0	0	0
Derecognition - Other	0	0	0
<b>Assets reclassified</b>	<b>0</b>		<b>0</b>
At 31 March 2021	11,187	0	11,187
<b>Balance Sheet Value at 31 March 2021</b>	<b>11,187</b>	<b>0</b>	<b>11,187</b>
<b>Balance Sheet Value at 1 April 2020</b>	<b>11,187</b>	<b>0</b>	<b>11,187</b>

### Fair Value Hierarchy

All the Council's investment property portfolio has been assessed as Level 2 for valuation purposes (see Note 1 for explanation of fair value levels).

### Valuation Techniques Used to Determine Level 2 Fair Values for Investment Properties

The fair value of investment property has been measured using the Investment Method of Valuation. The valuers have used a desktop valuation relying on data provided by Avison Young, the Council's managing agents. Valuations have taken account of the following factors: existing lease terms and rentals taken from the tenancy schedule, independent research into market evidence including Market rentals and yields, and then adjusted to reflect the nature of each business tenancy or void and the covenant strength for existing tenants.

### Valuers

The investment property portfolio has been valued at 31 March 2021 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors. The assets were valued by Avison Young, the Council's valuing agents.

### 24(b) Accounted for in Comprehensive Income and Expenditure Statement (CIES)

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the CIES.



## NOTES TO THE FINANCIAL STATEMENTS

2020/21		2021/22
£'000		£'000
(877)	Rental income from investment property	(978)
72	Direct operating expenses arising from investment properties	85
<b>(805)</b>	<b>Net (gain) /Loss</b>	<b>(893)</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

### 25 Capital Expenditure, Financing and Commitments

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

## NOTES TO THE FINANCIAL STATEMENTS

2020/21		2021/22
£'000		£'000
21,445	<b>Opening Capital Financing Requirement</b>	<b>19,184</b>
	<b>Capital Investment</b>	
5,131	Property, Plant and Equipment	2,961
0	Investment Properties	30
133	Intangible Assets	58
2,650	Revenue Expenditure Funded from Capital Under Statute	584
0	Long Term Debtors	14,374
<b>7,915</b>		<b>18,007</b>
	<b>Sources of Finance</b>	
(1,444)	Capital receipts	(708)
(4,968)	Long Term Debtors	(14,374)
(153)	Government Grants and Other Contributions (including S106)	(535)
(3,477)	Earmarked Reserves	(2,239)
(134)	Minimum Revenue Provision (MRP)	(168)
<b>(10,176)</b>		<b>(18,024)</b>
<b>19,184</b>	<b>Closing Capital Financing Requirement</b>	<b>19,167</b>

### 26 Leases

Operating Leases – The Council as Lessor

The Council leases out property under operational leases.

The future minimum leases payments receivable are:

Table Omitted – To be updated

## 27 Debtors & Investments - Long Term

Long-term debtors are debtors which fall due after a period of at least one year.

2020/21		Net Movements in Year	2021/22
£'000		£'000	£'000
	<b>Long Term Debtors</b>		
1,488	Rent to Mortgage	(1)	1,487
16	Charges Registered to Properties	0	16
4,186	Loan - Grapevine	0	4,186
8,000	Loan - Thrive Homes	(8,000)	0
955	Loan -Young Mariners New Clubhouse	(20)	935
0	Loan - Puckeridge	0	0
11,212	South Oxhey	(6,354)	4,858
<b>14,645</b>		<b>(14,375)</b>	<b>11,482</b>
	<b>Long Term Investments</b>		
510	Grapevine Equity	0	510
2,353	RLAM Funds	(6)	2,347
<b>2,863</b>		<b>(6)</b>	<b>2,857</b>
<b>17,508</b>	<b>Total</b>	<b>(14,381)</b>	<b>14,339</b>

## 28 Inventories

2020/21		2021/22
£'000		£'000
2	Watersmeet Bar Stock	9
26	Fuel Stock	52
13,763	South Oxhey Initiatives Land	13,764
<b>13,791</b>	<b>Total</b>	<b>13,825</b>

**29 Debtors - Short Term**

2020/21		2021/22
£'000		£'000
503	Central Government Bodies	443
811	Local Authorities	669
6,153	Other Entities and Individuals	4,890
430	Payments in Advance	494
<b>7,897</b>		<b>6,496</b>
(2,667)	Less: Provision for Bad Debts / Impairment	(2,507)
<b>5,230</b>	<b>Total</b>	<b>3,989</b>

**30 Cash and Cash Equivalents**

2020/21		2021/22
£'000		£'000
	<b>Current Assets</b>	
1	Cash held by the Authority	1
7,444	Bank Current Accounts	8,855
<b>7,445</b>		<b>8,856</b>
	<b>Current Liabilities</b>	
0	Bank overdrafts	0
<b>7,445</b>	<b>Total</b>	<b>8,856</b>

### 31 Cash Flow Statement- Operating, Investing and Financing Activities

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements, and investing and financing activities:

2020/21			2021/22	
£'000	£'000		£'000	£'000
		<b>Note 31a- Operation Activities</b>		
666		Interest received	488	
(402)		Interest paid	(271)	
		Dividend Received		
	<b>264</b>			<b>217</b>
3,067		Depreciation	3,111	
206		Impairment and downward valuations	0	
133		Amortisation	58	
0		Increase/(decrease) in impairment of bad debts	0	
7,033		(Decrease) in creditors	7,690	
918		(Increase)/decrease in debtors	1,040	
1,952		(Increase) in inventories	(33)	
1,557		Movement in pensions liability	3,459	
41		Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	0	
290		Other non-cash items charged to the provision of services	(1)	
	<b>15,197</b>			<b>15,324</b>
0		Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0	
(1,259)		Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(708)	
(771)		Any other items for which the cash effects are investing or financing cash flows	(1,400)	
	<b>(2,030)</b>			<b>(2,108)</b>
	<b>13,431</b>			<b>13,433</b>
		<b>Note 31b- Investing Activities</b>		
(4,373)		Purchase of property, plant, equipment, investment property and intangible assets	(3,633)	
(2,353)		Purchase of short-term and long-term investments	(301,000)	
0		Other payments from investing activities	0	
1,428		Proceeds from the sale of property, plant, equipment, investment property and intangible assets	7,063	
0		Proceeds from short-term and long-term investments	288,000	
1,787		Other receipts from investing activities	9,376	
	<b>(3,511)</b>			<b>(194)</b>
		<b>Note 31c- Financing Activities</b>		
0		Other receipts from financing activities	0	
0		Cash receipts of short and long term borrowing	0	
(2,118)		Other payments for financing activities	720	
(8,000)		Repayments of short and long term borrowing	(8,000)	
	<b>(10,118)</b>			<b>(7,280)</b>

### 32 Creditors - Short Term

An analysis of creditors falling due within one year is shown below:

2020/21		2021/22
£'000		£'000
	<b>Short term creditors</b>	
(5,404)	Central Government Bodies	(6,329)
(198)	Local Authorities	(2,093)
0	NHS	0
0	Public Corporations	0
(2,801)	Other Entities and Individuals	(2,065)
(7,123)	Receipts in Advance	(12,750)
<b>(15,526)</b>		<b>(23,237)</b>
	<b>Short term borrowings</b>	
<b>(8,009)</b>	Loans payable within one year	0
(8,009)		<b>0</b>

### 33 Creditors - Long Term

An analysis of creditors falling due after one year is shown below:

2020/21		2021/22
£'000		£'000
(107)	Section 106 Contributions receipts in advance	(41)
(8,000)	Loans	(8,009)
<b>(8,107)</b>		<b>(8,050)</b>

### 34 Provisions

Provisions are accumulated funds held where the Council has an obligation which is likely to lead to a payment but the exact amount and timing of the payment is unknown.

2020/21		Change	Used	Unused Reversal	Unwinding Discounting	2021/22
£'000		£'000	£'000	£'000	£'000	£'000
(87)	Land Charges					(87)
(1,256)	NDR Appeals	0	0			(1,257)
<b>(1,343)</b>	<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,344)</b>

#### Land Charges

The Council is a defendant in proceedings brought by a group of property Search Companies for refunds of fees paid to the Council to access land charges data. It is possible that additional claimants may come forward to submit claims for refunds, but none have been initiated as present. The Council believes the provision of £87k is prudent.

#### NDR Appeals

The NNDR Appeals provision has arisen because of the change to the NNDR regime where the Council is now liable for any National Non Domestic Rates that are not collected. All business premises can appeal their valuation, set by the Valuation Office, which is used for setting the level of rates payable. Until the appeal is heard and decided a provision is estimated to cover the likely outcome.

### 35 Defined Benefit Pension Scheme

#### Participation in Pension Scheme

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

## NOTES TO THE FINANCIAL STATEMENTS

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 Retirement Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Account and the General Fund Balance via the Movement in Reserves Statement during the year:-

2020/21		2021/22
£'000		£'000
	<b>Comprehensive Income and Expenditure Statement (CIES)</b>	
	<b>Costs of Service</b>	
	<i>Service cost comprising:</i>	
3,157	current service cost	4,853
0	past service cost	0
	<i>Financing and Investment Income and Expenditure</i>	
378	Net Interest Expense	591
<b>3,535</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>5,444</b>
	<b>Other Post Employment Benefit Charged to the CIES</b>	
	<i>Remeasurement of the net defined benefit liability comprising:</i>	
2,018	Return on plan assets	2,247
0	Actuarial (gains) and losses arising on changes in demographic assumptions	707
16,933	Actuarial (gains) and losses arising on changes in financial assumptions	9,089
0	Other	(267)
<b>18,951</b>	<b>Total Remeasurement recognised in Other CIES</b>	<b>11,776</b>
<b>22,486</b>	<b>Total Post Employment Benefit Charged to CIES</b>	<b>17,220</b>
	<b>Movement in Reserves Statement</b>	
(3,190)	Reversal of net charges made to the Provision of Services for post employment benefits in accordance with the CIPFA Code	(5,444)
1,954	Employers' contributions payable to the scheme	1,985
<b>(1,236)</b>	<b>Actual amount charged against the General Fund for pensions</b>	<b>(3,459)</b>



**Pensions Assets and Liabilities Recognised in the Balance Sheet**

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

2020/21		2021/22
£'000		£'000
(134,571)	Present value of the defined benefit pension obligation	(129,874)
106,444	Fair value of plan assets	110,064
<b>(28,127)</b>	<b>Net liability arising from the defined benefit pension obligation</b>	<b>(19,810)</b>

**Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets**

2020/21		2021/22
£'000		£'000
<b>88,082</b>	<b>Opening fair value of scheme assets at 1 April</b>	<b>106,444</b>
2,018	Interest income	2,120
	Remeasurement gain/(loss):	
16,933	Return on plan assets	2,247
1,954	Contributions from employer	1,985
647	Contributions from employees into the scheme	658
(3,190)	Benefits paid	(3,390)
<b>106,444</b>	<b>Closing fair value of scheme assets at 31 March</b>	<b>110,064</b>

**Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)**

2020/21		2021/22
£'000		£'000
<b>(103,949)</b>	<b>Opening Balance at 1 April</b>	<b>(134,571)</b>
(3,157)	Current service costs	(4,853)
0	Past service costs	0
(2,396)	Interest cost	(2,711)
(647)	Contributions from scheme participants	(658)
	<i>Remeasurement (gains) and losses:</i>	
(27,612)	Actuarial gains / (losses) arising from changes in financial assumptions	9,529
3,190	Benefits paid	3,390
<b>(134,571)</b>	<b>Closing Balance at 31 March</b>	<b>(129,874)</b>

Local Government Pension Scheme assets comprised:

2020/21				2021/22		
Quoted active market	Quoted non-active market	Total		Quoted active market	Quoted non-active market	Total
£'000	£'000	£'000		£'000	£'000	£'000
2,997	0	2,997	Cash and cash equivalents	6,440	0	6,440
			Equity instruments: by industry type			
946	0	946	Consumer	1,569	0	1,569
834	0	834	Manufacturing	521	0	521
0	0	0	Energy and Utilities	0	0	0
682	0	682	Financial Institutions	605	0	605
421	0	421	Health and Care	951	0	951
2,427	0	2,427	Information Technology	2,002	0	2,002
95	0	95	Other	0	0	0
<b>5,405</b>	<b>0</b>	<b>5,405</b>	Sub-total equity	<b>5,471</b>	<b>0</b>	<b>5,648</b>
			Bonds: by sector			
0	0	0	Corporate Bonds (inv. grade)	0	0	0
5,454	0	5,454	UK Government	8,075	0	8,075
0	2,429	2,429	Other	0	2,884	2,884
<b>5,454</b>	<b>2,429</b>	<b>7,883</b>	Sub-total bonds	<b>5,520</b>	<b>2,458</b>	<b>10,959</b>
			Property: by type			
0	5,890	5,890	UK Property	0	8,544	8,544
0	4,905	4,905	Overseas Property	0	6,162	6,162
<b>0</b>	<b>10,796</b>	<b>10,796</b>	Sub-total property	<b>0</b>	<b>10,927</b>	<b>14,706</b>
			Private Equity:			
0	6,398	6,398	All	0	8,043	8,043
<b>0</b>	<b>6,398</b>	<b>6,398</b>	Sub-total private equity	<b>0</b>	<b>6,477</b>	<b>8,043</b>
			Other Investment Funds:			
48,968	0	48,968	Equities	40,456	0	40,456
17,213	0	17,213	Bonds	16,327	0	16,327
0	0	0	Commodities	0	0	0
0	44	44	Infrastructure	0	67	67
985	5,797	6,782	Other	929	6,545	7,475
<b>67,166</b>	<b>5,841</b>	<b>73,008</b>	Sub-total other investment funds	<b>67,986</b>	<b>5,913</b>	<b>64,325</b>
			Derivatives:			
0	(42)	(42)	Foreign exchange	0	(57)	(57)
<b>0</b>	<b>(42)</b>	<b>(42)</b>	Sub-total derivatives	<b>0</b>	<b>(43)</b>	<b>(57)</b>
<b>81,022</b>	<b>25,422</b>	<b>106,444</b>		<b>82,011</b>	<b>25,732</b>	<b>110,064</b>

**Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The Local Government Pension Scheme has been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2019.

The significant assumptions used by the actuary have been:

**The significant assumptions used by the actuary have been:**

31 Mar 21		31 Mar 22
21.6%	<b>Total Returns from 1 April 2021 to 31 March 2022</b>	4.1%
	<b>Mortality Assumptions</b>	
	<b>Longevity at 65 for current pensioners</b>	
22.1	Men	21.9
24.5	Women	24.4
	<b>Longevity at 65 for future pensioners</b>	
23.2	Men	22.9
26.2	Women	26.0
2.3%	Rate of increase in salaries	3.3%
1.9%	Rate of increase in pensions	2.9%
2.3%	Rate for discounting scheme liabilities	2.0%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes whilst all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

**Impact on the Defined Benefit Obligation in the Scheme**

2020/21		2021/22
£'000		£'000
3-5%	Longevity (increase in 1 year)	3-5%
1,081	Rate of increase in salaries (increase by 0.1%)	1,001
11,911	Rate of increase in pensions (increase by 0.1%)	11,527
13,253	Rate for discounting scheme liabilities (decrease by 0.1%)	12,749
<b>26,245</b>	<b>Total</b>	<b>25,277</b>

### Information about the Defined benefit obligation

Funding levels are monitored on an annual basis, and the latest triennial review is based on 31 March 2019 data. The fund liability may go up or down based on this review, and a sensitivity analysis is set out within this note under “impact on the defined benefit obligation in the scheme”. The total value of contributions expected to be made by the Council in 2021/22 is £1.961m.

### 36 Contingent Assets and Liabilities

#### Contingent Liability

The Council has a provision set aside for the removal of Asbestos for the housing stock transferred to Thrives Homes Limited. A settlement between the Council and Thrives Homes Ltd was agreed in March 2021, whereby a one off payment was made by the Council in full & final settlement of future asbestos removal and thus the provision is no longer required.

### 37 Usable Reserves

#### (a) Movement in Usable Reserves

Details of the movements relating to individual usable reserves are shown below:

Balance at 31-Mar-21		Net Movement in Year	Balance at 31-Mar-22	Note
£'000		£'000	£'000	
(217)	Capital Receipts Reserve	(6,355)	(6,572)	37(b)
(23,060)	Earmarked Reserves	1,012	(22,048)	37(c)
(4,868)	General Fund Balance	2,580	(2,288)	37(d)
(1,482)	Capital Grants Unapplied	(881)	(2,363)	37(e)
<b>(29,627)</b>	<b>Total Net Worth</b>	<b>(3,644)</b>	<b>(33,271)</b>	

**(b) Capital Receipts Reserve**

The Usable Capital Receipts Reserve holds capital receipts from the sale of assets which have been received and have not yet been used to finance capital expenditure. The balance on the Reserve is held to fund future years' expenditure in the approved Capital Budget.

2020/21		2021/22
£'000		£'000
<b>(233)</b>	<b>Balance brought forward at 1 April</b>	<b>(217)</b>
	<b>Received in year:</b>	
	Proceeds from sale of long-term assets	
(982)	Shares in preserved Right to Buy	(197)
(249)	VAT Shelter compensation (Unattached Capital Receipt)	(349)
(169)	Transfer from Deferred Capital Receipts upon receipts of cash	(6,354)
(28)	Unattached Capital Receipts	(163)
<b>(1,428)</b>		<b>(7,063)</b>
	<b>Applied in year:</b>	
1,444	Applied to Capital Adjustment Account to finance new capital expenditure	708
0	Applied to Long Term Debtors to clear loans	0
	Transferred to Capital Adjustment Account to finance new capital expenditure	
<b>1,444</b>		<b>708</b>
<b>(217)</b>	<b>Usable Reserves</b>	<b>(6,572)</b>

**(c) Earmarked Reserves**

This note sets out the amounts set aside from the General Funding earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2020/21.

For each reserve established the Council identifies:

- The reason/purpose of the reserve
- How and when the reserve can be used
- Procedures for the management and control of the reserve

A process and timescale for review to ensure continuing relevance and adequacy.

Reserve	Purpose
S106 Agreements & Commuted Sums	Receipts generated from development agreements to provide community Infrastructure
Community Infrastructure Levy	Funding from developers undertaking new building projects, to be used on infrastructure needed as a result of development.
Future Capital Expenditure	To fund key capital projects.
New Homes Bonus Reserve	Government Grant received in respect of new homes built to support community infrastructure
Leavesden Hospital Open Space	To maintain Open Space.
Environmental Maintenance Plant	To support improvement and purchase of environmental plant.
Economic Impact	To fund key future projects and resource equalisation in response to changed economic conditions
High Street Innovation Fund	To support the regeneration of High Streets.
NNDR Collection Fund	Equalisation fund re fluctuations due to timing differences in the collection fund

Balance at 31Mar20	Added to reserves	Taken from reserves	Balance at 31Mar20		Added to reserves	Taken from reserves	Balance at 31Mar22
£'000	£'000	£'000	£'000		£'000	£'000	£'000
(1,549)	(1)	0	(1,550)	Section 106 Commuted Sums	0	183	(1,367)
(4,174)	(1,061)	0	(5,235)	Community Infrastructure Levy	(938)	0	(6,173)
(2,610)	0	2,610	0	Future Capital Expenditure	(57)	57	0
(4,930)	(374)	867	(4,437)	New Homes Bonus	(95)	2,162	(2,370)
(178)	(17)	0	(195)	Building Control	(16)	0	(211)
(769)	0	0	(769)	Leavesden Hospital Open Space	0	0	(769)
(92)	0	0	(92)	Environmental Maintenance Plant	0	0	(92)
(2,103)	0	0	(2,103)	Economic Impact	(231)	0	(2,334)
0	(2,350)	0	(2,350)	Capital Contributions	(108)	108	(2,350)
(788)	(5,063)	0	(5,851)	NNDR Collection Fund	0	0	(5,851)
(173)	0	(328)	(501)	Benefits equalisation	0	263	(238)
0	0	0	0	Revenue Grants and Contributions	(293)	0	(293)
<b>(17,366)</b>	<b>(8,866)</b>	<b>3,149</b>	<b>(23,083)</b>	<b>Total</b>	<b>(1,738)</b>	<b>2,772.00</b>	<b>(22,048)</b>

**(d) General Fund Reserves**

The General Fund is the resources available to meet future running costs. The unallocated accumulated balances on the General Fund are set out below:

2020/21		2021/22
£'000		£'000
<b>(5,048)</b>	<b>Balance brought forward at 1 April</b>	<b>(4,868)</b>
(8,892)	Net increase/(decrease) before transfers to earmarked reserves	1,389
9,073	Transfer (to)/from earmarked reserves	1,186
<b>(4,868)</b>	<b>Balance carried forward at 31 March</b>	<b>(2,293)</b>

**(e) Capital Grant Unapplied**

The Capital Grant Unapplied Reserve is the resources available to meet future grant funded projects. The unallocated

2020/21		2021/22
£'000		£'000
<b>(860)</b>	<b>Balance brought forward at 1 April</b>	<b>(1,483)</b>
0	Section 106 - grants held for future use (new in year)	(691)
(776)	Capital Grants received	(665)
<b>(776)</b>	<b>Total Grants Received</b>	<b>(1,356)</b>
0	Section 106 - grants applied (to Capital Adjustment Account)	60
153	Capital Grants applied	410
<b>153</b>	<b>Total Grants Applied</b>	<b>470</b>
<b>(1,483)</b>	<b>Balance carried forward at 31 March</b>	<b>(2,369)</b>

### 38 Unusable Reserve

#### (a) Movement in Unusable Reserves

Details of the movements relating to individual unusable reserves are shown below:

Balance at 31-Mar-20		Net Movement in Year	Balance at 31-Mar-21	Note
£'000		£'000	£'000	
(37,855)	Capital Adjustment Account	107	(37,748)	38(b)
(12,585)	Deferred Capital Receipts	6,354	(6,231)	38(c)
4,044	Collection Fund Account	(1,882)	2,162	38(d)
(34,233)	Revaluation Reserve	(0)	(34,233)	38(e)
339	Accumulated Absences Reserve	(64)	275	38(f)
28,127	Pensions Reserve	(8,317)	19,810	38(g)
(3)	Pooled Investment Fund Adjustments	5	2	38(h)
<b>(52,166)</b>	<b>Total Net Worth</b>	<b>(3,797)</b>	<b>(55,963)</b>	

#### (b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or additions of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisation are charged to the CI&ES (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The Account is credited with the amount set aside by the Council as finance for the costs of acquisition, construction and subsequent costs.

The Account contains accumulated gains/losses on Investment Properties.

The Account also contains revaluation gains accumulated on PPE before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

The MiRS provides details of the source of all the transactions posted to the Account apart from those involving the Revaluation Reserve.



## NOTES TO THE FINANCIAL STATEMENTS

2020/21		2021/22
£'000		£'000
(38,227)	<b>Balance brought forward at 1 April</b>	<b>(37,851)</b>
	<b>Reversal of items relating to capital expenditure debited/credited to the CIES</b>	
3,067	Charges for depreciation and impairment of non-current assets	3,111
133	Amortisation of Intangible Assets	58
206	Revaluation (Gain) \ losses on PPE	0
2,650	Revenue expenditure funded from capital under statute	584
40	Amounts of non-current assets written off on disposal or sale as part of	0
(513)	Adjusting amounts written out of the Revaluation Reserve	0
<b>5,583</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>3,753</b>
	<b>Capital financing applied in the year:</b>	
(1,444)	Use of Capital Receipts Reserve to finance new capital expenditure	(708)
(153)	Capital Grants and contributions applied to capital financing	(535)
(3,477)	Earmarked Reserves:	(2,239)
(134)	Minimum Revenue Provision (MRP)	(168)
(4,968)	Repayment of Long term loan	(14,374)
<b>(10,176)</b>		<b>(18,024)</b>
	<b>Other Movements:</b>	
4,968	Repayment of Long term loan	14,374
0	Movement in market value of Investment Properties debited/ (credited) to the CIES	0
<b>4,968</b>		<b>14,374</b>
<b>(37,851)</b>	<b>Balance carried forward at 31 March</b>	<b>(37,748)</b>

### (c) Deferred Capital Receipts

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

## NOTES TO THE FINANCIAL STATEMENTS

Deferred Capital Receipts represent capital receipts from the sale of assets that will be repaid to the Council by instalments over an agreed number of years, shown as Long Term Debtors. The debtors have arisen from mortgage advances to Housing Associations and under Right To Buy, equity interest in the rent to mortgage scheme and Finance leases where the Council is the Lessor. See Notes 25 and 26 for details.

2020/21		2021/22
£'000		£'000
<b>(12,654)</b>	<b>Balance brought forward at 1 April</b>	<b>(12,585)</b>
169	Receipts realised in year	6,354
(99)	Revaluation of debtor	0
<b>(12,585)</b>	<b>Balance carried forward at 31 March</b>	<b>(6,231)</b>

### (d) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. For further details see the Collection Fund Notes within the supplementary financial statements.

2020/21		2021/22
£'000		£'000
<b>(1,094)</b>	<b>Balance brought forward at 1 April</b>	<b>4,044</b>
5,138	Amount by which council tax and non-domestic rates income credited to CIES differs from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(1,882)
<b>4,044</b>	<b>Balance carried forward at 31 March</b>	<b>2,162</b>

### (e) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The Balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation

## NOTES TO THE FINANCIAL STATEMENTS

- disposed of and the gains are realized

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2020/21		2021/22
£'000		£'000
<b>(35,973)</b>	<b>Balance brought forward at 1 April</b>	<b>(34,233)</b>
0	Upward Revaluation of assets	0
1,222	Downward Revaluation of assets and impairment losses not charged to the provision of service	0
<b>1,222</b>	<b>Net (surplus) on revaluation of non-current assets not posted to the provision of services</b>	<b>0</b>
513	Difference between fair value depreciation and historical cost depreciation	0
5	Other movements	0
<b>518</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>0</b>
<b>(34,233)</b>	<b>Balance carried forward at 31 March</b>	<b>(34,233)</b>

### (f) Accumulated Absences Reserve

The Accumulated Absences Reserve absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from this Reserve.

2020/21		2021/22
£'000		£'000
<b>120</b>	<b>Balance brought forward at 1 April</b>	<b>339</b>
(120)	Settlement of accrual made at the end of preceding year	(339)
339	Amounts accrued at the end of the current year	275
<b>339</b>	<b>Balance carried forward at 31 March</b>	<b>275</b>

### (g) Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the CI&ES as the benefits are earned by employees

## NOTES TO THE FINANCIAL STATEMENTS

accruing years of service, updating the liability recognised to reflect inflation, charging assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employers contributions to pension funds or eventually pays any pension for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2020/21		2021/22
£'000		£'000
<b>15,867</b>	<b>Balance brought forward at 1 April</b>	<b>28,127</b>
10,679	Remeasurements of the net defined benefit liability/(asset)	(11,776)
3,535	Reversal of items relating to retirement benefits charged to the provision of services in the CIES	5,444
(1,954)	Employer's pension contributions and direct payments to pensioners payable in year	(1,985)
<b>28,127</b>	<b>Balance carried forward at 31 March</b>	<b>19,810</b>

**39 Disclosure of Nature and Extent of Risk Arising from Financial Instruments**

**Financial Instruments – Balances**

The Balance Sheet includes the following financial instruments:-

Non-Current	Current		Non-Current	Current
31 Mar 19	31 Mar 19		31 Mar 20	31 Mar 20
£'000	£'000		£'000	£'000
		<b>FINANCIAL ASSETS</b>		
		<b>Carried at Amortised Cost</b>		
0	0	Investments	0	13,000
	9,851	Cash and Equivalents		8,856
30,889	4,880	Debtors	11,482	3,989
<b>30,889</b>	<b>14,731</b>	<b>Total at Amortised Cost</b>	<b>11,482</b>	<b>25,845</b>
		<b>Carried at Fair Value through Profit and Loss</b>		
0	0	Investments	2,347	0
510		Equity Instruments	510	0
<b>510</b>	<b>0</b>	<b>Total at Fair Value through Profit and Loss</b>	<b>2,857</b>	<b>0</b>
<b>31,399</b>	<b>14,731</b>	<b>Total Financial Assets</b>	<b>14,339</b>	<b>25,845</b>
		<b>FINANCIAL LIABILITIES</b>		
		<b>Borrowing</b>		
(16,147)	(3,000)	Financial liabilities at amortised cost	(8,009)	
		<b>Creditors</b>		
	(15,526)	Financial liabilities carried at contract amount		(23,237)
<b>(16,147)</b>	<b>(18,526)</b>	<b>Total Financial Liabilities</b>	<b>(8,009)</b>	<b>(23,237)</b>
<b>15,252</b>	<b>(3,795)</b>	<b>TOTAL</b>	<b>6,330</b>	<b>2,608</b>
<b>11,457</b>			<b>8,938</b>	

**Fair Value**

Long term debtors comprise mortgages and finance leases. Short term creditors and debtors arise from charges to and from the Council for goods and services, and short term investments are those made in cash for less than twelve months. These instruments are carried on the balance sheet at amortised cost, which represents their fair value. The Council is debt free and has no long term borrowings.

**Key Risks**

The Council's activities expose it to a variety of financial risks. The key risks are:

- Credit risk the possibility that other parties might fail to pay amounts due to the Council;

- Liquidity risk the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk the possibility that the Council might be requiring to renew a financial instrument at disadvantageous interest rates or term; and
- Market risk the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

### Overall procedures for managing risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and associated regulations. These require the Council to comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - the Council's overall borrowing;
  - maximum and minimum exposures to fixed and variable rates;
  - maximum and minimum exposures to the maturity structure of its debt; and
  - maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance

These are required to be reported and approved at or before the annual meeting where the Council agrees its budget and sets the council tax, or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

### Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Details of the Investment Strategy for 2020/21, which was approved by the Council in February 2021, can be found on the Council's website.

## NOTES TO THE FINANCIAL STATEMENTS

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2021 that this was likely to crystallise.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any counterparties in relation to deposits.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, and individual credit limits are set where appropriate.

The Council does not generally allow credit for its trade debtors, such that £658k of the £5,556k million balance is past its due date for payment. The past due amount can be analysed by age as follows:

<b>31 Mar 20</b>		<b>31 Mar 21</b>
<b>£'000</b>		<b>£'000</b>
360	Less than 3 months	270
14	More than 3 months, less than 6 months	11
29	More than 6 months, less than 1 year	15
60	More than 1 year	142
<b>462</b>		<b>438</b>

### Liquidity risk

The authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates.

The authority sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure that no more than 70% of loans are due to mature within any rolling three-year period through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of financial liabilities is as follows:

### Refinancing and Maturity risk

The approved treasury limits for the maturity structure of debt and the limits placed on investments of greater than one year in duration are the key parameters used to address this risk. The Council's approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The Council maintains a significant investment portfolio and currently has no long-term debt outstanding. The longer-term risk to the Council relates to managing the exposure to replacing its investments as they mature.

The maturity analysis of the Council's investments at 31 March 2021 is as follows:-

### **Market Risk**

#### **Interest Rate Risk**

The Council has no cash investments and therefore has no exposure to interest rate movements.

#### **Price Risk**

The Council has no shareholdings that might expose it to this kind of risk.

#### **Foreign Exchange Risk**

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





**CF 1 Council Tax Payers**

The charge for council tax is based on the total number of dwellings in each of eight bands at 1 April 1991 valuations. This is adjusted for dwellings where discounts or exemptions apply and is converted into an “equivalent number of Band D dwellings” where bands below Band D will pay proportionately less than dwellings in higher bands. A further adjustment is made for losses on collection and contributions in lieu of tax in respect of certain government properties. The table below sets out the calculation of the Council Tax Base for 2020/21.

2019/20		2020/21				
Equivalent Number of Band D Dwellings	Valuation Band	Total Number of Dwellings in Band	Discounts, Exemptions & Disabled Relief	Total Chargeable Dwellings	Conversion Fraction (Proportion)	Equivalent Number of Band D Dwellings
Equivalent Number of Band D Dwellings	Valuation Band	Total Number of Dwellings in Band	Discounts, Exemptions & Disabled Relief	Total Chargeable Dwellings	Conversion Fraction (Proportion)	Equivalent Number of Band D Dwellings
0	A (Disabled Relief)	0	0	0	5/9	0
369	A	852	(308)	544	6/9	363
1,118	B	2,259	(1,020)	1,239	7/9	964
4,609	C	6,645	(1,410)	5,235	8/9	4,653
8,375	D	9,943	(1,212)	8,731	9/9	8,731
8,228	E	7,497	(926)	6,571	11/9	8,032
5,736	F	4,315	(379)	3,936	13/9	5,685
7,994	G	5,109	(264)	4,846	15/9	8,076
2,913	H	1,547	(67)	1,480	18/9	2,960
<b>39,342</b>		<b>38,167</b>	<b>(5,585)</b>	<b>32,582</b>		<b>39,463</b>
(249)	Less Allowance for losses on collection					(250)
<b>39,092</b>	Tax Base for Calculation of Council Tax					<b>39,213</b>
	Add: Adjustment for changes during the year for successful appeals against 0 valuations bandings, new properties, demolitions, disabled persons' relief and empty properties					0
<b>39,092</b>	<b>Council Tax Base for the year</b>					<b>39,213</b>

Each year, the Council needs to collect enough money from local residents to cover the cost of the services it provides which is not funded by government grants and charges for services. It also collects charges for Hertfordshire County Council and the Hertfordshire Police. The total is divided by the tax base for the purposes of calculating the council tax to arrive at an average Band D tax per dwelling.

The Council set an average council tax charge for Band D dwellings of £1,843.73 (£1,772.04 for 2019/20).

## COLLECTION FUND

2020/21		2021/22
£'000		£'000
(71,673)	Gross Council Tax Charge	(75,248)

### CF 2 Business Rate Payers

In line with the Local Government Act 2003, from 1 April 2005, all business premises are subject to a tax known as National Non-Domestic Rates (NNDR). The tax is calculated using local rateable values which are then multiplied by a uniform rate.

2020/21		2021/22
£		£
<b>71,502,305</b>	Total Non-Domestic Rateable Value at 31 March	<b>72,068,645</b>
<b>51.20</b>	National Non-Domestic Rate Multiplier - Standard	<b>51.2</b>
<b>49.90</b>	National Non-Domestic Rate Multiplier - Small Business	<b>49.9</b>

### **Accounting Period**

The period of time covered by the accounts, normally a period of 12 months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

### **Accruals**

These are sums included in the final accounts to recognise revenue and capital income and expenditure attributable to the accounting period, but for which payment has not been received or made by 31 March.

### **Accumulated Compensated Absences Adjustment Account**

This account represents the value of any unused holiday, time off in lieu or flexi hours which have not been taken by officers as at the 31 March.

### **Actuary**

An expert on rates of death and insurance statistics who assesses whether we have enough money in our pension fund.

### **Actuarial Gains and Losses**

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed.

### **Amortisation**

The term used to refer to the charging of the value of a transaction or asset (usually related to intangible Long Term Assets) to the Income and Expenditure Account over a period of time, reflecting the value to the Council; similar to the depreciation charge for tangible Long Term Assets.

### **Billing Authority**

A local authority responsible for collecting Council Tax and National Non-Domestic Rates.

### **Capital Adjustment Account**

This records the timing difference between the costs of fixed assets used and the capital financing set aside to pay for them.

### **Capital Expenditure**

Expenditure on assets which have a long term value. Includes the purchase of land, purchase or cost of construction of buildings and the acquisition of plant, equipment and vehicles.

### **Capital Receipts**

The proceeds from the sale of Long Term Assets such as land and buildings. Capital receipts can be used to repay any outstanding debt on Long Term Assets or to finance new capital expenditure, within rules set down by government. Capital receipts cannot, however, be used to finance revenue expenditure.

### **Capital Charges**

This is a general term used for the notional charges made to service revenue accounts for the use of fixed assets. The term covers the following:

Depreciation, Impairment charges and Amortisation of Deferred Charges (included in gross expenditure) offset by the Amortisation of government grants deferred (included in income).

### **Capital Financing Costs**

These are costs, such as interest, which we charge because we have spent money on non-current assets.

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

The professional accountancy body concerned with local authorities and the public sector.

### **Code of Practice on Local Authority Accounting in the United Kingdom (the Code)**

The annual Code of Practice, produced by CIPFA, which specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position and transactions of a Local Authority.

### **Collection Fund**

A separate fund that records the income and expenditure relating to Council Tax and National Non-Domestic Rates.

### **Contingent Assets/Liabilities**

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not yet been made in the Council's accounts.

### **Creditor**

Amounts owed by the Council for work done, goods received or services rendered but for which payment has not been made at 31 March.

### **Current Assets**

These are the short-term assets we have at date of the balance sheet which we can use in the following year.

### **Current Liabilities**

These are the short-term liabilities we have at date of the balance sheet which we will pay in the following year.

### **Current Service Cost**

Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

### **Curtailement**

Curtailements will show the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.

### **Debtor**

Sums of money due to the authority but unpaid at the balance sheet date.

### **Defined Benefit Scheme**

This is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

### **Depreciation**

The measure of the wearing out, consumption or other reduction in the useful life of a Long Term Asset.

### **Earmarked Reserves**

These are funds set aside for a specific purpose, or a particular service, or type of expenditure.

### **Finance Lease**

Arrangement whereby the lessee is treated as the owner of the leased asset, and is required to include such assets within Long Term Assets on the balance sheet.

### **Group Accounts**

Group Accounts are prepared using consistent accounting policies which will require authorities to align their financial statements more closely with International Financial Reporting Standards.

### **Heritage Assets**

Heritage Assets are held with the objective of increasing knowledge, understanding and the appreciation of the Council's history and local area.

### **International Financial reporting Standard (IFRS)**

Defined accounting standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of other entities.

### **Impairment**

A reduction in the value of a fixed asset to below its carrying amount on the balance sheet due to damage, obsolescence or a general decrease in market value.

### **Investment Property**

Investment properties are those that are 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.

### **Investments**

Deposits for with approved institutions.

### **Infrastructure Assets**

Expenditure on works of construction or improvement but which have no tangible value, such as construction of, or improvement to, highways.

### **Long Term Assets – Tangible**

Tangible assets (i.e. land and buildings) that yield benefits to the Council and the services it provides for a period of more than one year.

### **Long Term Assets – Intangible**

Assets which are of benefit to the organisation, but have no physical presence such as software licences.

### **Long Term Debtors**

Amounts due to the Council more than one year after the Balance Sheet date.

### **National Non-Domestic Rates (NNDR or NDR)**

NNDR or NDR is the levy on business property, based upon a national rate in the pound applied to the 'rateable value' of the property. The Government determines a national rate poundage each year, which is applicable to all Local Authorities.

### **Operational Assets**

Long Term Assets held by the Council and used or consumed in the delivery of its services.

### **Operating Lease**

An arrangement whereby the risks and rewards of ownership of the leased asset remain with the lessor.

**Pension Fund**

An employees' pension fund maintained by an authority, or a group of authorities, in order primarily to make pension payments on retirement of participants. It is financed from contributions from the employing authority, the employee and investment income.

**Precept**

The amount levied by one authority which is collected by another. e.g.: the County Council is the Precepting Authority and the District Council is the collecting authority, also known as the Billing Authority.

**Provision**

This is an amount which is put aside to cover future liabilities or losses which are considered to be certain or very likely to occur, but the amounts and timing are uncertain.

**Revenue Expenditure Funded From Capital Under Statute**

Expenditure incurred during the year that may be capitalised under statutory provision but that does not result in the creation of an asset that belongs to the Authority.

**Surplus Assets**

Long Term Assets held by an organisation but not directly occupied, used or consumed in the delivery of services, or held as an investment.