

HERTSMERE BOROUGH COUNCIL  
STATEMENT OF ACCOUNTS  
FOR THE YEAR ENDED 31 March 2022



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## Statement of Responsibilities

### The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of Finance and Business Services.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

### Responsibilities of the Head of Finance and Business Services

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

In preparing this Statement of Accounts the Head of Finance and Business Services has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates which were reasonable and prudent.
- Complied with the local authority Code.

The Head of Finance and Business Services has also:

- Kept proper accounting records that were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

### Confirmation of the Head of Finance and Business Services:

**I confirm that this Statement of Accounts presents a true and fair view of the financial position of Hertsmere Borough Council at 31 March 2022 and its Income & Expenditure for the year then ended.**

**Matthew Bunyon**

Head of Finance and Business Services

Date: 31 July 2022

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HERTSMERE  
BOROUGH COUNCIL**

The 2021/22 audit report will be issued once the audit of the accounts has been completed.

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## Narrative Statement

### Overview from the Head of Finance and Business Services

I am presenting the 2021/22 Statement of Accounts during one of the most challenging periods as we recover from the Covid-19 pandemic and enter a national “Cost of Living Crisis”. The Covid-19 pandemic caused critical disruption at the local and national level within the UK with its effects felt by all in a short time span and its future impact yet to be fully determined. We have since entered a period of high inflation in particular in relation to energy and fuel costs which have already risen significantly and are likely to rise still further.

As a district council, Hertsmere are at the heart of the community and pivotal to the needs of its residents and businesses. Since the pandemic took hold in the UK in March 2020, we have introduced many measures to ensure the continuity of key services to support our residents and businesses. These measures included:

- Our business rates team have worked tirelessly to make contact with and paid grants to businesses eligible for assistance under the government support measures.
- Our benefits team have applied the Council Tax Hardship Fund to residents claiming council tax support and have paid test and trace grants to those who have been financially impacted due to being required to self-isolate.
- Article 4 directions have been brought forward to introduce local planning rules to safeguard local businesses and jobs to help support Hertsmere’s economic bounce-back.
- Collaborating with other sectors and charities to support our most vulnerable residents including through the ongoing initiatives with Communities 1st.
- Council, Executive and Committee meetings were held remotely. Since May 2021, decision making meetings are again being held in the Hertsmere Civic Offices, Borehamwood.

The 2021/22 financial year was proving to be as challenging as last year due to Central government announcing a one-year financial settlement rather than the anticipated multi-year settlement due to other Government priorities in relation to Brexit and the response to the Covid-19 pandemic. The multi-year settlement would have provided more budgeting and financial certainty for local authorities over the medium term. The council continues to work towards reducing the funding gap identified in its medium term financial plan and to produce a balanced budget in an extremely challenging financial climate. We continue to reduce reliance on the New Homes Bonus (NHB) due to the uncertain future of this funding and also the use of business rates growth due to the pending review of the system for the redistribution of business rates, which is now overdue.

We also face uncertainty in some of our own funding sources which can be dependent on certain external drivers as well as factors at play within our own borough, including the impact of the EU exit, levels of employment, business growth and demand for our services such as affordable housing. This uncertainty has further increased due to the Covid-19 crisis which has caused additional spending pressures in direct response to the crisis and has had a significant impact on our income for example due to the temporary suspension of parking charges and subsequent decline in parking as more people are working from home and shopping online.

Since the beginning of 2022, rapidly rising inflation and in particular the increasing costs of utilities and fuel is having a significant impact on all our lives. The Government have announced various measures to support households through the “Cost of Living Crisis” and our Revenues Service have implemented the Government’s Energy Rebate scheme, making payments of £150 to around 24,500 households in council tax bands A-D across the borough. We have also introduced a discretionary scheme providing a rebate to over 700 vulnerable households in bands E-H and also a top up for around 6,500 vulnerable households across all bands.

As well as the resource implications for implementing the energy rebate schemes, the “Cost of Living Crisis” has resulted in the Council experiencing large increases in operating expenditure especially around lighting / heating in Council owned properties and running the Council’s vehicle fleet.

The financial pressures associated with this national crisis continue to be assessed regularly by officers and due to these unprecedented circumstances there will be additional and more frequent reporting to members during these difficult times.

### Covid-19 Business Support Grant

Hertsmere Borough Council are responsible for delivering business support grant awards and payments to local businesses affected by the Covid-19 pandemic. There have been numerous business support grant schemes announced by central government since March 2020. All business support grants had an award date of 31 March 2022 and the reconciliation process with central government to settle the business support grant schemes either over or under awarded.

Below is a summary of the business support grants received and the grants paid to businesses to 31 March 2022:

Business Support Grant Scheme	Principal / Agent	Balance b/f £'000	Amount Received / (Paid) from Gov't £'000	Grants paid £'000	CIES £'000	Balance Sheet £'000	Balance c/f £'000
Small Business Grant & Retail, Hospitality and Leisure Support Grant – Mandatory	Agent	10	-	-	-	-	10
Small Business Grant & Retail, Hospitality and Leisure Support Grant – Discretionary	Principal	-	-	-	-	-	-
Additional Restrictions Grant	Principal	139	1,580	1,642	1,642	-	77
Local Restrictions Support Grant (Closed) Addendum	Agent	3,379	-	-	-	-	3,379
Local Restrictions Support Grant (Closed)	Agent	(54)	-	-	-	-	(54)
Local Restrictions Support Grant (Open)	Principal	2	-	-	-	-	2
Christmas Support Payments (Wet Led Pubs)	Agent	17	(17)	-	-	-	-
Closed Business Lockdown Grant	Agent	1,755	-	-	-	-	1,755
Restart Grant	Agent	-	4,734	4,581	-	4,581	153
Omicron Hospitality and Leisure Grant	Agent	-	780	386	-	386	394
<b>TOTAL</b>		<b>5,248</b>	<b>7,077</b>	<b>6,609</b>	<b>1,642</b>	<b>4,967</b>	<b>5,716</b>

The Council has to follow accounting principles to assess whether each business support scheme is either a principal or agent transaction.

A principal transaction is where the Council has control over how the grant payment is awarded to eligible businesses. The accounting principle states that the grant payment has to be recognised in the Council's Comprehensive Income and Expenditure Statement (CIES) and funding of the same amount is applied to the CIES. The principal grants paid to businesses in 2021/22 amounted to £1.642m which is recognised in the Council's CIES under the Net Costs of Services line "Exceptional Items – Covid-19 Business Support Grants".

An agent transaction is where the Council is acting as an intermediary and does not have control over how the grant payment is awarded to eligible businesses by following central government guidance. The accounting principle for agent transactions is to remain in the Council's balance sheet.

The table above shows the Council had a brought forward balance of £5.248m, received £7.077m of business support grants from central government and paid £6.609m to 31 March 2022.

### Covid-19 Test & Trace Self Isolation Fund

The Council has also been responsible for administering the Test & Trace Self Isolation Fund whereby individuals may be eligible for grant payments if they have to self-isolate as a result of testing positive for Covid-19. The accounting principles in relation to principal or agent transactions are the same as explained in the section above on Business Support Grants.

The table below is a summary of the Test & Trace Self Isolation Fund and the accounting principle applied in the Council's 2021/22 accounts:

Test and Trace Self Isolation Scheme	Principal / Agent	Balance b/f £'000	Amount Rec from Gov't £'000	T&T paid to 31/03/2022 £'000	CIES £'000	Balance Sheet £'000	Balance c/f £'000
Test and Trace Self Isolation – Mandatory	Agent	(1)	89	101	-	101	(13)
Test and Trace Self Isolation – Discretionary	Principal	51	60	67	67	-	44
<b>TOTAL</b>		<b>50</b>	<b>149</b>	<b>168</b>	<b>67</b>	<b>101</b>	<b>31</b>

The table above shows the Council had a brought forward balance of £0.050m, received £0.149m of Test and Trace Self Isolation Fund from central government and paid £0.168m to 31 March 2022. Of the £0.168m, £0.067m was applied in the Council's CIES under the Net Costs of Services line "Exceptional Items – Covid-19 Self Isolation".

## **Hertsmere and our local area**

Hertsmere Borough Council is situated to the north of London in southwest Hertfordshire and has a population of over 105,000. There are approximately 44,000 dwellings in the area and over 3,000 commercial properties. The Borough covers an area of 39 square miles and includes the communities of Aldenham, Bushey, Potters Bar, Radlett, Elstree and Borehamwood and is bordered by three London Boroughs. Despite its close proximity to London, 80 per cent of the borough is green belt, much of which is in agricultural use.

Compared to metropolitan boroughs, Hertsmere Borough Council is a small council and is made up of distinctly individual communities and a number of smaller settlements. Although the Council is located within Hertfordshire, it faces many similar challenges to those faced by its neighbouring London boroughs. Its close proximity to the city also brings its own challenges, in particular competition for highly skilled labour in an area paying London weighted salaries that can only be offered by the larger London Boroughs.

### **What services is Hertsmere responsible for?**

Hertsmere Borough Council is responsible for providing services including street cleaning, kerbside waste and recycling collections, community safety, environmental health, housing needs, benefits, leisure and parks, licensing and planning services.

We work in partnership with other local authorities to improve the quality of life for residents but we do not have any control over services which are statutorily provided by other organisations e.g. education, children & adult social care, roads and street lights as they are the responsibility of Hertfordshire County Council. There are also five town and parish councils which operate in some areas of Hertsmere.

### **Your local councillors**

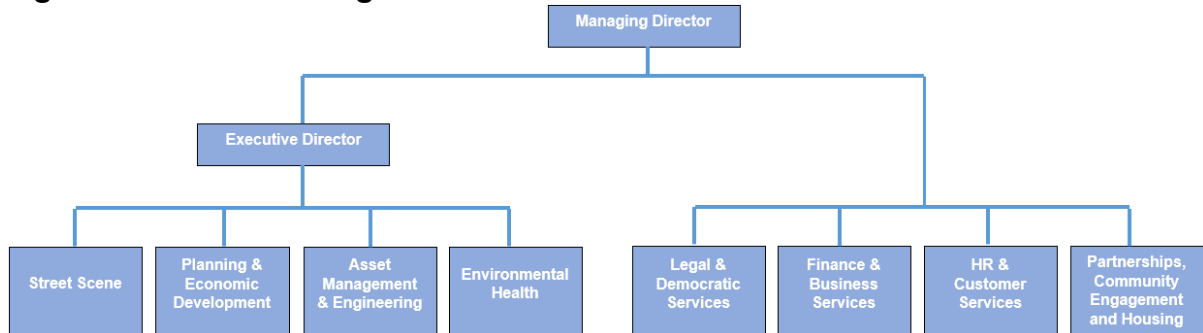
Hertsmere has 39 councillors in 16 wards who are elected to serve for four years at a time. The number of seats held during the year by political groups was:

Conservative	29
Labour	7
Liberal Democrats	3

## The Council’s Management Structure and Workforce

Supporting the work of Councillors is the organisational/management structure of the council headed by the Managing Director and Executive Director, along with a number of Heads of Service, detailed in Figure 1 below, who cover a variety of areas of business. The council currently employs approximately 300 people in full and part time roles.

**Figure 1 – Senior Management Structure**





## Hertsmere Vision 2022-27 – A corporate plan for Hertsmere

The Hertsmere Vision 2022-27 was agreed at Executive and Full Council in November 2021. The document provides our high level vision and will be used to inform the development of a range of high level strategic documents including an updated Corporate Plan and the new Local Plan. The Hertsmere Vision documents can be found in the link below:

[www.hertsmere.gov.uk/Your-Council/Official-Publications--Guides--Policies/Corporate-Plan.aspx](http://www.hertsmere.gov.uk/Your-Council/Official-Publications--Guides--Policies/Corporate-Plan.aspx)

The document is clearly structured with an overall Vision Statement, 6 Position Statements describing key areas of focus and then 30 Commitments which articulate how we will deliver against the statements. The commitments set out how we will work, both in terms of specific delivery, but also clearly reflect our organisational values.

The Hertsmere Vision is purposely high level so that it can act as a clear framework for the development of future strategies and is underpinned by the Corporate Plan for each year between 2022 to 2027. The Corporate Plan is annually updated and sets how we will deliver against this vision in each financial year.

The 6 Position Statements contained within the Vision are:

- Strong Identity
- Sustainable Growth
- Enterprising
- Climate Action
- Inclusive and Equitable
- Open and Collaborative

The 2022/23 Corporate Plan adopts each of the Position Statement sets out how we will work towards implementing the position statements and commitments which sit underneath that overall vision. We have identified key areas of work that will be undertaken during the year ahead and also articulate what success will look like so that we know we are heading in the right direction.

Our role as a centre for film and television is something we are very proud of and continue to build on which provides opportunities for residents to celebrate our heritage. Our award-winning parks and open spaces are important to us and our residents and we will continue to invest in new facilities. We will also work towards ensuring our town centres remain a key part of local life, a draw to residents and visitors alike.

By promoting and developing our ability to generate income as well as reducing costs by entering into partnerships with other councils and looking for commercial opportunities such as establishing our own property development company. We currently have partnerships with other local authorities for Building Control, CCTV, Audit and Anti-Fraud.

We have already built some excellent quality houses for rent and will be developing more to generate rental income while also contributing to meeting local demand for housing. We set up Hertsmere Development Ltd to take forward new developments on council-owned land and the Council has approved land transfer to the company.

Our Elstree Studios remains in a healthy state with Strictly, the Crown and the BBC continuing to feature large in their portfolio of clients. A £15.6m project to build two new stages and ancillary space on the Elstree Studios site with the main construction

contract awarded in May 2021 and completion of the new stages in early July 2022. The project, which was part funded, £6m from the Government's "Get Building Fund" via the Hertfordshire Local Enterprise Partnership, will deliver around 800 new jobs and up to 120 learning opportunities as well as generating a significant return that will support council services, a share of the profits will also be reinvested in the creative industry.

We declared a climate emergency in 2019 and are serious about our pledge to move to net zero carbon emissions no later than 2050. We have adopted a Climate Change Strategy with an action plan which sets out how we will deliver against this commitment and support our stakeholders to play their part.

We are also investing in our local communities through the Community Infrastructure Levy and S106 monies funding many local projects and new community infrastructure.

### **Performance Management**

We are committed to ensuring that we deliver the Hertsmere Vision whilst also maintaining high-quality service delivery to local residents and businesses. In order to ensure that we are delivering these aims, we will continue to monitor our performance both against this plan and across our services areas. We have therefore reviewed our performance management arrangements as follows:

#### **Performance Indicators (PIs):**

- All PIs will be reviewed and updated to ensure that they are representative of the commitments in the Vision and that they remain reflective of all service areas.
- The Quality Service Indicator set monitors the performance of our main public-facing service areas and will be considered by the cross-party Executive Performance Management Panel and by the Executive on a quarterly basis.
- The Key Performance Indicator which contains more detailed service level information will be considered by exception only by the Executive Performance Management Panel on a quarterly basis.
- The full indicator set will be considered at Chief Officer Board on a quarterly basis.

#### **Annual Report**

- Considered at Executive and Full Council in May/June each year.

#### **Corporate Plan**

- Reviewed by Senior Managers, Chief Officer Board and Executive annually for the life of the Hertsmere Vision.

#### **Service Plans**

- All departments are required to produce a Service Plan and these will be closely monitored by Service Heads and Directors.

## 2021/22 Financial Statements

The financial statements link closely to the Corporate Plan which enables delivery of the Council's goals and objectives. The Council is continuing with its programme of improvement in performance and service delivery. This is underpinned by the Corporate Governance framework which is the mechanism through which our priorities are filtered down throughout the organisation.

The Council's Annual Governance Statement provides further details of the strategies implemented to achieve our objectives which have been developed and reviewed during the year. The Annual Governance Statement presented for approval to the Audit Committee will be included in the final published accounts.

The Audit Committee meets quarterly and is attended by the external auditors. It works to promote and safeguard financial probity throughout the Council.

Parts of "The Accounts and Audit Regulations 2015" were superseded on 31 March 2021 by "The Accounts and Audit (Amendments) Regulations 2021". This was a result from the Redmond Review on the effectiveness of external audit and transparency of financial reporting in local authorities. It gives local authorities more flexibility whereby the public inspection period must commence on or before the first working day of August following the year end. This means the 2021/22 accounts have to be confirmed by the Chief Financial Officer by 31 July 2022 at the latest.

The publication date for the 2021/22 audited accounts following the Accounts and Audit (Amendment) Regulations 2021 is 30 September 2022 or as soon as practicable if there were delays with finalising of the 2021/22 accounts.

The amended regulations apply for the financial years 2020/21 and 2021/22.

The signed draft 2021/22 accounts will be available for public inspection on 1 August 2022. The intention is to have the audited accounts published as soon as practicable, subject to external audit resources.

I would like to take this opportunity to express my gratitude to all colleagues from the finance team and other services for their assistance in preparing these accounts, and for their support throughout the year.

If you would like to have any further information on the accounts, you can forward details of your request to the council by email at [Statementofaccounts@hertsmere.gov.uk](mailto:Statementofaccounts@hertsmere.gov.uk) or by post using the following address:

Matthew Bunyon  
Head of Finance and Business Services  
Civic Offices  
Elstree Way  
Borehamwood  
Hertfordshire  
WD6 1WA

### 3.1 Summary of Performance

#### Non-Financial Performance

In the current financial climate, local authorities have to think creatively about how to reduce costs whilst still delivering high quality services. Hertsmere remains committed to making the most of our assets whilst finding new ways to deliver services that meet the needs of our residents. The Council is in a healthy financial position, and aims to maintain its financial resilience and continues to work towards self-sufficiency.

#### Income maximisation

The Council generated £11m in income, including funding, project specific grants, fees charges and investment income, also drawdowns from specific reserves to fund expenditure. This income is used to support the delivery of our services.

The income generated in 2021/22 is drastically lower than the £13m received in the pre-pandemic period in 2019/20 due to the impact of the Covid-19 pandemic. The Council was however able to cover the losses through additional Covid-19 central government funding.

#### Apprenticeships

We have looked at new ways to recruit and develop staff, particularly in hard to recruit professions and currently have twelve apprentices employed across nine different Council departments.

#### Leisure Service Improvements

In partnership with InspireAll (formerly Hertsmere Leisure Trust), £5.0m was spent by 2019/20 by the Trust to deliver a range of improvements in facilities across the borough's main leisure centres.

The Covid-19 lockdown restrictions however meant InspireAll was not able to open its leisure and community centres over long periods during 2020/21 and has experienced significant financial losses as a result. The Council have worked closely with the Trust throughout the year and have agreed various measure of support to enable InspireAll to recover from the pandemic. These measures have included extending their contract by five years to 2032, waiving the 2020/21 management fee and deferring loan repayments (principal and interest). The loan agreement has now been renegotiated and a two year interest free period agreed for 2021/22 and 2022/23, providing further support as InspireAll recover from the pandemic. The interest forgone will however be recovered through an increased interest rate from 2023/24. InspireAll have also received government grant funding through various business support grants and the Leisure Recovery Fund.

#### Elstree Studios

The world renowned, council-owned Elstree Studios, continue to provide over £1.6m in rental payments and investment income to the council in 2021/22.

The Council approved an ambitious regeneration of Elstree Film Studios with two new sound stages and workshops to be built on the disused Big Brother site. The now £15.6 million project, which completed in early July 2022, will provide further rental income for the Council and regeneration to the local area with the creation of around 800 new jobs and up to 120 learning opportunities. Some of the profits will also be reinvested in the creative industry. The project is part funded, £6 million, from the Government's "Get Building Fund" via the Hertfordshire Local Enterprise Partnership (LEP).

### **Parking Partnership**

In addition to our existing partnerships for the delivery of services, such as building control and the anti-fraud service, the Council has entered into a parking partnership arrangement with Three Rivers District Council on 1 April 2018, generating efficiencies for both Council's, which covers all parking enforcement and support services.

### **Planning for the Future**

A key role of the Council is to help shape the future of the borough.

### **Expenditure on Parks**

An additional £1.350m was approved in the February 2020 Council meeting for phase 2 of the Meadow Park redevelopment, ensuring that green and open spaces are available for future use.

### **Lead role on ParksHerts delivery**

Hertsmeire Council have taken the lead on the ParksHerts website. This is funded by all ten District councils in Hertfordshire, to promote all year round outdoor exercise by encouraging people to visit Hertfordshire's free to access parks and open spaces.

### **Hertsmeire Developments Limited**

The council's fully owned housing development company will start its first development in 2022/23. This will provide housing requirements for the local community.

Hertsmeire is a great place to live and work and we're trying to make sure it stays that way, both for existing communities and for future generations. We know the borough will have to grow and develop.

### **Supporting our Communities**

The Council recognises the need to develop and grow our local partnerships to deliver the best outcomes for our residents. Working with a range of organisations, from statutory and voluntary, to engage with residents to help keep them happy, healthy and safe.

A number of initiatives took place during the year, including:

- Continued to deliver Covid-19 public health messaging, allocating space in Council owned facilities and releasing staff.
- Supported the most vulnerable in our community by distributing £70,000 of Household Support Fund and £1,500 in supermarket vouchers through local foodbanks.
- Awarded over £650,000 in funding to the voluntary sector with a focus on organisations who supported residents through the pandemic.
- Launched the Hertsmeire Community Lottery which provides a free and easy way for local organisations to fundraise with 50p in every £1 going back to good causes.

## Financial Performance

### *Council Funding*

In line with the rest of local government, the Council has seen an ongoing reduction in its core funding putting increasing pressure on local council tax.

For Hertsmere in 2021/22, central government core funding was only from retained business rates which amounted to £2.723m, the revenue support grant having reduced to zero from 2019/20. Central government core funding now represents just 23% of the funding required to meet the Council's budgeted net expenditure of £11.846m. The remainder was raised from other grants, contributions from reserves, retained growth from business rates, and from Council Tax.

Against this background, the Council continues to lead the way in rising to the financial challenges facing local government by implementing a number of strategies:

- We have adopted a more entrepreneurial approach and focussed on expanding our ability to generate income as well as reducing costs.
- Entering into partnerships with other councils.
- Looking for commercial opportunities.
- Building new affordable housing for rent to meet local demand.
- Promoting Elstree Studios.
- Establishing our own property development company to take forward housing developments on Council-owned land.

## Financial Management

### Financial Sustainability

The Council has carried out a detailed assessment of the likely impact of COVID-19 on its financial position and performance during 2021/22 and beyond. This included consideration of the following:

- Loss of income on a service by service basis, due to temporary closures, reduction in demand, and increased collection losses.
- Additional expenditure on a service by service basis, e.g. provision of new and expanded services in response to the crisis (such as additional costs relating to temporary accommodation for the homeless), and additional costs associated with changes to working practices (such as remote working).
- Changes to government policy, e.g. changes to business rate reliefs, guidance on supplier relief, additional funding for local authorities, and additional responsibilities which sit alongside this.
- The impact on the Council's capital programme, i.e. delays caused by government restrictions, and whether there is a need to re-phase work for other reasons.
- The impact on the Council's subsidiaries and partnerships.
- The impact of all of the above on the Council's cash flow and treasury management, including availability of liquid cash (as at 31 March 2022 the Council has around £40.092 million held in short term investments), impact on investment returns, and availability of external borrowing if required. The estimated overall impact on the Council's General Fund reserves.
- The going concern of council's subsidiaries have been assessed and it is not expected to have any material impact on the council's reserves.

- The Council's General Fund balance as at 31 March 2022 was £40.287 million. It has to be noted £6.391 million of the General Fund balance was earmarked for the release of the 2020/21 collection fund deficit. Therefore the available General Fund balance for future revenue and capital projects was £33.896 million.

This review has highlighted that COVID-19 poses a significant financial challenge for the Council, as it will for all local authorities. To reflect this, the Council has reviewed its Medium Term Financial Plan which was approved in the February 2022 Council meeting.

It is therefore noted that there is significant headroom within the General Fund to absorb the estimated financial impact of COVID-19 in the short to medium-term. Furthermore, the Code requires that local authorities prepare their accounts on a going concern basis, as they can only be discontinued under statutory prescription. For these reasons, the Council does not consider that there is material uncertainty in respect of its ability to continue as a going concern for the foreseeable future.

#### Revenue outturn

In 2021/22 the budget for the Council's cost of services was set at £11.846 million after funding from reserves. The actual service spend for the year was £13.223 million, which has resulted in an overall unfavourable variance of £1.377 million, reflecting expenditure and income pressures faced by the Council. The Council received £1.254 million of central government funding in support of the Covid-19 pandemic, and drew down £0.123m from the Covid-19 reserve set aside to fund any Covid-19 related budget pressures.

**FINANCIAL MONITORING POSITION**

31 Mar 2022

**SUMMARY OF PERFORMANCE**

	REVISED BUDGET	ACTUAL SPEND FOR THE YEAR	SURPLUS (DEFICIT)
	£000	£000	£000
Planning & Economic Development	1,115	1,294	(179)
Housing Services	1,065	968	96
Partnership & Community Engagement	1,198	1,111	86
Environmental Health	1,040	1,109	(69)
Street Scene Services	4,619	5,361	(743)
Engineering Services	318	358	(40)
Asset Management	(3,509)	(3,109)	(400)
Finance & Business Services	2,463	2,375	89
Legal & Democratic Services	1,510	1,349	161
Human Resources & Customer Services	1,218	1,169	48
Executive Directors	474	466	8
Audit & Assurance	190	189	2
<b>Net Service Operational Expenditure</b>	<b>11,701</b>	<b>12,642</b>	<b>(941)</b>
General Expenses, Audit Fees, Bank Charges	267	298	(31)
General Expenses, Exceptional Items	-	304	(304)
Apprenticeship Levy	31	32	(1)
Central Contingency	5	-	5
Minimum Revenue Provision	242	242	-
Investment Interest	(400)	(295)	(105)
<b>Total Service Costs</b>	<b>11,846</b>	<b>13,223</b>	<b>(1,377)</b>
<b>Deficit Funded from:</b>			
Government Funding:			
- Emergency Funding	-	(503)	503
- Contain Outbreak Management Fund (COMF)	-	(138)	138
- New Burdens	-	(310)	310
- Test and Trace Support – Administration Costs	-	(19)	19
- Irrecoverable Income	-	(284)	284
Covid-19 Reserve Drawdown	-	(123)	123
<b>Total Surplus / (Deficit) for the Year</b>	<b>11,846</b>	<b>11,846</b>	<b>-</b>



### 3.2 Reconciliation from the reported underspend for the year to the movement in the General Fund balance

Table 1	General Fund £000	Reserves £000	Total £000
<b>Financial Monitoring Deficit</b>	(1,377)	-	<b>(1,377)</b>
<b>Deficit Funded from:</b>			
Government Funding	1,254	-	<b>1,254</b>
Covid-19 reserve drawdown	123	(123)	-
COMF Funding	-	(139)	<b>(139)</b>
Planned Transfer to/(from) Reserve	-	(188)	<b>(188)</b>
Capital expenditure funded from reserves	-	(905)	<b>(905)</b>
LCTS Grant	-	65	<b>65</b>
Capital feasibility studies project	-	(49)	<b>(49)</b>
Minor differences not in FMR	(16)	16	-
<b>Funding variances:</b>			
Council Tax Collection Fund Surplus	69	-	<b>69</b>
Drawdown of Collection Fund Reserve -			
NNDR Deficit 3 Year Spreading	-	(3,294)	<b>(3,294)</b>
Housing Benefit Overpayments Reserve	-	360	<b>360</b>
New Homes Bonus	-	476	<b>476</b>
<b>Movement in General Fund Balance</b>	<b>53</b>	<b>(3,781)</b>	<b>(3,728)</b>

### 3.3 Reconciliation from the reported spend for the year to the Expenditure and Funding analysis – Net General Fund Expenditure (note 5.15 column 1).

Service	Revenue Outturn £000	Other movements post outturn £000	Trading Account Recharges £000	Contribution to / from EMR in outturn £000	Shown below NCS £000	EFA Column 1 £000
Asset Management	(3,109)	(64)	-	14	690	(2,469)
Audit & Assurance	189	-	-	-	-	189
Executive Directors	466	(3)	(2)	4	-	465
Engineering Services	358	167	-	(152)	-	373
Environmental Health	1,109	(3)	-	76	-	1,182
Finance & Business Services	2,375	(217)	(30)	295	2	2,425
General Expenses	876	(294)	(2)	86	(242)	424
Housing Services	968	3	-	(123)	(10)	838
Human Resources & Customer Services	1,169	147	(9)	5	-	1,312
Legal & Democratic Services	1,349	(52)	(1)	89	-	1,385
Partnership & Community Engagement	1,111	215	-	126	-	1,452
Planning & Economic Development	1,294	(20)	-	337	(10)	1,601
Street Scene Services	5,361	(357)	44	(569)	(54)	4,425
Exceptional Items - Covid-19	-	165	-	-	-	165
Exceptional Items - Covid-19 Business Support Grants	-	-	-	-	-	-
Exceptional Items - Covid-19 Self Isolation	-	-	-	-	-	-
Investment Interest	(295)	-	-	-	-	(295)
	<b>13,221</b>	<b>(313)</b>	<b>-</b>	<b>188</b>	<b>376</b>	<b>13,472</b>

### 3.4 Capital outturn

The council spent £15.963 million on capital expenditure during 2021/22 and is committed to spending a total of £18.017 million over the remaining 3 year programme (see Note 5.17.1). The outstanding major capital commitments include the development of the new sound stages at Elstree Film Studios, housing, disabled facilities grants, purchase of Street Scene Vehicles and redevelopment of Meadow Park.

#### FINANCIAL MONITORING POSITION

31 March 2022

2020-21	2021-22
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#### SUMMARY OF CAPITAL SPEND

	£000	£000
Asset Management	2,330	14,087
Planning & Economic Development	453	8
Environmental Health	542	826
Street Scene Services	209	983
Finance And Business Services	68	16
Housing & Partnerships	-	43
Human Resources & Customer Services	106	-
<b>Total Capital Expenditure</b>	<b>3,708</b>	<b>15,963</b>

#### FUNDING SOURCES

	£000	£000
Usable Capital Receipts	859	592
Reserves	404	905
Grants	2,427	7,211
Donated Assets	-	-
Revenue	18	40
Borrowing	-	7,215
<b>Total Funding Sources</b>	<b>3,708</b>	<b>15,963</b>

### *Economic climate*

The current economic climate following the recent EU exit combined with the current situation with the Covid-19 pandemic is very uncertain making it extremely difficult to plan for the future. Hertsmere have already seen increased demand for services and additional cost pressures as well as a significant reduction in fees and charges due to the pandemic. The increased demand for council tax and business support is unprecedented and Hertsmere is doing its utmost to support.

The Chancellor of the Exchequer announced on 23 March 2022 the UK net public sector borrowing in the current financial year (2021/22) would be 5.4% of the UK's gross domestic product (GDP). In cash terms, the Office for Budget Responsibility (OBR) estimated the budget deficit – the gap between national spending and income – would be £127.8 billion in 2021/22 and £99.1 billion in 2022/23.

The OBR forecasted inflation would 7.4% this year which is reflective on the overall increase in prices especially with utilities and fuel.

The Comprehensive Spending Review 2015, announced as part of the Chancellor's Autumn Statement on 25 November 2015, set out the strategic direction of travel for public expenditure, which included the complete phasing out of the Revenue Support Grant (RSG) in 2019/20.

It was expected that this four year spending review would be followed by a further multi-year settlement from April 2020 which would include the fair funding review and review of the business rate retention scheme. These were however delayed by one year due to other Government priorities at the time in relation to Brexit and the current situation delayed these reviews even further. Hertsmere received a single year settlement for 2020/21 and 2021/22.

### *Finance Strategy*

The Finance Strategy was last reviewed in July 2018 for the period to 2021/22. This strategy will assist the Head of Finance and Business Services in planning the Council's financial resources in the short to medium term (3 to 5 years) with a view to deliver the Council's service priorities. The strategy sets out the framework and principle on which the Council plans and manages its finances. As such it forms an integral part of the Council's Budget and Policy framework.

Core appendices to the strategy including the Medium Term Financial Plan and Capital Strategy are updated annually to take into account the national and regional context and link those with the Council's corporate goals and priorities. The Strategy has been updated to reflect ongoing reductions in Government funding and the other financial pressures noted in this statement.

### *Corporate Risks*

As set out in the Annual Governance Statement, the Council routinely identifies, monitors and reports its risks to the Corporate Governance Group and the Audit Committee. The process of managing these risks not only controls the threats but also provides a means to identify and respond to opportunities.

The strategic risks that have been considered by the Corporate Governance Group and reported to the Audit Committee are those that can affect the delivery of the Council's corporate goals and that relate to significant change projects.

It is worth noting that these risks are continuously monitored and reviewed by the Corporate Governance Group and reported to the Audit Committee to ensure that appropriate mitigation plans are in place to counteract any occurrence of these risks. The Council's senior managers take responsibility and ownership of these risks as well as maintaining risk mitigation plans. Management, along with the Council's Executive are continuously working towards risks minimisation.

## The Council's Finances

### *The General Fund*

The Council maintains an unallocated reserve, the General Fund. The maintenance of such a fund is necessary to cover both planned and unforeseen expenditure and to provide adequate levels of reserves for the Council's operations. At 31 March 2022 the balance on the General Fund was £44.087m (2020/21 £44.015m) - out of this, £8.445m was held as a contingency for unforeseen events and £31.842m has been earmarked for specific projects (see commentary below).

Members of the Council make every effort to maintain levels of service provision and periodically consult residents on their priorities for spending. Historically, levels of investment income provided a useful supplement to the basic budget for service provision. However, in addition to experiencing reductions in grant funding, the Council has for some years now been unable to rely on such levels of investment income given the returns available on investments that it is prudent for the Council to make; nor can it compensate for losses in grant income simply by increasing fees and charges. It is therefore vital that robust levels of reserves are maintained in order to safeguard services.

### *Earmarked reserves*

Earmarked reserves are funds generated through the revenue account that have been specifically set aside for future revenue and capital projects. The Council has once again been able to make good use of its earmarked reserves by using them to help pay for the shortfalls in income, and redirecting those that were reserved for projects no longer required or considered a priority. During the year a net £3.781m was transferred from earmarked reserves. Total funds earmarked for future use at 31 March 2022 were £31.842m. The breakdown of this sum is provided at note 5.30.2.

Included within earmarked reserves was £6.391 million earmarked to fund the release of the 2020/21 collection fund deficit, which has arisen mainly due to the 100% extended retail relief announced by the Government. Collection authorities such as Hertsmere were compensated for the resulting losses in collection via a section 31 grant and it is the surplus grant funding (less Hertsmere's share) which is held in reserves and will need to be paid back to the Government. Therefore, the available earmarked reserves is £25.451 million.

### *Capital expenditure programme and associated financing*

During the year the Council incurred expenditure of £15.963m on capital projects, which can include anything from the purchase or replacement of vehicles and equipment to the refurbishment of existing assets. The most significant projects undertaken during the year included £11.930m spent on the development of the Elstree Film Studios, £0.826m Disabled Facilities Grants for home adaptations, £0.817m on Street Scene vehicles and housing developments at Orchard Close (£0.681m) and St John's Church (£0.302m).

At the balance sheet date the Council was committed to capital spending of £18.017m. Significant work will continue on a wide range of community facilities and green spaces as well as the development of Elstree Film Studios and housing development at Orchard Close and St John's Church and Hall.

Funds have also been committed for further structural repairs and refurbishment of the Council's many properties and the Council has established a wholly owned property development company for the purpose of housing provision and revenue generation, to promote mixed use development and utilisation of council owned surplus sites.

### *Pension fund liability*

The Council's net pension fund deficit has decreased over the last year, from £42.943m to £34.888m due mainly to the re-measurement of the net liability which is detailed in the table below:

Return on plan assets	£0.805m
Actuarial gain on changes in financial assumptions	£9.291m
Actuarial gain on changes in demographic assumptions	£0.780m
Other experience losses	(£0.302m)
<b>TOTAL re-measurements of the net pension liability</b>	<b>(£10.574m)</b>

The value of assets held within the scheme increased from £104.640m to £106.634m whilst the liabilities have decreased from £147.583m to £141.522m. It should be noted that movements on the pension fund liability are not taken to the General Fund, which is only charged with pension fund contributions actually paid by the Council. Instead they are charged or credited to the Pensions Reserve (see note 5.31.5 to the accounts) which absorbs the differences between accounting adjustments and actual charges in accordance with statute.

It is important to recognise that the pension fund liability reflects the outlook using assumptions which cover an extremely long term. The net liability reflects the valuation of assets which themselves can be subject to wide fluctuations over the long term. In common with other employers who participate in the scheme, the Council will continue to fund the scheme at the rate recommended by the actuary to enable the scheme to meet its obligations.

The latest triennial valuation of the fund was carried out as at 31 March 2019 and the results were incorporated in the actuary's report, with assumptions updated where appropriate.

### *Significant changes to provisions*

The Council's accounts include its share of the provision in respect of the cost of successful appeals against valuations for business rates (see note 5.26). At 31 March 2021 the Council's share stood at £2.614m and after taking into account the sums utilised in 2021/22, the provision decreased to £1.363m at 31 March 2022. The decrease was due to the large number of Check, Challenge, Appeal settlements in 2021/22. The provision classification between long and short term was revised as a result of additional information provided to the Council from its business rates valuation advisor.

### *The Council's accounting policies*

The Council reviews its accounting policies each year and implements any changes necessary to ensure that it complies with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

### *Statement of Accounts*

The Council's financial statements for the year ended 31 March 2022 are set out following this narrative statement in pages 32 to 138. Where appropriate, figures for 2020/21 are also shown to enable comparisons between the two years.

Under provisions contained in the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 (as amended in 2021), the Statement of Accounts for 2021/22 will be made available for inspection on the Council's website, and at the Council offices from 29 July 2022. In addition to this report, the Council is required to meet certain statutory requirements. Details of these responsibilities and the officer responsible are disclosed in the Statement of Responsibilities.

### *Summary Position and Covid-19*

The economic pressures both locally and nationally from the Covid-19 pandemic has resulted in the £1.377m budget deficit in 2021/22. The Council received significant central government funding to support the budget pressures which resulted in a balanced outturn position. The capital investment of £15.963m included £11.930m on the redevelopment of Elstree Film Studios, as well as the provision of disabled facilities grants. The Council has also invested in parks and open spaces within the borough, most notably in Meadow Park.

There has been significant financial impact to the 2021/22 management accounts due to coronavirus, which has been reflected in the Financial Monitoring reports to members. Income sources such as parking income, leisure centre management fees and recycling credits have been massively affected. The Council was able to recover the losses through central government funding. The financial impact of Coronavirus across financial years was reported in Government returns to 31 March 2022 and through regular monitoring reports to members.

The council's general fund position is strong where it was historically set at a prudent level. The council will have to continually assess the impact of the pandemic and make decisions on the usage of reserves. Any reduction in reserve levels will need to be replenished in due course to ensure ongoing prudent provision.



## **The Core Financial Statements**

### Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e., those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Total Comprehensive Income and Expenditure shows the true economic cost of providing the Council's services. These are different from the statutory amounts required to be charged to the General Fund for council tax setting purposes, which is arrived at by combining the Total Comprehensive Income and Expenditure with the Adjustments between accounting basis and funding basis under regulations.

The Accounting Code of Practice identifies Earmarked Reserves to be part of the General Fund balance. The earmarking of reserves has no formal status in financial reporting or statute for local government.

Further analysis of the General Fund is disclosed in the notes to the accounts, in Note 5.30, identifying where part of the fund has been earmarked for specific purposes.

### Comprehensive Income & Expenditure Statement

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

### Balance Sheet

The Balance Sheet shows the values 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 of reserves is 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 (for example, the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt).

The second category of reserves comprises those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to fund 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

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 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 financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

## **Supplementary Statements**

### The Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows for each of the Council's services:

- the amount spent under the Council's rules for monitoring expenditure against the funding in the annual budget for the General Fund shown as Net General Fund Expenditure in the Expenditure and Funding Analysis
- the resources actually consumed in the year as measured by proper accounting practices in the Comprehensive Income and Expenditure Statement shown as Amounts included in the Comprehensive Income and Expenditure Statement in the Expenditure and Funding Analysis.

The reasons for differences between the two amounts for each service are explained in the tables following the Expenditure and Funding Analysis (5.15.1 - Note to the Expenditure and Funding Analysis).

### The Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities (i.e., those that raise bills for council tax and business rates) to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the government of council tax and business rates.

### Group Accounts

These show the consolidated position of the Council with its 100% owned subsidiary Elstree Studios Limited. Group accounts are presented, in addition to the Council's single entity statements, in order to provide a full picture of the Council's economic activities and financial position. The Group Accounts comprise:

- Group Movement in Reserves Statement;
- Group Comprehensive Income and Expenditure Statement;
- Group Balance Sheet;
- Group Cash Flow Statement.

These statements, together with explanatory notes and accounting policies, are set out on pages 115 to 123.

## 4.1 Movement in Reserves Statement

	<b>General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Authority Reserves</b>
<b>Note</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 31 March 2020</b>	<b>(31,889)</b>	<b>(6,318)</b>	<b>(11,301)</b>	<b>(49,508)</b>	<b>(116,526)</b>	<b>(166,034)</b>
Total comprehensive income and expenditure	1,348	-	-	1,348	6,247	7,595
Adjustments between accounting & funding basis under regulations	5.14 (13,474)	662	(3,256)	<b>(16,068)</b>	16,068	-
<b>Total (increase) / decrease during the year</b>	<b>(12,126)</b>	<b>662</b>	<b>(3,256)</b>	<b>(14,720)</b>	<b>22,315</b>	<b>7,595</b>
<b>Balance at 31 March 2021</b>	<b>(44,015)</b>	<b>(5,656)</b>	<b>(14,557)</b>	<b>(64,228)</b>	<b>(94,211)</b>	<b>(158,439)</b>
<b>Note</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 31 March 2021</b>	<b>(44,015)</b>	<b>(5,656)</b>	<b>(14,557)</b>	<b>(64,228)</b>	<b>(94,211)</b>	<b>(158,439)</b>
Total comprehensive income and expenditure	(9,941)	-	-	<b>(9,941)</b>	(18,025)	<b>(27,966)</b>
Adjustments between accounting & funding basis under regulations	5.14 13,669	580	(3,768)	<b>10,481</b>	(10,481)	-
<b>Total (increase) / decrease during the year</b>	<b>3,728</b>	<b>580</b>	<b>(3,768)</b>	<b>540</b>	<b>(28,506)</b>	<b>(27,966)</b>
<b>Balance at 31 March 2022</b>	<b>(40,287)</b>	<b>(5,076)</b>	<b>(18,325)</b>	<b>(63,688)</b>	<b>(122,717)</b>	<b>(186,405)</b>

## 4.2 Comprehensive Income and Expenditure Statement

		2020-21				2021-22	
Gross	Gross	Net		Gross	Gross	Net	
Expenditure	Income	Expenditure		Expenditure	Income	Expenditure	
£000	£000	/(Income)		£000	£000	/(Income)	
		£000				£000	
7,928	(4,789)	<b>3,139</b>	Asset Management	1,706	(4,958)	<b>(3,252)</b>	
203	-	<b>203</b>	Audit & Assurance	189	-	<b>189</b>	
517	(2)	<b>515</b>	Executive Directors	521	(2)	<b>519</b>	
548	(64)	<b>484</b>	Engineering Services	607	(180)	<b>427</b>	
1,300	(465)	<b>835</b>	Environmental Health	1,645	(323)	<b>1,322</b>	
33,910	(31,156)	<b>2,754</b>	Finance & Business Services	30,738	(27,880)	<b>2,858</b>	
454	(114)	<b>340</b>	General Expenses	505	(81)	<b>424</b>	
2,870	(1,385)	<b>1,485</b>	Housing Services	3,178	(1,415)	<b>1,763</b>	
1,345	(49)	<b>1,296</b>	Human Resources & Customer Services	1,556	(70)	<b>1,486</b>	
1,680	(264)	<b>1,416</b>	Legal & Democratic Services	2,036	(542)	<b>1,494</b>	
1,872	(375)	<b>1,497</b>	Partnership & Community Engagement	2,168	(628)	<b>1,540</b>	
3,183	(1,524)	<b>1,659</b>	Planning & Economic Development	3,549	(1,316)	<b>2,233</b>	
8,260	(1,987)	<b>6,273</b>	Street Scene Services	7,961	(2,878)	<b>5,083</b>	
831	(194)	<b>637</b>	Exceptional Items - Covid-19	304	(139)	<b>165</b>	
4,011	(4,011)	-	Exceptional Items - Covid-19 Business Support Grants	1,642	(1,642)	-	
35	(35)	-	Exceptional Items - Covid-19 Self Isolation	67	(67)	-	
<b>68,947</b>	<b>(46,414)</b>	<b>22,533</b>	<b>Net Cost of Services</b>	<b>58,372</b>	<b>(42,121)</b>	<b>16,251</b>	
1,358	-	<b>1,358</b>	Other Operating Expenditure	5.7	1,225	(3)	<b>1,222</b>
1,781	(1,934)	<b>(153)</b>	Financing and Investment Income and Expenditure	5.8	1,680	(2,940)	<b>(1,260)</b>
26,089	(48,479)	<b>(22,390)</b>	Taxation and Non-Specific Grant Income	5.9	21,004	(47,158)	<b>(26,154)</b>
<b>98,175</b>	<b>(96,827)</b>	<b>1,348</b>	<b>(Surplus) / Deficit on Provision of Services</b>		<b>82,281</b>	<b>(92,222)</b>	<b>(9,941)</b>
		<b>(5,668)</b>	(Surplus) / Deficit on revaluation of non-current assets	5.31.1			<b>(7,451)</b>
		<b>11,915</b>	Re-measurements of net pension liability	5.29.1			<b>(10,574)</b>
		<b>6,247</b>	<b>Other Comprehensive (Income) and Expenditure</b>				<b>(18,025)</b>
		<b>7,595</b>	<b>Total Comprehensive (Income) and Expenditure</b>				<b>(27,966)</b>

## 4.3 Balance Sheet

31-Mar-21		Note	31-Mar-22
£000			£000
139,451	Property Plant and Equipment	5.16	162,181
1,244	Heritage Assets	5.19	1,222
8,509	Investment Properties	5.20	9,692
521	Intangible Assets	5.21	404
5,005	Long Term Investments	5.23	5,000
7,733	Long Term Debtors	5.22	7,369
<b>162,463</b>	<b>Long Term Assets</b>		<b>185,868</b>
51,120	Short Term Investments	5.23	40,092
5,759	Short Term Debtors	5.22	5,232
115	Inventories		105
15,152	Cash and Cash Equivalents	5.24	28,384
<b>72,146</b>	<b>Current Assets</b>		<b>73,813</b>
(18,613)	Short Term Creditors	5.25	(25,169)
(559)	Provisions	5.26	(1,373)
<b>(19,172)</b>	<b>Current Liabilities</b>		<b>(26,542)</b>
(2,264)	Provisions	5.26	(182)
(42,943)	Liability related to Defined Benefit Pension Scheme	5.29.3	(34,888)
(400)	Other Long Term Liabilities	5.25	(148)
(11,391)	Capital Grants Received In Advance	5.27	(11,516)
<b>(56,998)</b>	<b>Long Term Liabilities</b>		<b>(46,734)</b>
<b>158,439</b>	<b>Net Assets</b>		<b>186,405</b>
(64,228)	Usable Reserves	5.30	(63,688)
(94,211)	Unusable Reserves	5.31	(122,717)
<b>(158,439)</b>	<b>Total Reserves</b>		<b>(186,405)</b>

## 4.4 Cash Flow Statement

2020-21		Note	2021-22
£000			£000
1,348	(Surplus) / Deficit on Provision of Services	4.2	(9,941)
(16,468)	Adjustments to net (Surplus) / Deficit on Provision of Services for non-cash movements	5.32	(3,193)
5,705	Adjustments for items included in the net (Surplus) / Deficit on Provision of Services that are investing and financing activities	5.32	10,991
<b>(9,415)</b>	<b>Net cash (inflow) / outflow from Operating Activities</b>		<b>(2,143)</b>
1,021	Investing Activities	5.33	(9,251)
3,731	Financing Activities	5.34	(1,838)
<b>(4,663)</b>	<b>Decrease / (increase) in cash and cash equivalents</b>		<b>(13,232)</b>
10,489	Cash and cash equivalents at the beginning of the reporting period		15,152
<b>15,152</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	5.24	<b>28,384</b>

## 5.1 Accounting Policies

### Basis of Preparation

The Statement of Accounts summarises the Authority's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, supported by International Financial Reporting Standards (IFRS).

The accounts have been prepared using the going concern and accruals basis. The historical cost convention has been applied, modified for the revaluation of certain non-current assets.

The accounting policies are reviewed regularly to ensure that they remain the most appropriate to the Council's particular circumstances. Any change to the accounting policies will only be made if it is judged that the new policy will result in the accounts providing reliable and more relevant information about the Council's financial position or if the change is required by the Code.

### Revenue Recognition

Revenue is measured at fair value of the consideration received or receivable on an accruals basis in the period in which the supply or service is delivered by the Council. Revenue includes fees, charges, rents and any other income receivable by the Council for services provided; and excludes any discounts, refunds and value added tax. Council tax is measured at the full amount receivable (net of any impairment losses).

The above policy is consistent with IFRS 15 Revenue Recognition; recognising income when the Council meets performance obligations by transferring control of goods and services to customers.

### Property, Plant and Equipment

#### *Basis of Recognition*

The cost of an item of property, plant and equipment is recognised (and hence capitalised) on the Council's Balance Sheet provided that the asset yields benefits to the Council, and the service it provides is for a period of more than one year.

However, due to the high administrative burden that would be required if all such items were included on the asset register, a de-minimis level has been set to determine which items will be capitalised and which will be expensed in the Surplus or Deficit on the Provision of Services. The de-minimis level is applied against the collective total of project costs except for items of Vehicles, Plant & Equipment which are measured on an individual item basis.

<b>Asset Category:</b>	<b>De-minimis level:</b>
Other land & buildings	£5,000
Vehicles, plant, furniture & equipment	£5,000
Infrastructure assets	£5,000
Community assets	£1,000

Where an item of Property, Plant and Equipment has major components, the cost of which is significant in relation to the total cost of the item, the components are depreciated separately.



5. NOTES TO THE ACCOUNTS

Where such components have significantly different asset lives, the depreciation is charged over the useful economic life of each component. Where a component is replaced or restored (i.e. enhancements) the carrying amount of the old component is derecognised and the cost of the new component is reflected in the carrying amount of the asset.

*Measurement*

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at cost and capitalised on an accruals basis. The cost of an asset comprises all expenditure directly attributable to bring the asset into working condition for its intended use. Assets are subsequently valued using the following basis and are carried net of accumulated depreciation and impairment.

<b>Asset Category:</b>	<b>Basis of Valuation:</b>
Other land & buildings	Current value (Existing use) except in the case of specialised assets where depreciated replacement cost is used
Vehicles, plant & equipment	Depreciated Historical Cost
Infrastructure assets	Depreciated Historical Cost
Community assets	Depreciated Historical Cost
Assets under construction	Historical Cost

In the case of specialised assets, depreciated replacement cost is established using the modern equivalent asset methodology, which provides the current cost of replacing an asset with its modern equivalent, less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation.

The Council ensures that the carrying amount of items of property (and other land and buildings, see note 5.16) does not differ materially from that which would be determined using current value at the end of each reporting period. Such items are grouped for valuation purposes in a manner which ensures that each asset is revalued in full at least every three years. All assets are reviewed annually for evidence of material changes in current value.

*Increases and decreases on revaluation*

An increase in the carrying amount of an asset arising on revaluation is credited to the Revaluation Reserve unless the increase is reversing a previous revaluation decrease charged to the Surplus or Deficit on the Provision of Services on the same asset or reversing a previous impairment loss (see below) charged to the Surplus or Deficit on the Provision of Services on the same asset.

The reversal of an impairment loss previously recognised in Surplus or Deficit on the Provision of Services shall not exceed the increase that would reinstate the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. Any excess above the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised

for the asset in prior years is treated as a revaluation gain and charged to the Revaluation Reserve.

A decrease in the carrying amount of an asset arising on revaluation is charged to the Revaluation Reserve up to the value of the credit balance existing in respect of the asset and thereafter in the Surplus or Deficit on the Provision of Services.

### Depreciation

Items of property, plant and equipment (other than land, community assets to be held in perpetuity and having no determinable useful life and assets under construction) are depreciated over their expected useful economic lives on a straight line basis over the following number of years:

<b>Asset Category:</b>	<b>Depreciation Basis:</b>
Infrastructure Assets	Up to 20 Years
Other Land & Buildings	Up to 60 Years
Vehicles, Plant & Other Equipment	3 to 25 Years

### Impairment

The Council's assets are reviewed for any evidence of impairment (e.g., a significant decline in the asset's carrying amount which is specific to the asset, obsolescence or damage) at each balance sheet date. Any impairment loss is charged to the Revaluation Reserve up to the value of the credit balance existing in respect of the asset and thereafter in the Surplus or Deficit on the Provision of Services.

### Disposals

On disposal of assets the difference between the net disposal proceeds after any fees and the carrying amount of the asset is included in the Comprehensive Income & Expenditure Statement. However such a gain or loss on de-recognition is not deemed a proper credit or charge in the General Fund and is subsequently reported in the Movement in Reserves Statement with an amount equal to the net disposal proceeds being credited to the Capital Receipts Reserve and an amount equal to the carrying amount of the asset being charged to the Capital Adjustment Account.

### Charges to the Comprehensive Income & Expenditure Statement for the Use of Assets

Service revenue accounts, support services and trading accounts are charged with the real cost of utilising assets through depreciation, revaluation and impairment losses as disclosed above. However local government statute does not require the council to raise council tax to cover these charges and they are subsequently transferred from the General Fund to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

### Heritage assets

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Such assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies for property, plant and equipment. However, some of the measurement rules are relaxed when the Council is of the view that to

obtain a valuation of the asset would involve a cost disproportionate to the benefit of the user of the accounts.

Heritage assets are not subject to depreciation except where it has been determined that they have a finite useful life. The carrying amounts of such assets are reviewed when there is evidence of impairment and any such impairment is recognised and measured in accordance with the Council's accounting policies for property, plant and equipment. The proceeds of disposal of heritage assets are accounted for in accordance with the Council's accounting policies for property, plant and equipment.

### **Investment Property**

Properties that are held solely for the purpose of earning rentals, for capital appreciation or for both purposes are classified as investment properties. Where part of an investment property is replaced, the carrying amount of the part which is replaced is derecognised and the cost of the new part is reflected in the carrying amount of the asset.

Investment properties are initially recognised at cost and are subsequently measured at fair value (market value) at the balance sheet date. A gain or loss arising from a change in the fair value of an investment property is recognised in the Comprehensive Income & Expenditure Statement. On disposal of an investment property the difference between the net disposal proceeds and the carrying amount of the property is included in the Comprehensive Income & Expenditure Statement.

However such a gain or loss on de-recognition is not a proper credit or charge in the General Fund and is subsequently reported in the Movement in Reserves Statement with an amount equal to the net disposal proceeds being credited to the Capital Receipts Reserve and an amount equal to the carrying amount of the asset being charged to the Capital Adjustment Account. Investment properties are not subject to depreciation.

### **Intangible Assets**

Intangible assets are identifiable non-monetary assets without physical substance. They are recognised only where it is probable that expected future benefits attributable to the asset will flow to the council. They are measured initially at cost and subsequently at amortised cost.

Subsequent expenditure that does not enhance the asset is charged to Surplus or Deficit on the Provision of Services when incurred.

The depreciable amount of an intangible asset with a finite useful life is amortised on a systematic basis over its useful life, beginning when the intangible asset is available for use.

#### *Internally generated intangible assets*

Internally generated assets are recognised only if all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or for sale.
- The intention to complete the intangible asset and use it.
- The ability to sell or use the intangible asset.
- How the intangible asset will generate probable future economic benefits or service potential.
- The availability of adequate technical, financial and other resources to complete the intangible asset and to use or sell the intangible asset.
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

#### *Software*

Software which is integral to the operation of hardware e.g. an operating system is capitalised as part of the relevant item of property, plant and equipment. Software which is not integral to the operation of hardware e.g. application software, is capitalised as an intangible asset. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council.

#### **Revenue Expenditure Funded by Capital Under Statute**

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

#### **Grants and Other Contributions**

There are several instances whereby the Council may receive a grant or contribution towards expenditure from central government or other bodies. Where there is reasonable assurance that the grants or contributions will be received and that the Council will comply with the conditions attached to them, grants and contributions which relate to both revenue and capital expenditure are accounted for on an accruals basis and recognised immediately in the Comprehensive Income and Expenditure Statement as income as follows:

## 5. NOTES TO THE ACCOUNTS

- *Specific Revenue Grants*

Specific revenue grants are credited to service revenue accounts, support services, trading accounts and corporate accounts.

- *General Revenue Grants*

General revenue grants, such as the Revenue Support Grant (RSG), are credited after net operating expenses.

- *Capital Grants and Contributions*

Capital grants and contributions relate to specific capital expenditure. Where assets are capitalised, the associated grants and contributions are credited to the Comprehensive Income and Expenditure Statement after net operating expenses.

The receipt of a capital grant or contribution is not a proper credit to the General Fund and where such a grant or contribution has been recognised as income in the Comprehensive Income and Expenditure Statement and the expenditure to be financed from that grant or contribution has been incurred at the Balance Sheet date, the grant or contribution is transferred from the General Fund to the Capital Adjustment Account. This transfer is reported in the Movement in Reserves Statement.

### **Section 106**

Capital contributions received under Section 106 are recognised on receipt as a liability and are released to the Comprehensive Income and Expenditure Statement following the completion of off-site facilities related to the development in question. For contributions received in lieu of a cash receipt a debtor is recognised and matched by a deferred capital receipt.

### **Community Infrastructure Levy**

The Community Infrastructure Levy (CIL) was introduced by the Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 and is a discretionary charge which relevant local authorities are empowered to charge on new development in their area. CIL charges will be based on a formula which relates the charge to the size of the development. Income from CIL charges, with the exception of amounts applied in accordance with the CIL regulations to meet administrative expenses, must be applied to fund infrastructure to support the development of the area.

Where CIL charges to be applied to fund capital expenditure have been received prior to the commencement date for the chargeable development, the CIL charges are transferred from the General Fund to the Capital Grants Unapplied Account until such a time that the charges are applied to capital expenditure.

When CIL charges have been applied to fund capital expenditure, the CIL charges are transferred from the General Fund (or the Capital Grants Unapplied Account) to the Capital Adjustment Account. Where CIL charges are to be applied to fund revenue expenditure (such

as administration expenses), the CIL charges are not to be transferred out of the General Fund.

### **Fair Value**

The Council measures some of its non-financial assets, such as surplus assets and investment properties, and some of its financial instruments, such as short term investments, 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

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;
- **Level 3** – unobservable inputs for the asset or liability.

### **Financial Instruments**

Financial instruments are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of the financial instrument. They are initially measured at fair value.

#### *Financial Assets*

Financial assets are subsequently measured in one of two ways:

- amortised cost – assets whose contractual terms are basic lending arrangements (i.e. they give rise on specified dates to cash flows that are solely payments of principal or interest on the principal amount outstanding, which the Council holds under a business model whose objective is to collect those cash flows)
- fair value – all other financial assets.

Amortised cost assets are measured in the Balance Sheet at the outstanding principal repayable (plus accrued interest). Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) are based on the carrying amount of the asset, multiplied by the effective rate of interest for the instrument.

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model. Changes in loss allowances (including balances outstanding

at the date of derecognition of an asset) are debited / credited to the Financing and Investment Income and Expenditure line in the CIES.

Changes in the value of assets carried at fair value (described as Fair Value through Profit or Loss) are debited / credited to the Financing and Investment Income and Expenditure line in the CIES as they arise.

#### *Statutory Reversals*

Statutory regulations allow the reversal of impairment losses out of the General Fund Balance if the financial instruments are covered by the capital expenditure definition specified in regulation 25 of the 2003 Capital Finance Regulations.

#### *Financial Liabilities*

Financial liabilities are subsequently measured at amortised cost.

#### **Provisions**

Provisions are recognised when the Council has a present legal or constructive obligation as a result of a past event, it is probable that the Council will be required to settle the obligation and a reliable estimate can be made of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. When recognised, provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement.

#### **Financial guarantees**

Financial guarantees are recognised when the Council enters into an agreement which requires it to make specified payments to reimburse the other party to the agreement for a loss that party incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Initial recognition of the guarantee is at fair value based on an estimate of the probability of the guarantee being called and the likely amount payable

In subsequent years the fair value of the guarantee is amortised over the period of the underlying risk exposure to the extent that the exposure is expected to fall over the life of the guarantee. Where payment of the guarantee becomes probable, the fair value of the guarantee will be deemed to be equivalent to the amount that would be determined for a provision in accordance with International Accounting Standard (IAS) 37, Provisions, Contingent Liabilities and Contingent Assets.

#### **Inventories**

Inventories are valued at the lower of cost or net realisable value, using the first-in, first-out (FIFO) method.

#### **Cost of Support Services**

The 2021/22 Accounting Code of Practice requires the segmental analysis and amounts disclosed in the Comprehensive Income and Expenditure Statement to be based on the Council's financial monitoring reporting process. The cost of support services, with the exception of those recharged to trading accounts which are required to be disclosed on a total

cost basis, are not reallocated and are disclosed in the Comprehensive Income and Expenditure segment that hosts the support service.

### **Contingent Assets & Liabilities**

Contingent assets and liabilities arise from past events but where the future asset or obligation are uncertain and cannot be reliably ascertained. Material contingent assets and liabilities are disclosed in the Notes to the Accounts but are not provided for in the core financial statements.

### **Reserves**

#### *Usable reserves*

Usable reserves are those reserves that can be applied to fund revenue or capital expenditure or reduce local taxation. The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Earmarked reserves are created by appropriating amounts from the General Fund and are separately disclosed in the Usable Reserves note to the balance sheet. When expenditure is financed from a reserve, it is charged to the appropriate service revenue account in that year, including it in the Surplus or Deficit on the Provision of Services as required under the Code. The amounts are subsequently charged to the appropriate reserve in the Usable Reserves note.

All other movements in usable reserves, including adjustments between accounting basis and funding basis under regulations, are reported in the Movement in Reserves Statement.

#### *Unusable reserves*

Certain reserves are maintained to manage the accounting process for property, plant and equipment, financial instruments, retirement and other employee benefits, the collection of council tax / business rates and deferred capital receipts and do not represent resources available to the Council. Specific details relating to these reserves are included elsewhere in these accounting policies and details on all reserves are included within the reserves note to the accounts.



## Pensions

The Council participates in the Hertfordshire Local Government Pension Scheme (LGPS), a defined benefit scheme operated by Hertfordshire County Council.

- The liabilities of the LGPS attributable to the Council are included in the Balance Sheet on an actuarial basis, using the projected unit method.
- Liabilities are discounted to their value at current prices, using a discount rate that is based upon the indicative rate of return on a high quality corporate bond of equivalent currency and term to the scheme's liabilities.
- The assets of the LGPS attributable to the Council are included in the Balance Sheet at their fair value.

Changes in the net pension liability are analysed into the following components:

### *Service Costs:*

- Current service cost – the increase in liabilities as a result of service earned during the year is charged to the Comprehensive Income and Expenditure Statement (i.e. to the services for which the employees worked);
- Past service cost - the increase in liabilities arising from a current year pension scheme amendment or a curtailment, whose effect relates to years of service earned in earlier years, is debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement; and
- Gains/losses on settlements - the results of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees are credited or debited to the Surplus/Deficit on the Provision of Services line in the Comprehensive Income and Expenditure Statement.

### *Net interest expense:*

The change during the period in the net pension liability arising from the passage of time. It includes interest income on plan assets and interest costs on the pension liability. It is calculated by applying the discount rate used to measure the net pension obligation at the beginning of the period to the net pension liability at the beginning of the period – taking into account any changes in the net pension liability during the period as a result of contribution and benefit payments. It is charged or credited to the 'Financing and Investment Income and Expenditure' line within the Comprehensive Income and Expenditure Statement.

### *Re-measurements of the net pension liability*

These are recognised as Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement and are charged to the Pensions Reserve. They comprise:

- Return on plan assets - interest, dividends and other income derived from the scheme's assets (excluding amounts included in net interest on the net defined benefit liability), together with realised and unrealised gains or losses on those assets, less costs of managing the assets and any taxes payable;
- Actuarial gains and losses - changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation, or because the actuaries have updated their assumptions.

### *Contributions paid to the LGPS*

Cash paid as employer's contributions to the Pension Fund; these are not accounted for as an expense within the Comprehensive Income and Expenditure Statement. Statutory provisions restrict the amount that the Council can fund through council tax to the amounts actually payable each year, and as a result all other movements are funded by the pension reserve, by means of transfers which are reported in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement.

### *Short Term Employee Benefits*

Salaries, wages and employment related payments are recognised in the period in which the service is received from employees. The cost of annual and flexible leave entitlement earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period. The estimation of such costs is based on records of annual and flexible leave taken and contractual entitlements to payment.

### **Leases**

The determination of whether an arrangement is, or contains, a lease is based upon the substance of the arrangement at inception date.

#### *The Council as lessee*

Finance leases, which transfer to the council substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

All other leases are classified as operating leases. Payments under operating leases are charged to the Comprehensive Income and Expenditure Statement on a straight-line basis over the period of the lease.

#### *Council as lessor*

Finance leases - the council recognises assets held under finance leases as a receivable at an amount equal to the net investment in the lease. The lease payment receivable is treated as repayment of principal and finance income, with the interest element shown in Interest receivable and similar income in the Comprehensive Income and Expenditure Statement and the principal element reducing a long term debtor on the Balance Sheet. The finance income is calculated so as to produce a constant periodic rate of return on the net investment. The asset itself is derecognised from Property, Plant and Equipment.

Operating leases - items of property, plant and equipment let out under operating leases are presented according to the nature of the asset. Income from operating leases is recognised

on a straight-line basis over the lease term, even where this does not match the pattern of payments.

### **Interests in Companies and Other Entities**

The Council is required to produce group accounts alongside its own financial statements where it has material interests in subsidiaries, associates and/or joint ventures. Group accounts have been prepared for Elstree Studios Ltd (100% owned subsidiary) to consolidate with the Council's single entity accounts. The Group Accounts are shown in a separate section following the notes to the single entity accounts. In the Council's accounts, the interests in companies are recorded as investments at cost. The Council also owns 100% of the share capital in Hertsmere Development Limited. Its activities at this stage have been assessed as not material enough to disclose in the Group activities of the Council for 2020/21.

### **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.

### **Value Added Tax**

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

### **Non-Current Assets Held for Sale**

Where it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than continued use, it is reclassified as an asset held for sale. A non-current asset classified as held for sale is measured at the lower of its carrying value and fair value less costs to sell at initial reclassification and at the end of each reporting period. Any subsequent gains and losses are posted to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Assets held for sale are only recognised where a property is being actively marketed, and is likely to result in a probable sale within 12 months of the balance sheet date.

### **Collection Fund**

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, showing the transactions of the billing authority in relation to business rates and council tax, and illustrates the way in which these have been distributed to preceptors and the General Fund, in accordance with relevant legislation. The Collection Fund is consolidated with other accounts of the Council, is prepared on an accruals basis and provision is made for potential uncollectable amounts and Business Rates appeals.

## 5.2 Accounting Standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new accounting standard that has been issued but not yet adopted.

Accounting Standards that have been issued but not yet adopted, include:

- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:
  - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
  - IAS 37 (Onerous contracts) – clarifies the intention of the standard
  - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
  - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

None of the matters covered in the annual improvements are dealt with in detail in the 2022/23 Code. During the consultation process on the 2022/23 Code CIPFA/LASAAC did not envisage them having a significant effect on local authority financial statements.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- IFRS 16 Leases has been deferred to the 2024/25 Code and will apply to reporting periods beginning on or after 1 January 2024.

## 5.3 Critical Accounting Estimates and Judgements

The preparation of accounts in accordance with the Code requires management to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

The key areas of judgement and estimation uncertainty routinely applied by management are set out in the accounting policies above and in individual notes to the accounts which support the amounts disclosed in the Council's Balance Sheet. In addition, the following critical judgements have been applied in preparing the Statement of Accounts:

- The Council is not represented on the board of InspireAll, a charitable trust that operates the leisure facilities owned by the Council and formerly operated by the Council. Accordingly it has been determined that the Council does not have control of the Trust and that the Trust is not a subsidiary of the Council.
- The Council has considered its relationships with other entities with which it has entered into collaborative arrangements, details of which are given at note 5.38. The council has concluded that the inclusion of such interests in a set of group financial statements should only be made where there is a material effect on the Council's financial position and its obligations and such an effect is therefore material for an understanding of its financial affairs. The group financial statements reflect the combined results of the Council and Elstree Film Studios Limited.
- The Council has made provision in its Collection Fund of £3.406 million for the future cost of making repayments of business rates to payers who successfully appeal

## 5. NOTES TO THE ACCOUNTS

against the rateable value of their property as determined by the local Valuation Office at 1 April 2010 or at a later date. Note 5.26 to the Statement of Accounts discloses the share of this provision allocated to the Council (£1.362 million - 40% of the total).

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and 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 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

5. NOTES TO THE ACCOUNTS

Item	Uncertainty	Effect if actual results differ from assumptions
<p><i>Property Plant &amp; Equipment</i></p>	<p>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 individual assets. The current economic climate makes it uncertain that the authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p> <p>Assets are valued on a three-year rolling basis.</p> <p>Building indices are not applied to approximate for those assets that are not subject to the revaluation process in the year.</p> <p>COVID-19 had a significant impact on property values worldwide in 2019/20 but the market has sufficiently recovered in 2020/21 that reliable market evidence is available again to base the majority of asset valuations on. For those where sufficient market evidence is still not available, they are subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.</p> <p>The Council has Property, Plant and Equipment with a carrying value of £162.181 million on the Balance Sheet as at 31st March 2022, with £2.304 million charged as depreciation during the year.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>Based on the assets that were valued in the year as part of the three-year rolling revaluation programme, any 1% increase in valuation for assets last prior to 31/03/2022 would equate to the carrying value increasing by £0.345 million.</p> <p>The valuers have reported the 31/03/2022 valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation Global Standards.</p>

Item	Uncertainty	Effect if actual results differ from assumptions
<i>Pensions Liability</i>	Estimations 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 mortality rates and expected returns on pension fund assets. The Council concurs with the assumptions to be applied by the independent actuary to the Hertfordshire Local Government Pension Scheme.	The effect on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the real discount rate assumption would result in an increase in the pension liability of £2.6 million. Note 5.29.5 sets out details of the assumptions made by the independent actuary to the Hertfordshire Local Government Pension Scheme together with further examples.
<i>Non Domestic Rates Appeals provision</i>	The provision for NDR Appeals includes an assessment of the appeals lodged to 31st March 2022. The carrying amount of the provision is £3.406 million, of which the Council's share of £1.362 million is reflected in the accounts. The provision figure is growing, mainly due to delays in appeals under the check, challenge, appeal process.	If NDR appeals were to increase significantly the provision would have to be increased. The increased liability would be shared between the Council, Hertfordshire County Council and Central Government. A large proportion of the 2017 list estimated appeals have settled in 2021/22 and therefore the long and short term split was amended in the 2021/22 accounts with 13.37% classified as long term.
<i>Fair value estimations</i>	The fair values of investment properties are principally based on the available market evidence for the sale and purchase of similar assets. Under IFRS 13 fair value hierarchy these have been shown as a level 2 input namely using quoted prices for similar assets or liabilities in active markets at the balance sheet date. If this information is not available estimates are undertaken in accordance with RICS professional guidelines.	<p>Most estimates are based on current market information therefore material changes are not expected.</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets.</p> <p>The council sought assurance from the valuer of the appropriateness of the valuations in light of the RICS related material uncertainty and the valuer reported the 31/03/2022 valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation Global Standards.</p>

### 5.5 Events after the Balance Sheet Date

No adjustment to the Statement of Accounts is required in respect of transactions which took place after the balance sheet date.

### 5.6 Trading Operations

The Council has established the following two trading units which the service manager is required to operate in a commercial environment and balance the unit's budget by generating income from other parts of the Council or other organisations. The following sums have not been allocated to the relevant services in the Comprehensive Income and Expenditure Statement.

5. NOTES TO THE ACCOUNTS

2020/21		Expenditure	Income	2021/22
£000		£000	£000	£000
	<b>Cemeteries / Burial Grounds</b>			
31	The Council maintains two closed cemeteries (not available for burials) and one lawn cemetery that incurs expenditure – the trading objective is to minimise the subsidy funded from council tax.	160	(156)	4
	<b>Trade Refuse</b>			
(123)	The Council has a duty under the Environmental Protection Act to provide, where requested, a commercial waste service for which a charge is made.	463	(555)	(92)
<b>(92)</b>	<b>Net (surplus) / deficit on trading accounts</b>	<b>623</b>	<b>(711)</b>	<b>(88)</b>

5.7 Other Operating Expenditure

2020-21		2021-22
£000		£000
1,273	Parish and town council precepts	1,225
85	Losses / (gains) on the disposal of non-current assets	(3)
<b>1,358</b>	<b>Total</b>	<b>1,222</b>

5.8 Financing and Investment Income and Expenditure

2020-21		2021-22
£000		£000
12	Interest payable and similar charges	50
(679)	Interest receivable and similar income	(345)
70	Impairment of financial assets	132
413	(Increase) / decrease in the fair value of investment property	(1,183)
(572)	Income in relation to investment properties	(701)
(92)	(Surplus) / deficit on trading undertakings not included in net cost of services	(88)
695	Net interest cost on the defined benefit pension liability	875
<b>(153)</b>	<b>Total</b>	<b>(1,260)</b>



**5.9 Taxation and non-specific grant income**

During the year, the Council credited the following items of taxation, grants and contributions to the Comprehensive Income and Expenditure Statement:

<b>2020-21</b>		<b>2021-22</b>
<b>£000</b>		<b>£000</b>
	<b>Council tax income and expenditure</b>	
(7,638)	Amount collectable from council tax	(7,847)
(1,273)	Amount collectable on behalf of parishes	(1,225)
(34)	Share of (surplus) / deficit on collection fund for the year	(163)
(61)	Council Tax - Tax Income Guarantee Compensation	-
<b>(9,006)</b>		<b>(9,235)</b>
	<b>Non-domestic rates income and expenditure (see note below):</b>	
(18,701)	Amount collectable from business rates	(19,407)
15,681	Tariff payable	15,681
9,611	Share of (surplus) / deficit on collection fund for the year	4,870
728	Growth levy	453
-	Levy Account Surplus Grant	-
(10,041)	Grant in respect of small business and other rates reliefs	(4,974)
(925)	NNDR - Tax Income Guarantee Compensation	-
69	NNDR Pilot Share from HCC	-
<b>(3,578)</b>		<b>(3,377)</b>
	<b>Covid-19 Government Grants and Contributions</b>	
(1,427)	Covid-19 Local Authority Support	(503)
(1,227)	SFC Irrecoverable Income Compensation	(284)
(122)	New Burdens	(329)
<b>(2,776)</b>		<b>(1,116)</b>
	<b>General Government Grants:</b>	
(1,321)	New Homes Bonus	(1,075)
-	Lower Tier Services Grant	(116)
-	Local Council tax Support Schemes Grant	(165)
<b>(1,321)</b>		<b>(1,356)</b>
	<b>Capital grants and contributions:</b>	
	<i>Recognised capital grants and contributions:</i>	
(920)	Disabled facilities grant	(951)
(3,170)	Community Infrastructure Levy	-
(316)	Section 106 monies utilised	(3,407)
(1,278)	Other capital contributions	(5,445)
<b>(5,684)</b>		<b>(10,978)</b>
(25)	Donated assets	(92)
<b>(22,390)</b>	<b>Total Taxation and Non-Specific Grant Income</b>	<b>(26,154)</b>

5. NOTES TO THE ACCOUNTS

Note: The total amount of business rates collected by the Council, less certain reliefs and other deductions, has been allocated amongst the Council, Hertfordshire County Council as a preceptor and DLUHC. The Council's share is subject to a tariff, being the amount by which the share exceeds the funding level determined by central government as being appropriate to the borough's needs.

The Council's Comprehensive Income and Expenditure Statement includes a share of any surplus or deficit arising for the year on the collection of business rates. The Council set aside £9.685 million of Section 31 grants in a collection fund deficit reserve during 2020/21 and £3.294 million was drawdown in 2021/22 to fund the 2020/21 deficit released in 2021/22.

**5.10 Members Allowances and Expenses**

<b>2020-21</b>		<b>2021-22</b>
<b>£000</b>		<b>£000</b>
	<b>Allowance / Expense:</b>	
232	Basic allowance	235
143	Special responsibility allowance	147
-	Travel and other allowance	-
<b>375</b>	<b>Total</b>	<b>382</b>

**5.11 Employees Remuneration**

Under the Accounts and Audit Regulations 2015, Local Authorities are required to disclose:

- (i) the remuneration of the council's senior employees, analysed over the following categories:

	<b>Salary £000</b>	<b>Termination Benefits £000</b>	<b>Pension - employers contribution £000</b>	<b>2020- 21 Total £000</b>
Managing Director	147	-	27	<b>174</b>
Executive Director	68	-	12	<b>80</b>
Head of Finance & Business Services	89	-	17	<b>106</b>
Head of Partnerships & Community Engagement	86	-	16	<b>102</b>
Head of Legal & Democratic Services	85	-	16	<b>101</b>
Head of HR & Customer Services	62	-	12	<b>74</b>
<b>Total</b>	<b>537</b>	<b>-</b>	<b>100</b>	<b>637</b>

	<b>Salary £000</b>	<b>Termination Benefits £000</b>	<b>Pension - employers contribution £000</b>	<b>2021- 22 Total £000</b>
Managing Director	148	-	27	<b>175</b>
Executive Director	113	-	21	<b>134</b>
Head of Finance & Business Services	88	-	16	<b>104</b>
Head of Partnerships & Community Engagement	88	-	16	<b>104</b>
Head of Legal & Democratic Services	88	-	16	<b>104</b>
Head of HR & Customer Services	60	-	11	<b>71</b>
<b>Total</b>	<b>585</b>	<b>-</b>	<b>107</b>	<b>692</b>

Employers' contributions to the pension scheme represent the amount determined at the last actuarial valuation as being required to meet the cost of future pension accrual.

- (ii) the number of employees in the accounting period, in addition to senior employees included at (i) above, whose remuneration was £50k or more in bands of £5k. For this purpose, remuneration means all amounts paid to or receivable by an employee and includes sums due by way of taxable expenses and the estimated

5. NOTES TO THE ACCOUNTS

money value of any other benefits. Pension contributions payable by the Council are excluded.

2020-21	REMUNERATION BAND:	2021-22
4	£50,000 - £54,999	5
5	£55,000 - £59,999	6
5	£60,000 - £64,999	3
3	£65,000 - £69,999	-
-	£70,000 - £74,999	3
-	£75,000 - £79,999	1
<b>17</b>		<b>18</b>

The presentation of employees' remuneration has been changed in line with regulations; certain non-statutory chief officers are now shown as part of the council's senior employees.

### 5.12 Termination Benefits

The Council terminated the contracts of a number of employees in 2021/22 incurring liabilities of £45k (2020/21: £203k).

The number of contracts terminated ('exit packages') with total cost per band and total cost of compulsory and other redundancies are set out in the table below:

Exit Package cost band:	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
							£000	£000
£0 - £20,000	1	-	-	2	1	2	16	21
£20,001 - £40,000	1	-	1	1	2	1	50	24
£40,001 - £60,000	1	-	2	-	3	-	137	-
<b>Total</b>	<b>3</b>	<b>-</b>	<b>3</b>	<b>3</b>	<b>6</b>	<b>3</b>	<b>203</b>	<b>45</b>

### 5.13 Audit Fees

2020-21		2021-22
£000	Audit Fees:	£000
38	External audit services carried out	68
14	Certification of grant claims and returns	35
37	Other	-
<b>89</b>	<b>Total</b>	<b>103</b>

#### **5.14 Adjustment between accounting basis and funding basis under regulations**

The Comprehensive Income and Expenditure Statement shows the Council's actual financial performance for the year and is measured in terms of resources consumed and generated. However, the Council is required to raise council tax on a different accounting basis with the two main differences being as follows:

- Capital investment is accounted for as it is financed rather than when the asset is consumed; and
- Retirement benefits are charged as amounts become payable to pension funds and pensioners rather than as future benefits are earned.

The General Fund contains the excess to date of income over expenditure in the Comprehensive Income and Expenditure Statement. It also takes into account the use of reserves built up in the past and contributions to reserves earmarked for future specific expenditure.

The following note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. Movements in earmarked reserves are set out in note 5.30.2.

5. NOTES TO THE ACCOUNTS

2020-21	Usable Reserves			Movement in Usable Reserves £000	Relevant Unusable Reserve
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied		
	£000	£000	£000		
<b>Reversal of items debited or credited to the CIES</b>					
Amortisation of intangible assets	(132)	-	-	132	Capital Adjustment Account
Depreciation	(2,268)	-	-	2,268	
Impairment / Revaluation charged to the CIES	(4,267)	-	-	4,267	
Movements in the market value of Investment Properties	(413)	-	-	413	
Revenue expenditure funded from capital under statute	(1,082)	-	-	1,082	
Non-current assets written out on disposal	(105)	-	-	105	
Accumulated gains on non-current assets disposed	-	-	-	-	Revaluation Reserve
Donated Assets	25	-	-	(25)	Deferred Capital Receipts
Grant income transferred to Capital Grants Unapplied	4,090	-	(4,090)	-	
<b>Transfers between revenue and capital resources</b>					
Transfer of sale proceeds from revenue to the Capital Receipts Reserve	21	(197)	-	176	Deferred Capital Receipts Reserve
Minimum Revenue Provision	242	-	-	(242)	Capital Adjustment Account
Capital expenditure charged against the General Fund	422	-	-	(422)	
<b>Adjustments to capital resources</b>					
Use of Capital Receipts to finance capital expenditure	-	859	-	(859)	Capital Adjustment Account
Application of capital grants and other contributions to finance capital expenditure	1,593	-	834	(2,427)	
<b>Adjustments between accounting and funding basis under regulations</b>					
Pension costs	(867)	-	-	867	Pensions Reserve
Council Tax and NNDR	(10,722)	-	-	10,722	Collection Fund Adjustment Account
Financial Instruments	(9)	-	-	9	Capital Adjustment Account
Holiday Pay	(2)	-	-	2	Accumulated Absences Account
<b>Total Adjustments</b>	<b>(13,474)</b>	<b>662</b>	<b>(3,256)</b>	<b>16,068</b>	

## 5. NOTES TO THE ACCOUNTS

2021-22	Usable Reserves			Movement in Usable Reserves £000	Relevant Unusable Reserve
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000		
<b>Reversal of items debited or credited to the CIES</b>					
Amortisation of intangible assets	(118)	-	-	118	Capital Adjustment Account
Depreciation	(2,304)	-	-	2,304	
Impairment / Revaluation charged to the CIES	2,838	-	-	(2,838)	
Movements in the market value of Investment Properties	1,183	-	-	(1,183)	
Revenue expenditure funded from capital under statute	(1,232)	-	-	1,232	
Non-current assets written out on disposal	(9)	-	-	9	Revaluation Reserve
Accumulated gains on non-current assets disposed	-	-	-	-	
Donated Assets	92	-	-	(92)	Deferred Capital Receipts
Grant income transferred to Capital Grants Unapplied	4,598	-	(4,598)	-	
<b>Transfers between revenue and capital resources</b>					
Transfer of sale proceeds from revenue to the Capital Receipts Reserve	12	(12)	-		Deferred Capital Receipts Reserve
Minimum Revenue Provision	242	-	-	(242)	Capital Adjustment Account
Capital expenditure charged against the General Fund	946	-	-	(946)	
<b>Adjustments to capital resources</b>					
Use of Capital Receipts to finance capital expenditure	-	592	-	(592)	Capital Adjustment Account
Application of capital grants and other contributions to finance capital expenditure	6,381	-	830	(7,211)	
<b>Adjustments between accounting and funding basis under regulations</b>					
Pension costs	(2,519)	-	-	2,519	Pensions Reserve
Council Tax and NNDR	3,581	-	-	(3,581)	Collection Fund Adjustment Account
Financial Instruments	-	-	-	-	Capital Adjustment Account
Holiday Pay	(22)	-	-	22	Accumulated Absences Account
<b>Total Adjustments</b>	<b>13,669</b>	<b>580</b>	<b>(3,768)</b>	<b>(10,481)</b>	

### 5.15 Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows for each of the Council's services;

- the amount spent under the Council's rules for monitoring expenditure against the funding in the annual budget for the General Fund shown as Net General Fund Expenditure in the Expenditure and Funding Analysis
- the resources actually consumed in the year as measured by proper accounting practices in the Comprehensive Income and Expenditure Statement shown as Amounts included in the Comprehensive Income and Expenditure Statement in the Expenditure and Funding Analysis

The reasons for differences between the two amounts for each service are explained in the tables following the Expenditure and Funding Analysis (**5.15.1 Note to the Expenditure and Funding Analysis**).



## 5.15 Expenditure and Funding Analysis

		2020-21	
	Net General Fund Expenditure	Adjustments between funding and accounting basis	Amounts included in the Comprehensive Income and Expenditure Statement
SERVICE	£000	£000	£000
Asset Management	(2,700)	5,839	3,139
Audit & Assurance	203	-	203
Executive Directors	507	8	515
Engineering Services	458	26	484
Environmental Health	812	23	835
Finance & Business Services	2,564	190	2,754
General Expenses	322	18	340
Housing Services	847	638	1,485
Human Resources & Customer Services	1,261	35	1,269
Legal & Democratic Services	1,405	11	1,416
Partnership & Community Engagement	1,488	9	1,497
Planning & Economic Development	1,176	483	1,659
Street Scene Services	5,632	641	6,273
Exceptional Items – Covid-19	637	-	637
Exceptional Items – Covid-19 Business Support Grants	-	-	-
Exceptional Items – Covid-19 Self Isolation	-	-	-
<b>Total</b>	<b>14,612</b>	<b>7,921</b>	<b>22,533</b>
Other Income and Expenditure	(26,738)	5,553	(21,185)
<b>(Surplus) / Deficit on Provision of Services</b>	<b>(12,126)</b>	<b>13,474</b>	<b>1,348</b>
<b>Opening Balance on the General Fund</b>	<b>(31,889)</b>		
Surplus / (Deficit) for the year	(12,126)		
<b>Closing Balance on the General Fund</b>	<b>(44,015)</b>		

## 5. NOTES TO THE ACCOUNTS

		2021-22	
	Net General Fund Expenditure	Adjustments between funding and accounting basis	Amounts included in the Comprehensive Income and Expenditure Statement
SERVICE	£000	£000	£000
Asset Management	(2,469)	(784)	(3,253)
Audit & Assurance	189	-	189
Executive Directors	465	54	519
Engineering Services	373	54	427
Environmental Health	1,182	140	1,322
Finance & Business Services	2,425	432	2,857
General Expenses	424	-	424
Housing Services	838	925	1,763
Human Resources & Customer Services	1,312	174	1,486
Legal & Democratic Services	1,385	109	1,494
Partnership & Community Engagement	1,452	88	1,540
Planning & Economic Development	1,601	632	2,233
Street Scene Services	4,425	658	5,083
Exceptional Items - Covid-19	165	-	165
Exceptional Items - Covid-19 Business Support Grants	-	-	-
Exceptional Items - Covid-19 Self Isolation	-	-	-
<b>Total</b>	<b>13,767</b>	<b>2,482</b>	<b>16,249</b>
Other Income and Expenditure	(10,039)	(16,151)	(26,190)
<b>(Surplus) / Deficit on Provision of Services</b>	<b>3,728</b>	<b>(13,669)</b>	<b>(9,941)</b>
<b>Opening Balance on the General Fund</b>	<b>(44,015)</b>		
Surplus / (Deficit) for the year	3,728		
<b>Closing Balance on the General Fund</b>	<b>(40,287)</b>		

## 5.15.1 Note to the Expenditure and Funding Analysis

	2020-21			
Adjustments to General Fund to add expenditure or income not chargeable to taxation and remove items which are only chargeable under statute	Adjustments for capital purposes (Note 1)	Net change for pensions adjustments (Note 2)	Other differences (Note 3)	Total adjustments
SERVICE	£000	£000	£000	£000
Asset Management	5,832	7	-	5,839
Audit & Assurance	-	-	-	-
Executive Directors	-	8	-	8
Engineering Services	21	5	-	26
Environmental Health	8	15	-	23
Finance & Business Services	160	30	-	190
General Expenses	18	-	-	18
Housing Services	629	9	-	638
Human Resources & Customer Services	20	15	-	35
Legal & Democratic Services	-	11	-	11
Partnership & Community Engagement	-	9	-	9
Planning & Economic Development	462	21	-	483
Street Scene Services	599	42	-	641
Exceptional Items – Covid-19	-			
Exceptional Items – Covid-19 Business Support Grants	-			
Exceptional Items – Covid-19 Self Isolation	-			
<b>Net Cost of Services</b>	<b>7,749</b>	<b>172</b>	<b>-</b>	<b>7,921</b>
Other Operating Expenditure	85	-	-	85
Financing and Investment Income and Expenditure	(242)	695	-	453
Taxation and Non-Specific Grant Income	(5,707)	-	10,722	5,015
<b>Other Income and Expenditure from the Expenditure and Funding Analysis</b>	<b>(5,864)</b>	<b>695</b>	<b>10,722</b>	<b>5,553</b>
<b>Adjustments between funding and accounting basis</b>	<b>1,885</b>	<b>867</b>	<b>10,722</b>	<b>13,474</b>

## 5. NOTES TO THE ACCOUNTS

	2021-22			
Adjustments to General Fund to add expenditure or income not chargeable to taxation and remove items which are only chargeable under statute	Adjustments for capital purposes (Note 1)	Net change for pensions adjustments (Note 2)	Other differences (Note 3)	Total adjustments
SERVICE	£000	£000	£000	£000
Asset Management	(845)	59	2	(784)
Audit & Assurance	-	-	-	-
Executive Directors	-	54	-	54
Engineering Services	2	51	1	54
Environmental Health	3	138	(1)	140
Finance & Business Services	141	295	(4)	432
General Expenses	-	-	-	-
Housing Services	-	98	827	925
Human Resources & Customer Services	33	141	-	174
Legal & Democratic Services	-	108	1	109
Partnership & Community Engagement	-	82	6	88
Planning & Economic Development	4	212	416	632
Street Scene Services	245	406	7	658
Exceptional Items - Covid-19	-	-	-	-
Exceptional Items - Covid-19 Business Support Grants	-	-	-	-
Exceptional Items - Covid-19 Self Isolation	-	-	-	-
<b>Net Cost of Services</b>	<b>(417)</b>	<b>1,644</b>	<b>1,255</b>	<b>2,482</b>
Other Operating Expenditure	(3)	-	-	(3)
Financing and Investment Income and Expenditure	(2,370)	875	-	(1,495)
Taxation and Non-Specific Grant Income	(11,072)	-	(3,581)	(14,653)
<b>Other Income and Expenditure from the Expenditure and Funding Analysis</b>	<b>(13,445)</b>	<b>875</b>	<b>(3,581)</b>	<b>(16,151)</b>
<b>Adjustments between funding and accounting basis</b>	<b>(13,862)</b>	<b>2,519</b>	<b>(2,326)</b>	<b>(13,669)</b>

### 1) Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the Services lines, and for the following items in Other Income and Expenditure:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year. The gain to the authority on revaluation of donated assets is also credited to this line.

### 2) Net Change for the Pensions Adjustments

This column reflects the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

### 3) Other Differences

This includes those other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and NNDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund

**5.15.2 Subjective Analysis**

A subjective analysis of the Council's net cost of services as disclosed in the Comprehensive Income and Expenditure Statement is shown in the following tables.

<b>YEAR ENDED 31 March 2021</b>	<b>Employees Related Costs</b>	<b>Premises Related Expenditure</b>	<b>Transport Related Costs</b>	<b>Supplies and Services</b>	<b>Third Party Payments</b>	<b>Transfer Payments</b>	<b>Depreciation, Impairment and REFFCUS</b>	<b>Income</b>	<b>TOTAL</b>
<b>SERVICE</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Asset Management	719	1,204	1	63	109	-	5,832	(4,789)	<b>3,139</b>
Audit & Assurance	-	-	-	2	201	-	-	-	<b>203</b>
Executive Directors	490	-	-	16	11	-	-	(2)	<b>515</b>
Engineering Services	358	23	33	18	95	-	21	(64)	<b>484</b>
Environmental Health	1,122	3	7	85	75	-	8	(465)	<b>835</b>
Finance & Business Services	2,655	-	2	672	881	29,540	160	(31,156)	<b>2,754</b>
General Expenses	77	-	-	351	8	-	18	(114)	<b>340</b>
Housing Services	934	1	2	1,013	165	126	629	(1,385)	<b>1,485</b>
Human Resources & Customer Services	1,143	-	-	90	92	-	20	(49)	<b>1,296</b>
Legal & Democratic Services	1,073	-	1	604	2	-	-	(264)	<b>1,416</b>
Partnership & Community Engagement	697	1	-	501	664	9	-	(375)	<b>1,497</b>
Planning & Economic Development	2,036	-	2	324	359	-	462	(1,524)	<b>1,659</b>
Street Scene Services	4,345	1,064	1,154	334	772	-	591	(1,987)	<b>6,273</b>
Exceptional Items - Covid-19	242	137	94	223	135	-	-	(194)	<b>637</b>
Exceptional Items - Covid-19 Business Support Grants	-	-	-	-	-	4,011	-	(4,011)	-
Exceptional Items - Covid-19 Self Isolation	-	-	-	-	-	35	-	(35)	-
<b>Total</b>	<b>15,891</b>	<b>2,433</b>	<b>1,296</b>	<b>4,296</b>	<b>3,569</b>	<b>33,721</b>	<b>7,741</b>	<b>(46,414)</b>	<b>22,533</b>

## 5. NOTES TO THE ACCOUNTS

<b>YEAR ENDED 31 March 2022</b>	<b>Employees Related Costs</b>	<b>Premises Related Expenditure</b>	<b>Transport Related Costs</b>	<b>Supplies and Services</b>	<b>Third Party Payments</b>	<b>Transfer Payments</b>	<b>Depreciation, Impairment and REFFCUS</b>	<b>Income</b>	<b>TOTAL</b>
<b>SERVICE</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Asset Management	762	1,488	1	94	206	-	(845)	(4,958)	<b>(3,252)</b>
Audit & Assurance	-	-	-	4	185	-	-	-	<b>189</b>
Executive Directors	506	-	-	15	-	-	-	(2)	<b>519</b>
Engineering Services	420	30	36	24	95	-	2	(180)	<b>427</b>
Environmental Health	1,386	2	7	218	29	-	3	(323)	<b>1,322</b>
Finance & Business Services	2,983	-	2	704	129	26,779	141	(27,880)	<b>2,858</b>
General Expenses	76	-	-	421	8	-	-	(81)	<b>424</b>
Housing Services	1,189	1	2	977	106	77	826	(1,415)	<b>1,763</b>
Human Resources & Customer Services	1,270	-	-	133	120	-	33	(70)	<b>1,486</b>
Legal & Democratic Services	1,272	41	4	717	2	-	-	(542)	<b>1,494</b>
Partnership & Community Engagement	788	15	-	695	670	-	-	(628)	<b>1,540</b>
Planning & Economic Development	2,385	-	2	350	402	-	410	(1,316)	<b>2,233</b>
Street Scene Services	5,030	1,086	658	476	475	-	236	(2,878)	<b>5,083</b>
Exceptional Items - Covid-19	81	132	30	44	17	-	-	(139)	<b>165</b>
Exceptional Items - Covid-19 Business Support Grants	-	-	-	-	-	1,642	-	(1,642)	-
Exceptional Items - Covid-19 Self Isolation	-	-	-	-	-	67	-	(67)	-
<b>Total</b>	<b>18,148</b>	<b>2,795</b>	<b>742</b>	<b>4,872</b>	<b>2,444</b>	<b>28,565</b>	<b>806</b>	<b>(42,121)</b>	<b>16,251</b>

5. NOTES TO THE ACCOUNTS

5.16 Property, Plant & Equipment

2020-21

	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Surplus Assets £000	Total Property Plant and Equipment £000
<b>Cost or Valuation</b>							
<b>At 1 April 2020</b>	<b>130,853</b>	<b>5,939</b>	<b>524</b>	<b>1,891</b>	<b>3,590</b>	-	<b>142,797</b>
Additions	90	226	-	-	2,181	-	<b>2,497</b>
Revaluation increases / (decreases) recognised in the Revaluation Reserve	5,456	-	-	360	-	-	<b>5,816</b>
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(4,248)	-	-	-	-	-	<b>(4,248)</b>
Disposals	(279)	-	-	-	-	-	<b>(279)</b>
Assets reclassified (to) / from Investment Property	(35)	-	-	-	-	-	<b>(35)</b>
Other movements	2,916	-	-	-	(2,916)	-	-
Accumulated depreciation and impairment written to Cost or Valuation	(2,187)	-	-	-	-	-	<b>(2,187)</b>
<b>At 31 March 2021</b>	<b>132,566</b>	<b>6,165</b>	<b>524</b>	<b>2,251</b>	<b>2,855</b>	-	<b>144,361</b>



5. NOTES TO THE ACCOUNTS

2020-21

	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Surplus Assets £000	Total Property Plant and Equipment £000
<b>Accumulated Depreciation</b>							
<b>At 1 April 2020</b>	<b>(762)</b>	<b>(3,629)</b>	<b>(166)</b>	<b>(261)</b>	-	-	<b>(4,860)</b>
Depreciation	(1,804)	(390)	(5)	(46)	-	-	<b>(2,245)</b>
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	(147)	-	-	-	-	-	<b>(147)</b>
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	(19)	-	-	-	-	-	<b>(19)</b>
Disposals	174	-	-	-	-	-	<b>174</b>
Assets reclassified to / (from) Investment Property	1	-	-	-	-	-	<b>1</b>
Other movements	-	-	(1)	-	-	-	<b>(1)</b>
Accumulated depreciation and impairment written to Cost or Valuation	2,187	-	-	-	-	-	<b>2,187</b>
<b>At 31 March 2021</b>	<b>(370)</b>	<b>(4,019)</b>	<b>(184)</b>	<b>(337)</b>	-	-	<b>(4,910)</b>
<b>Net Book Value</b>							
<b>As at 31 March 2020</b>	<b>130,091</b>	<b>2,310</b>	<b>346</b>	<b>1,600</b>	<b>3,590</b>	-	<b>137,937</b>
<b>As at 31 March 2021</b>	<b>132,196</b>	<b>2,146</b>	<b>340</b>	<b>1,914</b>	<b>2,855</b>	-	<b>139,451</b>

5. NOTES TO THE ACCOUNTS

**2021-22**

	<b>Other Land &amp; Buildings £000</b>	<b>Vehicles, Plant &amp; Equipment £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Surplus Assets £000</b>	<b>Total Property Plant and Equipment £000</b>
<b>Cost or Valuation</b>							
<b>At 1 April 2021</b>	<b>132,566</b>	<b>6,165</b>	<b>524</b>	<b>2,251</b>	<b>2,855</b>	-	<b>144,361</b>
Additions	288	956	-	-	13,487	-	<b>14,731</b>
Revaluation increases / (decreases) recognised in the Revaluation Reserve	7,451	-	-	-	-	-	<b>7,451</b>
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	2,838	-	-	-	-	-	<b>2,838</b>
Disposals		-	-	-	(8)	-	<b>(8)</b>
Assets reclassified (to) / from Investment Property		-	-	-	-	-	
Other movements	1,099	-	-	-	(1,099)	-	-
Accumulated depreciation and impairment written to Cost or Valuation	(1,519)	-	-	-	-	-	<b>(1,519)</b>
<b>At 31 March 2022</b>	<b>142,723</b>	<b>7,121</b>	<b>524</b>	<b>2,251</b>	<b>15,235</b>	-	<b>167,854</b>

5. NOTES TO THE ACCOUNTS

**2021-22**

	<b>Other Land &amp; Buildings £000</b>	<b>Vehicles, Plant &amp; Equipment £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Surplus Assets £000</b>	<b>Total Property Plant and Equipment £000</b>
<b>Accumulated Depreciation</b>							
<b>At 1 April 2021</b>	<b>(370)</b>	<b>(4,019)</b>	<b>(184)</b>	<b>(337)</b>	-	-	<b>(4,910)</b>
Depreciation	(1,888)	(345)	(3)	(46)	-	-	(2,282)
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Assets reclassified to / (from) Investment Property	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-
Accumulated depreciation and impairment written to Cost or Valuation	1,519	-	-	-	-	-	1,519
<b>At 31 March 2022</b>	<b>(739)</b>	<b>(4,364)</b>	<b>(187)</b>	<b>(383)</b>	-	-	<b>(5,673)</b>
<b>Net Book Value</b>							
<b>As at 31 March 2021</b>	<b>132,196</b>	<b>2,146</b>	<b>340</b>	<b>1,914</b>	<b>2,855</b>	-	<b>139,451</b>
<b>As at 31 March 2022</b>	<b>141,984</b>	<b>2,757</b>	<b>337</b>	<b>1,868</b>	<b>15,234</b>	-	<b>162,181</b>

5. NOTES TO THE ACCOUNTS

Assets included in note 5.16 within 'Other Land and Buildings' with a carrying value of £142 million at 31 March 2022 were revalued in full at the dates shown in the table below. Valuations as at 31 March 2022 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors (RICS) have been carried out on behalf of the Council by Messrs Wilks Head and Eve LLP, Chartered Surveyors. Vehicles, plant, and equipment have not been valued because any difference from depreciated historical cost would not be material.

**5.16.1 Rolling Revaluation**

	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total	Investment Property
	£000	£000	£000	£000	£000	£000	£000
<i>Valued at historical cost</i>	-	2,757	337	969	15,234	<b>19,297</b>	-
<i>Valued at Fair Value</i>							
As at 31 March 2022	107,093	-	-	-	-	<b>107,093</b>	9,692
As at 31 January 2021	34,506	-	-	899	-	<b>34,506</b>	-
As at 31 January 2019	384	-	-	-	-	<b>384</b>	-
<b>Total cost or valuation as at 31 March 2022</b>	<b>141,984</b>	<b>2,757</b>	<b>337</b>	<b>1,868</b>	<b>15,234</b>	<b>162,180</b>	<b>9,692</b>

**5.17 Capital Expenditure and Financing Statement**

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 to the Capital Financing Requirement (CFR). The CFR is a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

2020-21		2021-22
£000		£000
10,813	<b>Opening Capital Financing Requirement</b>	10,571
	<b>Capital Investment:</b>	
2,497	Property, plant and equipment	14,731
129	Intangible assets	-
1,082	Revenue expenditure funded from capital under statute	1,232
	<b>Sources of finance:</b>	
(2,427)	Government grants and other contributions	(7,211)
(859)	Capital receipts	(592)
(422)	Revenue contribution to capital	(945)
	<b>Provision for repayment of debt:</b>	
(242)	Minimum revenue provision	(242)
<u>10,571</u>	<b>Closing Capital Financing Requirement</b>	<u>17,544</u>
	<b><i>Explanation of movements in year:</i></b>	
<u>(242)</u>	(Decrease) / Increase in the underlying need to borrow (unsupported by government financial assistance)	<u>6,973</u>

**5.17.1 Capital Commitments**

<b>2020-21</b>		<b>2021-22</b>
<b>£000</b>		<b>£000</b>
	<b>Capital Commitments:</b>	
19,539	Asset Management	10,265
-	Human Resources & Customer Services	-
386	Planning & Economic Development	628
3,040	Environmental Health	2,988
-	Housing & Partnerships	-
1,469	Street Scene Services	3,973
94	Finance And Business Services	163
303	Loan to Hertsmere Development Company	-
<b>24,831</b>	<b>Total</b>	<b>18,017</b>

**5.18 Leases***The Council as Lessee*

## Operating Leases

There are no operating leases.

*The Council as Lessor*

## Operating Leases

The council has a license fee arrangement with Elstree Studios Limited (EFS), a 100% owned subsidiary company, under which the council receives income for use of premises occupied by EFS. The amount received in 2021/22 was £1,650k (2020/21: £1,550k).

The property for 2020/21 is let under an annual operating licence. The Council is working towards leasing the asset on a longer lease, to provide security to EFS in negotiating new business for the Studios.

**5.19 Heritage Assets**

Heritage assets held by the authority

Heritage assets comprise the restored Grade II listed Rose Garden in Herkomer Road, Bushey, the Borough's war memorials and a small number of paintings and sculptures. In addition, the Council holds some items of civic regalia. The collective value of these assets is not considered to be material.

Carrying value

The following table summarises the movement in the carrying value of heritage assets over the year:

**2021-22**

	<b>Artwork</b>	<b>Rose Garden</b>	<b>War Memorial</b>	<b>Total Heritage Assets</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Gross Carrying Amounts</b>				
<b>At 1 April</b>	<b>110</b>	<b>1,353</b>	<b>50</b>	<b>1,513</b>
Additions in year	-	-	-	-
Valuation movements	-	-	-	-
<b>At 31 March</b>	<b>110</b>	<b>1,353</b>	<b>50</b>	<b>1,513</b>
<b>Depreciation</b>				
<b>At 1 April</b>	-	<b>(268)</b>	-	<b>(268)</b>
Depreciation charged in year	-	(23)	-	(23)
<b>At 31 March</b>	-	<b>(291)</b>	-	<b>(291)</b>
<b>Net Carrying Amounts</b>				
<b>31 March 2021</b>	<b>110</b>	<b>1,085</b>	<b>50</b>	<b>1,244</b>
<b>31 March 2022</b>	<b>110</b>	<b>1,062</b>	<b>50</b>	<b>1,222</b>

**5.20 Investment Property**

Rental income from investment property of £701k (2020/21: £572k) has been accounted for in the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement. 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 for repairs, maintenance or enhancement. The following table summarises the movement in the fair value of investment property over the year:

5. NOTES TO THE ACCOUNTS

2020-21		2021-22
£000		£000
<b>8,888</b>	<b>At 1 April</b>	<b>8,509</b>
-	Additions in year	-
(413)	Net gains / (losses) from Fair Value adjustments	1,183
-	Disposals	-
1	Other movements	-
33	Assets reclassified (to)/from Property, Plant and Equipment	-
<b>8,509</b>	<b>Level 2 balances at 31 March</b>	<b>9,692</b>
<b>8,509</b>	<b>Total</b>	<b>9,692</b>

All the Council's investment property portfolio has been assessed as Level 2 for valuation purposes. (See Note 5.1 – Accounting Policies for explanation of fair value levels). In estimating the fair value of the Authority's investment properties, the highest and best use of the properties is deemed to be their current use.

Level 2 inputs are those that are observable for the asset (other than quoted prices). They are based on the market approach using current market conditions and recent sale prices and other relevant information for similar assets in the local authority area.

Typical valuation inputs which have been analysed in arriving at Fair Valuations include;

- Market Rental and Sale Values
- Yields
- Void and Letting Periods
- Size
- Configuration, proportions and layout
- Location, visibility and access
- Condition
- Lease covenants
- Obsolescence



**5.21 Intangible Assets**

The movement on Intangible Asset balances during the year is as follows:

<b>2020-21</b>		<b>2021-22</b>
<b>£000</b>		<b>£000</b>
	<b>Gross Carrying Amount</b>	
<b>1,703</b>	<b>At 1 April</b>	<b>1,831</b>
129	Additions in year	-
(1)	Other movements	-
<b>1,831</b>	<b>At 31 March</b>	<b>1,831</b>
	<b>Amortisation</b>	
<b>(1,178)</b>	<b>At 1 April</b>	<b>(1,310)</b>
(132)	Charged in year	(117)
<b>(1,310)</b>	<b>At 31 March</b>	<b>(1,427)</b>
<b>521</b>	<b>Net Carrying Amount</b>	<b>404</b>

**5.22 Debtors**

<b>31 March</b>		<b>31 March</b>
<b>2021</b>		<b>2022</b>
<b>£000</b>		<b>£000</b>
	<b>Amounts receivable within one year:</b>	
	<i>Financial assets</i>	
3,244	Sundry debtors and accrued income	2,358
55	Other loans	523
33	Employee car loans	29
<b>3,332</b>	<b>Total</b>	<b>2,910</b>
	<i>Non-financial assets and statutory debt</i>	
404	Council tax	578
131	Business rates	431
109	HM Revenue and Customs	379
944	Government departments and other local authorities	65
245	Housing Benefits overpaid	204
594	Prepayments	665
<b>2,427</b>	<b>Total</b>	<b>2,322</b>
<b>5,759</b>	<b>Total amounts receivable within one year</b>	<b>5,232</b>
	<b>Amounts receivable after one year:</b>	
	<i>Financial assets</i>	
2,176	Equity charge on properties	2,269
41	Employee car loans	46
513	Loans to subsidiary undertakings	755
4,970	Other loans	4,253
33	Other	46
<b>7,733</b>	<b>Total amounts receivable after one year</b>	<b>7,369</b>

**5.23 Investments**

Investments were held as follows:

<b>31 March 2021 £000</b>		<b>31 March 2022 £000</b>
	<b>Long Term Investments:</b>	
-	Investments in subsidiaries	-
-	Other	-
5,005	Local Authorities	5,000
<b>5,005</b>	<b>Total Long Term Investments</b>	<b>5,000</b>
	<b>Short Term Investments:</b>	
6,003	Banks	6,004
45,117	Local Authorities	34,088
<b>51,120</b>	<b>Total Short Term Investments</b>	<b>40,092</b>

The Council's investment in subsidiaries comprises 100 ordinary shares of £1 each in Hertsmere Developments Limited and 1 ordinary share of £1 in Elstree Film Studios Limited which is further disclosed in the Group Accounts section. Both companies are 100% owned by the Council.

Other long term investments comprise:

- One £1 (14%) share in Broste Rivers Ltd which is the holding company of Hertfordshire Building Control Ltd (2020: £1 - 14%) .
- 14% of the ordinary shares of £1 each issued by Hertfordshire CCTV Partnership Limited (2020: 14%).
- 20,000 shares of £0.01 each in UK Municipal Bonds Agency PLC (2020: £200).

The average interest rate received on core investments during the year was 0.33% (2020/21: 0.70%). Short-term investments are held for periods of one year or less.

**5.24 Cash and Cash Equivalents**

The balance of cash and cash equivalents is made up of the following elements:

<b>31 March 2021 £000</b>		<b>31 March 2022 £000</b>
2	Cash held by the council	-
409	Bank current accounts	777
14,741	Call deposit and money market funds	27,607
<b>15,152</b>	<b>Total</b>	<b>28,384</b>

## 5.25 Creditors

31 March 2021		31 March 2022
£000		£000
<b>Amounts payable within one year:</b>		
<i>Financial liabilities</i>		
5,785	Sundry creditors	4,208
<u>5,785</u>	<b>Total</b>	<u>4,208</u>
<i>Non-financial liabilities and statutory debt</i>		
106	Accrual for accumulated absences (note 5.31.6)	128
315	HM Revenue and Customs - payroll taxes	250
10,872	Due to government departments and other local authorities	13,155
1,535	Receipts in advance	7,428
<u>12,828</u>	<b>Total</b>	<u>20,961</u>
<u>18,613</u>	<b>Total included in current liabilities</b>	<u>25,169</u>
<b>Amounts payable after one year:</b>		
<i>Financial liabilities</i>		
400	Other creditors	148
<u>400</u>	<b>Total included in non-current liabilities</b>	<u>148</u>

## 5.26 Provisions

2020-21	Municipal Mutual Insurance £000	Business Rates Appeals £000	Herts Building Control Ltd Losses £000	Total £000
<b>Balance at 1 April 2020</b>	95	2,072	134	2,301
Increase/(decrease) in provision during year	-	872	-	872
Amounts used	(20)	(330)	-	(350)
Classified as Long Term	-	(2,264)	-	(2,264)
<b>Balance as at 31 March 2021</b>	<u>75</u>	<u>350</u>	<u>134</u>	<u>559</u>

5. NOTES TO THE ACCOUNTS

**2021-22**

	<b>Municipal Mutual Insurance</b>	<b>Business Rates Appeals</b>	<b>Herts Building Control Ltd Losses</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April 2021</b>	<b>75</b>	<b>2,613</b>	<b>134</b>	<b>2,822</b>
Increase/(decrease) in provision during year	-	571	-	<b>571</b>
Amounts used	(17)	(1,821)	-	<b>(1,838)</b>
Classified as Long Term	-	(182)	-	<b>(182)</b>
<b>Balance as at 31 March 2022</b>	<b>58</b>	<b>1,181</b>	<b>134</b>	<b>1,373</b>

Municipal Mutual Insurance - a provision in respect of the Council's liabilities under the Municipal Mutual Insurance Scheme of Arrangement.

Business Rates Appeals - a provision in respect of the Council's share of the cost of successful appeals against valuations for business rates. Estimated settlement for the next 12 months is 86.63% of total calculated provision – this was amended from last year as the Council had a large number of 2017 List Check, Challenge and Appeal settlements in 2021/22.

Hertfordshire Building Control Ltd Losses - a provision to meet, based on the latest information available, the Council's share of losses as at 31 March 2022.

**5.27 Capital Grants Received in Advance**

The Council has received a number of grants and contributions, known as Section 106 receipts that have yet to be recognised as income as they have conditions attached to them that would require the monies to be returned to the giver in the event of non-compliance with the conditions. Pending application to the relevant projects, these grants are held on the balance sheet as capital grants received in advance.

Section 106 receipts are amounts paid to the Council by developers as a result of the granting of planning permission where improvement or new facility works are required as part of the condition of granting the planning permission. The responsibility to carry out the works is with the Council, however the monies are restricted to being spent only in accordance with the agreement concluded with the developer and are repayable in the event that there are surplus funds remaining following completion of the contract or that the project is ceased following the agreement of both parties.

The balances at the year-end are as follows:

<b>31 March 2021 £000</b>		<b>31 March 2022 £000</b>
<b>10,344</b>	<b>Balance at 1 April 2021</b>	<b>11,391</b>
1,377	New grants received in advance	1,970
10	Receipt in lieu of interest	50
(340)	Application of grants used in year	(1,895)
<b><u>11,391</u></b>	<b>Balance at 31 March 2022</b>	<b><u>11,516</u></b>

S106 receipts include interest of £50k (2020/21: £10k) allocated to the balances whilst they are held on deposit by the Council.

## 5.28 Financial Instruments

Financial Instruments comprise contractual positions that gives rise to a financial asset of one entity and a financial liability (or equity instrument) of another.

Financial assets whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and are held within a business model whose objectives are achieved by collecting contractual cash flows are carried at amortised cost.

The Council's financial liabilities are carried at amortised cost with no change in carrying amounts.

### Impairment Loss Allowances

IFRS 9 Financial Instruments requires impairment of financial assets carried at amortised cost to be based on forward-looking expectations (expected credit losses). The Council has used the following criteria to arrive at loss allowances.

Financial Asset	Criteria
Investments, cash and cash equivalents	Based on the Council's approach to credit risk arising from deposits with banks and financial institutions which are detailed below, all deposits held at 31 March 2022 are considered to have low credit risk. Therefore 12 month expected credit losses have been calculated applying risk factors provided by the Council's treasury management advisors. This amounted to £2,010 (2021: £1,403) which is considered to be immaterial and has therefore not been reflected in the core financial statements. No allowance is required for deposits with central government and other local authorities as relevant statutory provisions prevent default.
Loans to businesses and group companies	Financial assessment prior to loan advance, financial performance and position of the third party or group company, internal information e.g. attendance at board meetings and any relevant external information. The Covid-19 pandemic has required the Council to review the level of expected credit loss applicable to a loan to a third party that manages the Council's leisure centres. The loan was advanced to enhance leisure centre revenue generating activities which would finance loan repayments. The Council supports the view of the third party management team that a combination of their support measures and overall management will enable the company to fully recover from the pandemic and repay the loan in full over the agreed extended period. The Council has therefore maintained the level of expected credit loss at 4% (2022: £203k, 2021: £203k) and this amount has been earmarked against the Council's usable capital receipts (£5.076m at 31 March 2022).
Trade receivables	The expected lifetime credit loss allowance is based on the provision matrices policies applied by the Council. This calculation, based on the age of debt outstanding, is adjusted for any improving or worsening position applicable to specific debtors.

**Financial Instruments by Category**

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

<b>31 March 2021</b>	<b>Amortised Cost £000</b>	<b>Fair Value through profit or loss £000</b>	<b>Non- financial instrument balances £000</b>	<b>Balance Sheet carrying amount £000</b>	<b>Financial Instruments Impairment Allowance £000</b>
<b>Financial Assets</b>					
Long Term Investments	5,005	-	-	5,005	(20)
Long Term Debtors	5,556	2,177	-	7,733	(310)
Short Term Investments	51,120	-	-	51,120	-
Short Term Debtors	4,036	-	1,723	5,759	(556)
Cash and Cash Equivalents	15,152	-	-	15,152	-
					<u>(886)</u>
<b>Financial Liabilities</b>					
Short Term Creditors	(11,138)	-	(7,475)	(18,613)	-
Other Long term Liabilities	(400)	-	-	(400)	-
					<u>(886)</u>

<b>31 March 2022</b>	<b>Amortised Cost £000</b>	<b>Fair Value through profit or loss £000</b>	<b>Non- financial instrument balances £000</b>	<b>Balance Sheet carrying amount £000</b>	<b>Financial Instruments Impairment Allowance £000</b>
<b>Financial Assets</b>					
Long Term Investments	5,000	-	-	5,000	(20)
Long Term Debtors	5,100	2,269	-	7,369	(280)
Short Term Investments	40,092	-	-	40,092	-
Short Term Debtors	2,910	-	2,322	5,232	(694)
Cash and Cash Equivalents	28,384	-	-	28,384	-
					<u>(994)</u>
<b>Financial Liabilities</b>					
Short Term Creditors	(14,110)	-	(11,059)	(25,169)	-
Other Long term Liabilities	(148)	-	-	(148)	-
					<u>(994)</u>

For those assets and liabilities carried at amortised cost such carrying amounts provide a reliable estimate of fair value.

**Income, Expense, Gains and Losses**

The following gains and losses arose in 2021/22 in relation to financial instruments.

<b>2020-21 Financial Instruments measured at amortised cost £000</b>	<b>2021-22 Financial Instruments measured at amortised cost £000</b>
<u>Financing and Investment Income and Expenditure</u>	
2 Interest payable and similar charges	-
(679) Interest receivable and similar income	(345)
70 Impairment of Financial Assets	132
(607)	(213)

**Changes in Expected Credit Losses**

	<b>Allowance at 1 April 2021 £000</b>	<b>Allowance for assets originated or acquired £000</b>	<b>Allowance for assets derecognised £000</b>	<b>Allowance at 31 March 2022 £000</b>
<b>Long Term Investments</b>				
- Lifetime credit losses	(20)	-	-	(20)
<b>Loans to businesses and group companies</b>				
- 12-month credit losses	(203)	-	-	(203)
- Lifetime credit losses	(107)	-	-	(107)
<b>Deposits with banks and building societies</b>				
- 12-month credit losses	-	-	-	-
<b>Trade receivables</b>				
- Grouped assets	(556)	(132)	24	(664)
<b>Total loss allowances</b>	<b>(886)</b>	<b>(132)</b>	<b>24</b>	<b>(994)</b>



**Credit Risk Exposure**

The Council had the following exposure to credit risk at 31 March 2022.

	Credit Risk Rating			Gross Carrying Amount £000
	Low £000	Medium £000	High £000	
<b>Deposits with banks and building societies</b>				
- 12-month credit losses	38,391	-	-	38,391
<b>Loans to businesses and group companies</b>				
- 12-month credit losses	5,820	-	-	5,820
- Lifetime credit losses	107	-	-	107
<b>Trade receivables</b>				
- Grouped assets	Not subject to credit rating			1,536
<b>Total amount exposed to credit risk</b>				<u>45,854</u>

**Credit Risk arising from deposits with Banks and Financial Institutions**

This risk is minimised through the Council's Treasury Management Strategy. The Council has adopted the CIPFA Code of Practice on Treasury Management in Public Services. In assessing credit risk, the Council uses the creditworthiness service provided by Link Asset Services which combines assessments of credit ratings, credit watches, credit outlooks and credit default swap spreads to provide a weighted scoring system.

As well as using the matrix produced by Link Asset Services, the Council limits its exposure to any one particular institution or group of banks and uses Fitch long-term ratings (or equivalent) to determine the amount of funds placed with each institution as follows (limits effective in 2021/22):

Category	Maximum Investment	Investment as at 31 March 2022	Call deposits at 31 March 2022 (included in cash and cash equivalents)
Higher Quality Rated Banks – rating AAA, AA+, AA and AA-	£10m	1 deposit not exceeding £10m	
UK Medium Quality Rated Banks and Building Societies - rating A+, A	£6m	1 deposit not exceeding £6m	1 deposit not exceeding Council's banker limit
Medium Quality Rated Non UK Banks – rating A+, A	£4m		
Local Authorities	£10m	7 deposits not exceeding £10m	
Part nationalised banks	£10m		
Unrated Building Societies or with rating below A - min £3B Asset Size	£3m		
Barclays Bank – Council's banker	£5m		
Money market funds – AAA	£10m		3 deposits not exceeding £10m
Enhanced Money market funds – AAA	£8m		
Debt Management Account Deposit Facility - AAA	Unlimited		

The Council's Treasury Management Strategy reduces credit risk further by limiting the term of investments depending on the credit criteria of the financial institution and by limiting the amounts that may be invested in any one country (other than the UK).

#### Debt Management Office and Local & Public Authorities

Although not rated by Fitch Rating Services, the Government's Debt Management Office and other local and public authorities meet the criteria for the highest counterparty credit limit which permits the council to invest with them up to £10m.

**Credit Risk arising from the Council's exposure to other debtors**

Credit risk can arise from the Council's exposure to other debtors excluding amounts due from government and public institutions. In addition to known specific issues the Council has applied the following criteria when calculating allowances for credit risk in respect of trade receivable debt.

Trade Receivable	Age (Days)						Allowance at 31 March 2022 £000
	0-30 %	31-60 %	61-90 %	90- 180 %	180- 365 %	Over 365 %	
Other	0	15	30	50	80	100	(598)
Garage Rents	0	0	40	60	80	80	(10)
Parking	Provision is made based on age of Penalty Charge Notices.						(56)
							<b>(664)</b>

**Liquidity Risk**

This is the risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the organisation's business/service objectives will be thereby compromised. The Council ensures it has adequate though not excessive cash resources, borrowing arrangements or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives and will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

As the majority of its investments are short term deposits, which are available at relatively short notice, there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

### **Interest Rate Risk**

This is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Council's finances, against which it has failed to protect itself adequately. The Council manages its exposure to fluctuations in interest rates with a view to containing its interest costs or securing its interest revenues. It achieves this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates.

The Council only invests in fixed rate investment products in order to minimise its exposure to interest rate risk.

### **Price Risk**

The Council does not invest in equity shares and therefore is not exposed to losses arising from movement in the price of shares.

### **Foreign Exchange Risk**

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

## 5.29 Defined Benefit Pension Scheme

### Participation in Pension Schemes

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

The Council participates in the Hertfordshire Local Government Pension Scheme which is administered by Hertfordshire County Council. This is a funded defined benefit scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

### Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement may be awarded. This is an unfunded defined benefit arrangement under which liabilities are recognised when the award is made. No plan assets build up to meet these liabilities.

### Transactions Relating to Post-employment Benefits

The Council has recognised the cost of retirement benefits in the reported cost of services when 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 included within the Comprehensive Income and Expenditure Statement and the General Fund via the Movement in Reserves Statement during the year:

**5.29.1 Comprehensive Income and Expenditure Statement**

<b>2020-21</b>		<b>2021-22</b>
<b>£000</b>		<b>£000</b>
	<b>Cost of Services:</b>	
	<i>Service cost comprising:</i>	
2,870	Current service cost	4,341
1	Past service cost	1
	Finance and investment income and expenditure:	
695	Net interest expense	875
<b>3,566</b>	<b>Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>5,217</b>
	<b>Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement:</b>	
	Re-measurement of the net defined liability comprising:	
(16,685)	Return on plan assets (excluding the amount included in the net interest expense)	(805)
28,262	Actuarial (gains) and losses arising on changes in financial assumptions	(9,291)
1,695	Actuarial (gains) and losses arising on changes in demographic assumptions	(780)
(1,357)	Other experience (gains) and losses	302
<b>11,915</b>	<b>Total post-employment benefits charged/(credited) to the Comprehensive Income and Expenditure Statement</b>	<b>(10,574)</b>

**5.29.2 Movement in Reserves Statement**

<b>2020-21</b>		<b>2021-22</b>
<b>£000</b>		<b>£000</b>
(3,566)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(5,217)
	<b>Actual amount charged against the General Fund for pensions for the year:</b>	
2,699	Employer's contributions payable to the scheme	2,698

**5.29.3 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 plan is as follows:

<b>2020-21</b>		<b>2021-22</b>
<b>£000</b>		<b>£000</b>
(147,583)	Present value of defined benefit obligations	(141,522)
104,640	Fair value of scheme assets	106,634
<b>(42,943)</b>	<b>Net liability arising from defined benefit obligation</b>	<b>(34,888)</b>

The following table reconciles the present value of the scheme's defined benefit obligations and the fair value of the scheme assets:

<b>2020-21</b>		<b>2021-22</b>
<b>£000</b>		<b>£000</b>
	<b>Present Value of Defined Benefit Obligations:</b>	
<b>(117,172)</b>	<b>As at 1 April</b>	<b>(147,583)</b>
(2,870)	Current service cost	(4,341)
(1)	Past service cost	(1)
(2,683)	Interest cost	(2,957)
(591)	Contributions by scheme members	(616)
-	Gains / (losses) on curtailments	-
	<i>Re-measurement gains and (losses):</i>	
(1,695)	Actuarial gains and (losses) arising on changes in demographic assumptions	780
(28,262)	Actuarial gains and (losses) arising on changes in financial assumptions	9,291
1,357	Other experience gains and (losses)	(302)
4,334	Benefits paid	4,207
<b>(147,583)</b>	<b>As at 31 March</b>	<b>(141,522)</b>
	<b>Fair Value of Scheme Assets:</b>	
<b>87,011</b>	<b>As at 1 April</b>	<b>104,640</b>
1,988	Interest Income	2,082
591	Contributions by scheme members	616
2,699	Contributions by employer	2,698
	<i>Re-measurement gains and (losses):</i>	
16,685	Return on plan assets excluding the amount included in the net interest expense	805
(4,334)	Benefits paid	(4,207)
<b>104,640</b>	<b>As at 31 March</b>	<b>106,634</b>

**5.29.4 Pension Fair Values Scheme Assets**

The fair values of scheme assets are made up of the following types of investments by proportion of total assets held:

	Year ended 31 March 2021			
	Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total	
	£000	£000	£000	%
<b>Cash and cash equivalents</b>	<b>2,946</b>	-	<b>2,946</b>	<b>3</b>
<b>Equity instruments:</b>				
<i>By industry type:</i>				
Consumer	930	-	930	1
Manufacturing	820	-	820	1
Financial Institutions	671	-	671	1
Health & Care	414	-	414	-
Information Technology	2,386	-	2,386	2
Other	93	-	93	-
<b>Sub-total equity instruments</b>	<b>5,314</b>	-	<b>5,314</b>	<b>5</b>
<b>Debt Securities:</b>				
UK Government	5,361	-	5,361	5
Other	-	2,388	2,388	2
<b>Sub-total debt securities</b>	<b>5,361</b>	<b>2,388</b>	<b>7,749</b>	<b>7</b>
<b>Private Equity</b>	-	<b>6,290</b>	<b>6,290</b>	<b>6</b>
<b>Property:</b>				
UK Property	-	5,790	5,790	6
Overseas Property	-	4,822	4,822	5
<b>Sub-total property</b>	-	<b>10,612</b>	<b>10,612</b>	<b>11</b>
<b>Investment Funds and Unit Trusts:</b>				
Equities	48,138	-	48,138	46
Bonds	16,921	-	16,921	16
Infrastructure	-	44	44	-
Other	969	5,698	6,667	6
<b>Sub-total investment funds and unit trusts</b>	<b>66,028</b>	<b>5,742</b>	<b>71,770</b>	<b>68</b>
<b>Derivatives: foreign exchange</b>	-	<b>(41)</b>	<b>(41)</b>	-
<b>Total assets</b>	<b>79,649</b>	<b>24,991</b>	<b>104,640</b>	<b>100</b>



	Year ended 31 March 2022			
	Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total	
	£000	£000	£000	%
<b>Cash and cash equivalents</b>	<b>5,978</b>	-	<b>5,978</b>	<b>6</b>
<b>Equity instruments:</b>				
<i>By industry type:</i>				
Consumer	1,542	-	<b>1,542</b>	<b>1</b>
Manufacturing	558	-	<b>558</b>	<b>1</b>
Financial Institutions	553	-	<b>553</b>	<b>1</b>
Health & Care	997	-	<b>997</b>	<b>1</b>
Information Technology	2,138	-	<b>2,138</b>	<b>2</b>
Other	-	-	-	-
<b>Sub-total equity instruments</b>	<b>5,788</b>	-	<b>5,788</b>	<b>6</b>
<b>Debt Securities:</b>				
UK Government	8,103	-	<b>8,103</b>	<b>8</b>
Other	-	2,829	<b>2,829</b>	<b>3</b>
<b>Sub-total debt securities</b>	<b>8,103</b>	<b>2,829</b>	<b>10,932</b>	<b>11</b>
<b>Private Equity</b>	-	<b>7,075</b>	<b>7,075</b>	<b>7</b>
<b>Property:</b>				
UK Property	-	7,665	<b>7,665</b>	<b>7</b>
Overseas Property	-	4,953	<b>4,953</b>	<b>5</b>
<b>Sub-total property</b>	-	<b>12,618</b>	<b>12,618</b>	<b>12</b>
<b>Investment Funds and Unit Trusts:</b>				
Equities	41,271	-	<b>41,271</b>	<b>39</b>
Bonds	16,160	-	<b>16,160</b>	<b>15</b>
Infrastructure	-	54	<b>54</b>	-
Other	893	5,791	<b>6,684</b>	<b>6</b>
<b>Sub-total investment funds and unit trusts</b>	<b>58,324</b>	<b>5,845</b>	<b>64,169</b>	<b>60</b>
<b>Derivatives: foreign exchange</b>	-	<b>74</b>	<b>74</b>	-
<b>Total assets</b>	<b>78,193</b>	<b>28,441</b>	<b>106,634</b>	<b>100</b>

**5.29.5 Basis for estimating Assets and Liabilities**

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

The estimated liabilities are based on a formal valuation as at 31 March 2019 and are updated to the current year by Hymans Robertson, the independent actuary to Hertfordshire Local Government Pension Scheme.

The principal assumptions used by the actuary are as follows:

<b>31 March 2021</b>		<b>31 March 2022</b>
	<b>Financial assumptions:</b>	
2.85%	Rate of increase in inflation / pension cost	3.20%
3.25%	Rate of increase in salaries	3.60%
2.00%	Expected return on investments	2.70%
2.00%	Rate for discounting scheme obligations	2.70%
50%	Take up of option to receive lump sum on retirement (service pre April 2008)	50%
75%	Take up of option to receive lump sum on retirement (service post April 2008)	75%
	<b>Mortality assumptions:</b>	
	Longevity at 65 for current pensioners (years)	
22.1	Men	21.9
24.5	Women	24.4
	Longevity at 65 for future pensioners (years)	
23.2	Men	22.9
26.2	Women	26.0

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions as 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 that for each change the assumption analysed changes whilst all other assumptions remain constant. 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 did not change from those used in the previous period.

<b>Approximate Impact on the Defined Benefit Obligation in the Scheme</b>			
	<b>Percentage Increase to Employer Liability</b>		<b>Monetary Increase to Employer Liability</b>
	<b>%</b>		<b>£000</b>
0.1% increase in the Salary Increase Rate	0%		206
0.1% increase in the Pension Increase Rate	2%		2,321
0.1% decrease in Real Discount Rate	2%		2,545
1 year increase in member life expectancy	4%		5,661

### **Impact on the Council's Cash Flows**

The objectives of the scheme include that of keeping the employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over a 20 year period. The Council is participating in this strategy in order to contribute to meeting the scheme deficit while maintaining contribution rates at their current levels at least until the next triennial valuation as at 31 March 2022. Meanwhile funding levels are monitored on an annual basis.

It is estimated that the Council will contribute approximately £2.726 million to the Local Government Pension Scheme during the year ending 31 March 2023.

<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>As at 31 March</b>	<b>2022</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>		<b>£000</b>
(120,692)	(130,861)	(117,172)	(147,583)	Present value of defined benefit obligations	(141,522)
85,183	90,170	87,011	104,640	Fair value of employer assets	106,634
<b>(35,509)</b>	<b>(40,691)</b>	<b>(30,161)</b>	<b>(42,943)</b>	<b>Deficit in the scheme</b>	<b>(34,888)</b>

The defined benefit obligations show the underlying commitments that the Council has in the long term to pay retirement benefits. The total liability has a substantial negative impact on the net worth of the Council as recorded in the Balance Sheet; however, the short term effect of this liability will be minimal as statutory arrangements permit the Council to reduce the deficit by making increased contributions over the remaining working life of employees, as assessed by the scheme's Actuary.

**5.30 Usable Reserves**

Usable Reserves are those reserves that the council can use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. the Capital Receipts Reserve can only be used to fund capital expenditure or to repay debt).

<b>31 March 2021 £000</b>		<b>Note</b>	<b>31 March 2022 £000</b>
(8,392)	General Fund	5.30.1	(8,445)
(35,623)	Earmarked Reserves (General Fund)	5.30.2	(31,842)
(5,656)	Capital Receipts Reserve	5.30.3	(5,076)
(14,557)	Capital Grants and Contributions Unapplied	5.30.4	(18,325)
<b><u>(64,228)</u></b>	<b>Total</b>		<b><u>(63,688)</u></b>

**5.30.1 General Fund**

The General Fund represents resources available to finance future running costs of the Council. Any surplus or deficit arising during the year from ordinary activities is transferred to the reserve, which subsequently may be used for future revenue or capital financing. The movements in the reserve during the year are summarised below and on the Movement in Reserves Statement.

<b>2020-21</b>		<b>Note</b>	<b>2021-22</b>
<b>£000</b>			<b>£000</b>
<b>(8,309)</b>	<b>Balance at 1 April</b>		<b>(8,392)</b>
1,285	(Surplus) / deficit on provision of services	4.2	(9,941)
(13,411)	Adjustments between accounting basis and funding basis under regulation	5.14	13,669
12,043	Transfers to (from) earmarked reserves	5.30.2	(3,781)
<b><u>(8,392)</u></b>	<b>Total</b>		<b><u>(8,445)</u></b>

**5.30.2 Earmarked Reserves**

Earmarked Reserves represents that part of the General Fund retained voluntarily for use on specific projects or causes. A summary of the movement in the reserves during the year is as follows:

<b>2020-21</b>		<b>Note</b>	<b>2021-22</b>
<b>£000</b>			<b>£000</b>
<b>(23,580)</b>	<b>Balance at 1 April</b>		<b>(35,623)</b>
(12,043)	Transfers (to) from earmarked reserves	5.30.1	3,781
<b><u>(35,623)</u></b>	<b>Total</b>		<b><u>(31,842)</u></b>

A brief description of those significant reserves disclosed is shown below:

<b>Earmarked Reserve</b>	<b>Description</b>
3 Valleys Way Play Area	Developer contributions for the maintenance and upkeep of new play areas.
3 Valleys Way Swale	Developer contributions for the maintenance and upkeep of SuDS/Swale areas.
Business rates equalisation	To fund shortfalls in business rates generation.
Collection fund deficit	To fund the 2020/21 collection fund deficit that has arisen due to the Covid-19 pandemic and is to be spread over the next three years in accordance with legislation.
CCTV Reserve	To fund the future provision of the management and maintenance of the council's CCTV service.
Civic Offices Sinking Fund	Property & equipment replacement reserve for the Civic Offices.
Corporate Consultation	Funds set aside to cover the future cost of the corporate consultations.
Council Contribution to Pension Fund	To meet any future shortfall in pension fund deficit and any strain in the pension fund.
Covid-19	For use to fund Covid-19 related deficits in future years.
Elections Reserve	To fund future Hertsmere local elections and by-elections.
Emergency Funding	For acquiring land or property to secure assets for the benefit of the Council
EWC Housing Zone	Government funding to deliver the Elstree Way Corridor housing zone.
Fishers Park Play Area	Developer contributions for the maintenance and upkeep of new play areas.
Flexible Homeless Support	Funds ring fenced for three years to support increased homeless prevention as defined by Homeless Reduction Act.
Housing & Council Tax Benefit Equalisation Account	To fund any shortfall in government grant for benefits.
Human Resources strategy	To fund redundancy payments or any unusual staffing costs.
Information Services Infrastructure Replacement	Funds major Information Technology infrastructure projects.
Innovation & Investment fund	To fund invest to save projects.
Land Drainage	To fund land drainage and flood related costs.
Minor revenue grants	A miscellany of grants to fund minor projects.
New Homes Bonus Equalisation Reserve	To guard the revenue budget against declining government grants
Non-recurring Items	Used to fund schemes such as DFG grants.
Parking Repairs & Renewals	Covers the cost of car park resurfacing, machines and equipment replacement.
Parks Play Equipment	To cover the cost of the replacement of play equipment.
Recycling Initiatives	Reserve to fund recycling initiatives such as the introduction of recycling into flats.
Uninsured Losses reserve	For use with any uninsured losses incurred by the Council.
Waste Services Vehicles Replacement	Used to fund the replacement of the Street Scene service vehicles.

5. NOTES TO THE ACCOUNTS

The table below shows the reserve balances held at **31 March 2022** and the amounts transferred from / to the General Fund in order to meet future / current expenditure.

	Balance at 31 Mar 20 £000	Transfers Out 2020-21 £000	Transfers In 2020-21 £000	Balance at 31 Mar 21 £000	Transfers Out 2021-22 £000	Transfers In 2021- 22 £000	Balance at 31 Mar 22 £000
3 Valleys Way Play Area	(102)	-	-	(102)	1	(100)	(201)
3 Valleys Way Swale	-	-	-	-	8	(150)	(142)
Business rates equalisation	(5,837)	474	(1,495)	(6,858)	105	-	(6,753)
Collection fund deficit	-	-	(9,685)	(9,685)	3,294	-	(6,391)
CCTV Reserve	(114)	15	(15)	(114)	-	(15)	(129)
Civic Offices Sinking Fund	(292)	-	(55)	(347)	-	(55)	(402)
Corporate Consultation	(202)	-	-	(202)	-	-	(202)
Council Contribution to Pension Fund	(500)	155	-	(345)	133	-	(212)
Covid-19	(48)	48	(590)	(590)	123	-	(467)
Elections Reserve	(2)	-	(34)	(36)	181	(254)	(109)
Emergency Funding	(1,545)	49	-	(1,496)	7	(7)	(1,496)
EWC Housing Zone	(165)	10	-	(155)	-	-	(155)
Fishers Park Play Area	(103)	-	-	(103)	-	-	(103)
Flexible Homeless Support	(127)	372	(359)	(114)	541	(537)	(110)
Housing & Council Tax Benefit Equalisation Account	(2,024)	468	(401)	(1,957)	514	(360)	(1,803)
Human Resources strategy	(257)	126	(50)	(181)	-	-	(181)
Information Services - Infrastructure Replacement	(277)	10	(50)	(317)	31	(15)	(301)
Innovation and Investment fund	(1,932)	178	-	(1,754)	89	(56)	(1,721)
Land Drainage	(293)	-	(15)	(308)	73	(15)	(250)
Minor revenue grants	(1,713)	889	(1,146)	(1,970)	970	(878)	(1,878)
New Homes Bonus Equalisation Reserve	(2,893)	-	(521)	(3,414)	15	(475)	(3,874)
Non-recurring Items	(915)	-	(99)	(1,014)	-	(6)	(1,020)
Parking Repairs & Renewals	(781)	42	(140)	(879)	-	(100)	(979)
Parks Play Equipment	(296)	-	(10)	(306)	-	(10)	(316)
Recycling Initiatives	(747)	-	-	(747)	6	-	(741)
Uninsured Losses Reserve	(69)	22	(182)	(229)	-	-	(229)
Waste Services Vehicles Replacement	(1,301)	64	(350)	(1,587)	980	(513)	(1,120)
Other < £100k	(1,045)	311	(79)	(813)	630	(374)	(557)
<b>Total</b>	<b>(23,580)</b>	<b>3,233</b>	<b>(15,276)</b>	<b>(35,623)</b>	<b>7,701</b>	<b>(3,920)</b>	<b>(31,842)</b>

**5.30.3 Capital Receipts Reserve**

The Capital Receipts Reserve represents proceeds from the sale of property, plant and equipment, which are restricted in order to finance future capital investment. A summary of the movement in the reserve during the year is as follows:

<b>2020-21 £000</b>		<b>2021-22 £000</b>
<b>(6,318)</b>	<b>Balance as at 1 April</b>	<b>(5,656)</b>
(21)	Receipts in year	(12)
(176)	Realisation of deferred capital receipts	-
859	Applied during the year	592
<b><u>(5,656)</u></b>	<b>Balance as at 31 March</b>	<b><u>(5,076)</u></b>

**5.30.4 Capital Grants Unapplied Account**

The balance on the Capital Grants Unapplied Account represents grants and contributions received by the Council for the purpose of funding capital expenditure but not yet utilised. The grants in question have been recognised as income as they have no conditions attached to them that may require the monies to be returned to the giver. A summary of the movement in the account during the year is as follows:

<b>2020-21 £000</b>		<b>2021-22 £000</b>
<b>(11,301)</b>	<b>Balance as at 1 April</b>	<b>(14,557)</b>
(4,090)	Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	(4,598)
834	Application of grants to capital financing transferred to the Capital Adjustment Account	830
<b><u>(14,557)</u></b>	<b>Balance as at 31 March</b>	<b><u>(18,325)</u></b>

The balance above includes Community Infrastructure Levy (CIL) funding of £17,326k (2020/21 £13,922k).



**5.31 Unusable Reserves**

Unusable Reserves are those reserves that the council cannot use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (e.g. Revaluation Reserve) where the amounts would only become available for use when assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting and funding basis under regulations".

<b>31 March 2021</b>		<b>Note</b>	<b>31 March 2022</b>
<b>£000</b>			<b>£000</b>
(79,853)	Revaluation Reserve	5.31.1	(86,214)
(63,946)	Capital Adjustment Account	5.31.2	(74,385)
(2,177)	Deferred Capital Receipts	5.31.3	(2,269)
8,716	Collection Fund Adjustment Account	5.31.4	5,135
42,943	Pension Reserve	5.31.5	34,888
106	Accumulated Absence Account	5.31.6	128
<b>(94,211)</b>	<b>Total</b>		<b>(122,717)</b>

**5.31.1 Revaluation Reserve**

The revaluation reserve records 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
- disposed of and the gains are realised

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. A summary of the movement in the reserve during the year is as follows:

<b>2020-21 £000</b>		<b>2021-22 £000</b>
<b>(75,291)</b>	<b>Balance as at 1 April</b>	<b>(79,853)</b>
(5,668)	Upward revaluation of non-current assets	(7,451)
99	Accumulated gains on non-current assets disposed	-
1,007	Difference between current value depreciation and historical cost depreciation	1,090
-	Other	-
<b>(79,853)</b>	<b>Balance as at 31 March</b>	<b>(86,214)</b>

### 5.31.2 Capital Adjustment Account

The Capital Adjustment Account (CAA) absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current value figures to a historical cost basis). During the year a minimum revenue provision of £242k (2020/21 £242k) was made towards reducing the Council's capital financing requirement which is further disclosed in note 5.17.

The account contains accumulated gains and losses on investment property and gains recognised on donated assets that have yet to be consumed by the Council. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 5.14 provides details of the source of all transactions posted to the account, apart from those involving the Revaluation Reserve (above). A summary of the movement in the account during the year is as follows:

2020/21 £000		2021/22 £000
(67,166)	<b>As at 1 April</b>	<b>(63,946)</b>
	<b>Reversal of items debited or credited to the CIES</b>	
2,400	Depreciation, impairment and amortisation	2,422
4,267	Impairment / Revaluation charged to the CIES	(2,838)
413	Movements in the market value of Investment Properties	(1,183)
1,082	Revenue expenditure funded from capital under statute	1,232
105	Non-current assets written out on disposal	9
-	Donated Assets	-
9	Financial Instrument Impairment Allowance	-
	<b>Transfers between revenue and capital resources</b>	
(242)	Minimum Revenue Provision	(242)
(422)	Capital expenditure charged against the General Fund	(946)
	<b>Adjustments to capital resources</b>	
(859)	Use of Capital Receipts to finance capital expenditure	(592)
(2,427)	Application of capital grants and other contributions to finance capital expenditure	(7,211)
	<b>Adjustments involving the Revaluation Reserve</b>	
(99)	Accumulated gains on non-current assets disposed	-
(1,007)	Difference between current value depreciation over historic cost depreciation	(1,090)
-	Other	-
<b>(63,946)</b>	<b>As at 31 March</b>	<b>(74,385)</b>

**5.31.3 Deferred Capital Receipts**

The Deferred Capital Receipts Reserve represents proceeds yet to be realised from the sale of property, plant and equipment. When received, the proceeds will be transferred to the Usable Capital Receipts Reserve. A summary of the movement in the reserve during the year is as follows:

2020-21 £000		2021-22 £000
(2,328)	<b>Balance as at 1 April</b>	(2,177)
(25)	Deferred receipts - recognition of PPE & donated assets	(92)
-	Increase in carrying amount to realised receipts	-
176	Realised in year	-
<u>(2,177)</u>	<b>Balance as at 31 March</b>	<u>(2,269)</u>

**5.31.4 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.

2020-21 £000		2021-22 £000
	<b>COUNCIL TAX</b>	
(293)	<b>Balance as at 1 April</b>	(127)
166	Amount by which council tax credited to the Comprehensive Income and Expenditure Statement is different from council tax calculated for the year in accordance with statutory requirements	(96)
<u>(127)</u>	<b>Balance as at 31 March</b>	<u>(223)</u>
	<b>NON-DOMESTIC RATES</b>	
(1,713)	<b>Balance as at 1 April</b>	8,843
10,556	Amount by which non-domestic rates credited to the Comprehensive Income and Expenditure Statement is different from non-domestic rates calculated for the year in accordance with statutory requirements	(3,485)
<u>8,843</u>	<b>Balance as at 31 March</b>	<u>5,358</u>
<u>8,716</u>	<b>Total</b>	<u>5,135</u>

**5.31.5 Pension Reserve**

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions.

The council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions, and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to the Hertfordshire Local Government Pension Scheme.

The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. A summary of the movement in the reserve during the year is as follows:

<b>2020-21</b>		<b>2021-22</b>
<b>£000</b>		<b>£000</b>
<b>30,161</b>	<b>Balance as at 1 April</b>	<b>42,943</b>
11,915	Re-measurement of the net defined pension liability (note 5.29.1)	(10,574)
3,566	Reversal of items relating to retirement benefits debited or credited to the Surplus / (deficit) on the Provision of Services in the Comprehensive Income and Expenditure Statement (note 5.14 & 5.29.2)	5,217
(2,699)	Employers contribution payable to scheme (note 5.14 / 5.29.2)	(2,698)
<b>42,943</b>	<b>Balance as at 31 March</b>	<b>34,888</b>

**5.31.6 Accumulated Absences Account**

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

<b>2020-21</b>		<b>2021-22</b>
<b>£000</b>		<b>£000</b>
<b>104</b>	<b>Balance as at 1 April</b>	<b>106</b>
2	Amount by which remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in accordance with statutory requirements	22
<b>106</b>	<b>Balance as at 31 March</b>	<b>128</b>

**5.32 Cash Flow Statement - Operating Activities**

<b>2020-21</b> <b>£000</b>		<b>2021-22</b> <b>£000</b>
	<b>Adjustments for Non-cash movements:</b>	
	<i>Charges for depreciation, impairment and amortisation of non-current assets:</i>	
(6,512)	Property, plant and equipment	557
(23)	Heritage assets	(23)
(132)	Intangible assets	(118)
(9)	Impairment of Financial Instruments	-
(413)	Movements in the value of investment properties	1,183
25	Donated assets	92
	<i>Carrying amount of non-current assets sold:</i>	
(105)	Property, plant and equipment	(9)
(867)	Non cash pension costs	(2,519)
(10)	Movement in respect of internal interest	(50)
15	Increase / (decrease) in inventories	(10)
(1,192)	Increase / (decrease) in revenue debtors	(225)
<u>(7,245)</u>	(Increase) / decrease in revenue creditors & provisions	<u>(2,071)</u>
<b><u>(16,468)</u></b>		<b><u>(3,193)</u></b>
	<b>Adjustments for items that are investing or financing activities:</b>	
5,684	Capital grants credited to deficit on the provision of services	10,979
<u>21</u>	Proceeds from the sale of non-current assets:	<u>12</u>
<b><u>5,705</u></b>		<b><u>10,991</u></b>
	<b>The cash flows for operating activities include the following:</b>	
<u>(736)</u>	Interest received	<u>(372)</u>

**5.33 Cash Flow Statement - Investing Activities**

<b>2020-21 £000</b>		<b>2021-22 £000</b>
	<b>Investing activities</b>	
2,010	Purchase of property plant and equipment, investment property and intangible assets	13,947
5,000	Purchase of long-term investments	5,000
51,000	Purchase of short-term investments	22,000
74	Other payments for investing activities	242
	<b>Proceeds from the sale of non-current assets</b>	
(197)	Property plant and equipment	(12)
(51,000)	Proceeds from the redemption of short-term investments	(38,000)
(5,866)	Grants received towards the purchase of property plant and equipment	(12,428)
-	Other receipts from investing activities	-
<u>1,021</u>	<b>Net cash (inflow) / outflow from investing activities</b>	<u>(9,251)</u>

**5.34 Cash Flow Statement - Financing Activities**

<b>2020-21 £000</b>		<b>2021-22 £000</b>
	<b>Financing activities</b>	
3,731	Cash inflow from agency arrangements for the collection of NNDR and council tax	(1,838)
<u>3,731</u>	<b>Net cash (inflow) / outflow from financing activities</b>	<u>(1,838)</u>

### **5.35 Contingent Assets**

#### Proceeds of Right to Buy

In 1994, the Council sold its housing stock to two Housing Associations at below the market value as tenants were still occupying the homes. The agreement signed between the Council and the Housing Associations stipulates that any sale of these properties (right to buy) results in part of the proceeds reverting to the Council. However, the quantum of any future revenue cannot be reasonably determined as the Council is not aware of the number of properties that will be sold in the future.

#### Industrial Injury Case

The Council has settled a claim in respect of a former employee for £1,020k, inclusive of £295k claimant legal costs. The Council are pursuing contribution proceedings against another employer who may also have been liable for the injury, to recover a substantial amount of the damages and claimant costs. These may be up to 96% recoverable depending on the basis of assessment.

#### Truck Cartel Case

Hertsmere Council are part of a class action taken by the Local Government Association, against vehicle companies which it is claims indulged in price fixing. The Council buys all of its vehicles outright, we cannot yet quantify the likely potential gain or likelihood of success.

### **5.36 Contingent Liabilities**

#### Financial Guarantees

The Council has committed itself to providing lending to its wholly-owned subsidiary, Elstree Studios Limited and Hertsmere Developments Limited, if required.

#### Other Contingent Liabilities

A claim for damages against the Council has been made in relation to a perceived delay in the planning process. The Council has reviewed its treatment of the application and considers that it acted properly and that the claim is therefore not likely to be successful. No provision has therefore been made.

A judgement has been made by the First Tier Tribunal in relation to VAT and parking overpayments. HMRC won the case meaning overpayments for off-street parking are liable to VAT at the standard rate. An appeal has been lodged and the case is currently ongoing.

### 5.37 Related Party Transactions

The Council is required to disclose all material related party transactions included within this Statement of Accounts. Related parties of the Council include:

- Central Government
- Other Local Authorities and other bodies precepting or levying demands on council tax
- The Council's Members and Chief Officers
- Subsidiary and associated companies
- Other entities with which the Council carries on any form of collaborative venture

<b>Central Government</b>	Central Government has the effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides a major proportion of its funding in the form of grants, and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Details of principal transactions with government departments are set out in note 5.9.
<b>Other local authorities and other bodies</b>	Details of the amounts precepted and demanded are set out in the council's Collection Fund Statement.
<b>Members</b>	<p>Members of the council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2021/22 is shown in note 5.10.</p> <p>Twenty-seven members represent the Council on the governing bodies of voluntary and community organisations. Grants totalling £448k (2020/21: £438k) were made to voluntary organisations by the council in the year. Further grants of £275k were made to voluntary organisations utilising COMF funding specifically awarded for distribution to organisations working to address issues caused by the pandemic. £502k of the total distributed was to organisations on which members represent the Council on the governing body. A further £88k of support has been distributed to foodbanks to support the community utilising COMF funding and the Household Support Fund.</p> <p>Details of the interests of members in external organisations are maintained in the Register of Members' Interests. CIL payments to Parish Councils totalled £190k. (2020/21: £65k).</p> <p>The following members hold Director positions on Hertsmere Developments Ltd, the Council's wholly owned subsidiary: Cllrs DJ Carter, HS Cohen and PJ Hodgson-Jones. Details of relationship described below.</p> <p>The following members hold positions of Director on Elstree Film Studios, the Council's 100% owned subsidiary: Cllrs M Bright, CS Clapper, PJ Hodgson-Jones, PB Morris, MP Reeve, PD Rutledge, L Selby. Details of relationship described below.</p>



<p><b>Chief Officers</b></p>	<p>Chief Officers are entitled to receive car loans from the Council. During the year a loan of £30k was made to chief officers (2020/21: nil), repayments of £7.5k (2020/21: £3k) were received and £31.3k was receivable at 31 March 2022 (2021: Less than £1k).</p> <p>The following Senior Officers of the Council hold positions of Director in Hertsmere Developments Ltd (HDL): P Geraghty, ML Bunyon, and HJ Shade. The Council's dormant company, Hertsmere Homes Ltd (HHL) is represented by ML Bunyon. RJH Patterson was appointed the Company Secretary of HDL and HHL. Details of relationship described below.</p> <p>Additionally, Senior Officer ML Bunyon holds position of Director in Broste Rivers Limited and its two subsidiaries Hertfordshire Building Control Limited and The Building Control (Hertfordshire) Limited. The Council has share ownership of one-seventh of Broste Rivers Limited. Details of relationship described below.</p> <p>HJ Shade represents the Council on the CCTV partnership. Details of relationship described below.</p>
<p><b>Pension Fund</b></p>	<p>Transactions and balances with Hertfordshire Local Government Pension Scheme have been disclosed in note 5.29.</p>
<p><b>Elstree Studios Limited</b></p>	<p>Elstree Studios Limited is a wholly owned subsidiary of the Council which began trading on 1 April 2007. The accounts for Elstree Studios Limited are consolidated with the Council's accounts and summarised accounts for the company are disclosed in the Group Accounts section.</p> <p>The company occupies premises owned by the Council and included in the Council's balance sheet at a net book value of £18.9 million (2021: £18.6 million). The arrangement with the Studios consists of a licence fee payable to the Council by the company for the use of the site. During the year the Council received £1,890k (2020/21 £1,550k).</p> <p>The amount due to Hertsmere Borough Council from Elstree Studios Limited of £252k (2021: £252k) includes a loan and accrued interest.</p>
<p><b>Hertsmere Developments Limited</b></p>	<p>Hertsmere Developments Limited has been established as a general commercial company limited by shares. The registered office is the council's civic offices. The company has issued share capital of 100 shares with a face value of £1 each, all of which are owned by Hertsmere Borough Council. The company will take forward development of land within the borough with a view to generating future income streams.</p>
<p><b>InspireAll (a company limited by guarantee)</b></p>	<p>InspireAll was the successful bidder when the contract to manage the Council's leisure services was re-awarded in 2011. The contract included management of leisure centres and community centres as before and in addition took over the activities previously managed by the Council's subsidiary Bushey Country Club Limited, together with the delivery of the play, 50 plus and parks events programmes previously provided by the Council itself. The Bushey Golf and Country Club was returned to the Council on 1 April 2018, with its future uses being out to consultation. It is currently on a short lease (five years with a two year break) to an events management company.</p> <p>The InspireAll contract was for an initial 10 years from 1 February 2012 and has now been extended to 2032. The contract stipulates that the Council should receive income of £257,000 per annum over the initial 10 years. InspireAll is also responsible for carrying out all repairs and maintenance during that period; this expenditure was previously budgeted at £254,000 per annum by the Council. The leisure contract has</p>

5. NOTES TO THE ACCOUNTS

	<p>generated significant budget savings for the Council and is regarded as a contract which will deliver value for money for Hertsmere's residents. At the end of the contract, the premises, plant and machinery will be returned to the Council in the same condition. This ensures that the service delivery capability of the facilities is maintained and enhanced. The loan balance at the end of 2020/21 sits at £4.85 million with no advances or repayments in year.</p>
<b>West Herts Crematorium</b>	<p>The Council is represented on the Joint Committee, or governing body, of West Herts Crematorium. Each of the four Hertfordshire boroughs represented is required to contribute to any deficit incurred by the operations of the crematorium. The Council made no such contribution in the year (2021: £nil). The Joint Committee is required to return to the councils any surpluses arising after financing of capital expenditure, repayment of debt and transfers to reserves. During the year, the Council received a share of such surpluses in the sum of £50k (2021: £50k).</p>
<b>Hertfordshire CCTV Partnership</b>	<p>The Council participates in the Hertfordshire CCTV Partnership in conjunction with three other boroughs. The lead partner is Stevenage Borough Council, on whose premises the control and monitoring room is located. A limited company (Hertfordshire CCTV Partnership Limited, registration number 09295528) was formed in November 2014; the Council holds 14% of the share capital (£14) and is represented on the board. The company commenced trading on 1 April 2015. Its purpose is to enable the partnership to pursue commercial trading by providing services to third parties.</p>
<b>Hertfordshire Building Control (Broste Rivers Limited)</b>	<p>The Council partnered with six local authorities across Hertfordshire to create a fully integrated Building Control service which was launched in August 2016. During 2019/20, an additional local authority joined the partnership to make a total of eight local authority partners. The Council holds 12.5% of the share capital (£8) and is represented on the board. Control is shared equally among the eight partners.</p> <p>In 2021/22 the Council's estimated share of losses have been maintained at £134k, (2021/21 £134k), the total of which £134k has been provided for in these accounts. In August 2016 the Council made a loan of £107k to the company which is held in Long Term Debtors on the balance sheet.</p>

## 6.0 The Collection Fund Statement

## COLLECTION FUND 2020-21

	Business Rates £000	Council Tax £000	Total £000
<b>INCOME</b>			
Council Tax Receivable	-	76,739	76,739
Business Rates Receivable	25,343	-	25,343
Transitional Protection Payments	(449)	760	311
	<b>24,894</b>	<b>77,499</b>	<b>102,393</b>
<b>EXPENDITURE</b>			
<b>Precepts, Demands and Shares</b>			
MHCLG	(23,376)	-	(23,376)
Hertsmere Borough Council	(18,701)	(8,911)	(27,612)
Hertfordshire County Council	(4,675)	(59,240)	(63,915)
Hertfordshire Police & Crime Commissioner	-	(8,294)	(8,294)
	<b>(46,752)</b>	<b>(76,445)</b>	<b>(123,197)</b>
<b>Charges to Collection Fund</b>			
Write offs charged to collection fund	-	28	28
Increase (-) / Decrease in Impairment Allowance	(1,409)	(805)	(2,214)
Increase (-) / Decrease in Provision for Appeals	(614)	-	(614)
Cost of Collection	(145)	-	(145)
	<b>(2,168)</b>	<b>(777)</b>	<b>(2,945)</b>
<b>Surplus / Deficit (-) for the year</b>	<b>(24,026)</b>	<b>277</b>	<b>(23,749)</b>
<b>Apportionment of Previous Year Surplus</b>			
MHCLG	(645)	-	(645)
Hertsmere Borough Council	(945)	(200)	(1,145)
Hertfordshire County Council	(1,130)	(1,286)	(2,416)
Hertfordshire Police & Crime Commissioner	-	(176)	(176)
	<b>(2,720)</b>	<b>(1,662)</b>	<b>(4,382)</b>
<b>Surplus / Deficit (-) arising during the year</b>	<b>(26,746)</b>	<b>(1,385)</b>	<b>(28,131)</b>
<b>Surplus / Deficit (-) brought forward 1st April</b>	<b>4,916</b>	<b>2,488</b>	<b>7,404</b>
<b>Surplus / Deficit (-) carried forward 31st March</b>	<b>(21,830)</b>	<b>1,103</b>	<b>(20,727)</b>
Hertsmere Borough Council ( <i>included in reserves</i> )	(8,843)	127	(8,716)
Precepting authorities ( <i>included in current assets or liabilities</i> )	(12,987)	976	(12,011)
	<b>(21,830)</b>	<b>1,103</b>	<b>(20,727)</b>

**COLLECTION FUND 2021-22**

	<b>Business Rates £000</b>	<b>Council Tax £000</b>	<b>Total £000</b>
<b>INCOME</b>			
Council Tax Receivable	-	81,921	81,921
Business Rates Receivable	34,822	-	34,822
Transitional Protection Payments	(571)	(1)	(572)
	<b>34,251</b>	<b>81,920</b>	<b>116,171</b>
<b>EXPENDITURE</b>			
<b>Precepts, Demands and Shares</b>			
DLUHC	(24,259)	-	(24,259)
Hertsmere Borough Council	(19,407)	(9,072)	(28,479)
Hertfordshire County Council	(4,852)	(61,600)	(66,452)
Hertfordshire Police & Crime Commissioner	-	(8,922)	(8,922)
	<b>(48,518)</b>	<b>(79,594)</b>	<b>(128,112)</b>
<b>Charges to Collection Fund</b>			
Write offs charged to collection fund	(87)	(43)	(130)
Increase (-) / Decrease in Impairment Allowance	(808)	(808)	(1,616)
Increase (-) / Decrease in Provision for Appeals	3,128	-	3,128
Cost of Collection	(142)	-	(142)
	<b>2,091</b>	<b>(851)</b>	<b>1,240</b>
<b>Surplus / Deficit (-) for the year</b>	<b>(12,176)</b>	<b>1,475</b>	<b>(10,701)</b>
<b>Apportionment of Previous Year Surplus</b>			
DLUHC	10,856	-	10,856
Hertsmere Borough Council	8,356	(67)	8,289
Hertfordshire County Council	1,403	(477)	926
Hertfordshire Police & Crime Commissioner	-	(69)	(69)
	<b>20,615</b>	<b>(613)</b>	<b>20,002</b>
<b>Surplus / Deficit (-) arising during the year</b>	<b>8,439</b>	<b>862</b>	<b>9,301</b>
<b>Surplus / Deficit (-) brought forward 1st April</b>	<b>(21,830)</b>	<b>1,103</b>	<b>(20,727)</b>
<b>Surplus / Deficit (-) carried forward 31st March</b>	<b>(13,391)</b>	<b>1,965</b>	<b>(11,426)</b>
Hertsmere Borough Council <i>(included in reserves)</i>	(5,358)	223	(5,135)
Precepting authorities <i>(included in current assets or liabilities)</i>	(8,033)	1,742	(6,291)
	<b>(13,391)</b>	<b>1,965</b>	<b>(11,426)</b>

## 6. COLLECTION FUND

### 6.1 The Collection Fund

#### 6.1.1 General

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund. It shows the transactions of the Council in relation to non-domestic rates and the council tax, which the council collects as agents for its preceptors (note 6.0 above). It illustrates the way in which these sums have been distributed to preceptors and the Council. The Collection Fund is consolidated with other accounts of the Council and is prepared on an accruals basis.

#### 6.1.2 Provision for Irrecoverable Debts

During the year the provision for irrecoverable council tax was increased by £808k (2020/21: increase £805k) and net £851k (2020/21: £777k) irrecoverable debts were written on against the provision not the collection fund.

The provision for irrecoverable business rates was increased by £808k (2020/21: increase £1,409k).

#### 6.1.3 Income from Business Rates

The Council collects non-domestic rates for its area, which are based on local rateable values multiplied by a uniform rate. During the year the rate with Small Business Relief was 49.9p (2020/21: 49.9p) and 51.2p (2020/21: 51.2p) with no relief. The total rateable value of properties at the year-end amounted to £114m (2021: £116m). The total amount, less certain reliefs and other deductions, is allocated amongst the Council, Hertfordshire County Council as a preceptor and MHCLG. The Council's share is paid into the General Fund.

6. COLLECTION FUND

**6.2 Precepts and Demands**

During the year the following authorities made precepts or demands on the Collection Fund of the Council.

**Precepts, Demands and Shares**

	<b>Business Rates £000</b>	<b>Council Tax £000</b>	<b>Total £000</b>
DLUHC	24,259	-	<b>24,259</b>
Hertsmere Borough Council	19,407	7,847	<b>27,254</b>
Hertfordshire County Council	4,852	61,600	<b>66,452</b>
Hertfordshire PCC	-	8,922	<b>8,922</b>
Aldenham Parish Council	-	637	<b>637</b>
Elstree & Borehamwood Town Council	-	496	<b>496</b>
Shenley Parish Council	-	80	<b>80</b>
South Mimms	-	12	<b>12</b>
<b>Total</b>	<b>48,518</b>	<b>79,594</b>	<b>128,112</b>

### 6.3 Council Tax

This tax is a property-based tax and assumes that two adults are resident in the property. Discounts are available for single residents. The discount for second properties is 10% and long-term empty properties are subject to up to 300% charge.

Properties are placed into one of eight valuation bands. The base, upon which the council tax is calculated, is the total number of dwellings in each valuation band (after adjusting for discounted dwellings) converted to an equivalent number of Band D dwellings (excluding dwellings where the householder receives support under the Council's own support scheme).

For 2021/22 the numbers as approved by full Council on 26 January 2022 (Ref: C/21/02) were as follows:

Band	Valuation £		Number of dwellings equivalents (after applying discounts and premiums to calculate tax base)		Total number of band D equivalents (after allowance for council tax support)
			No.		No.
A	Up	to	40,000	493	327
B	40,001	to	52,000	1,764	1,365
C	52,001	to	68,000	5,024	4,444
D	68,001	to	88,000	11,934	11,874
E	88,001	to	120,000	7,831	9,523
F	120,001	to	160,000	3,945	5,670
G	160,001	to	320,000	4,283	7,102
H		Over	320,000	1,073	2,134
<b>Total number of equivalent band D dwellings</b>					<b>42,438</b>
Assumption of 98.0% collection					41,589
Number of equivalent band D contribution in lieu					298
<b>Total tax base</b>					<b>41,887</b>

## GROUP ACCOUNTS 2021-22

### Introduction

In order to provide a full picture of the economic and financial activities of the Council and its exposure to risk, the accounting statements of all material subsidiaries are consolidated with those of the Council. The resulting Group Accounts are presented in addition to the Council's single entity accounts.

They include the core accounting statements, similar in presentation and purpose to the Council's accounts, and any explanatory notes considered necessary to explain material movements from the single entity accounts.

Where no notes are given, users of the accounts should refer to the notes in the single entity accounts.

Group accounts have been prepared under the requirements of the Code of Practice on Local Authority Accounting 2021/22, consolidating any material subsidiary, associate or joint venture entities over which the Council exercises control or influence.

Elstree Studios Ltd (EFS), is a company formed in April 2007, since when the Council has owned 100% of shares (purchased for a cash consideration of £1), and so has been consolidated as a subsidiary. The arrangement with EFS consists of a license fee payable to the Council by the company for the use of the site.

EFS provide film and television studio space and related production and back office units for hire within the media industry.

### Accounting Policies

EFS have prepared their financial statements under the historical cost convention and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

These draft accounts are subject to audit off by their auditors Berg Kaprow Lewis LLP. The Council has reviewed the accounting policies applied by EFS and has concluded that there are no material adjustments required to align accounting policies. Both entities have a year end of 31 March.

As a subsidiary, the accounts of EFS have been consolidated with those of the Council on a line by line basis, and any balances and transactions between the parties have been eliminated in full. EFS's expenditure and income, adjusted for transactions with the Council, is included as a discrete service line in the Comprehensive Income and Expenditure Statement and Balance Sheet values are similarly incorporated into the relevant headings of the Balance Sheet, removing balances owed between the two parties.

### Going Concern

The Elstree Film Studios financial statements have been prepared on the going concern basis, which assumes that the Company will continue to trade for the foreseeable future, being a period of at least twelve months from the date of approval of these financial statements, and will be able to meet its debts as they fall due.

The Studio's business has of course been affected by the current global Covid-19 pandemic and production ceased for a while. However, the Studios worked hard to remain open and



## 7. GROUP ACCOUNTS

comprehensive safety provisions were put in place to minimise Covid-19 health risks for clients and staff working onsite.

Much of the 2020/21 and 2021/22 income was generated from already contracted major productions and new tenant licences. The negative business impact of the Covid-19 lockdown has therefore been lessened as a result. The directors remain confident that the facilities provided by the company will remain strongly in demand.

2022 forecasts have been prepared and the directors consider that alongside increased demand for the Studios and the Company's continued support from its parent entity, the directors are confident of the Company's ability to continue trading as a going concern for the foreseeable future.

## 7.1 Group Movement in Reserves Statement

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves HBC	Usable Reserves Elstree Studio	Total Usable Reserves (Group)	Total Unusable Reserves HBC	Unusable Reserves Elstree Studio	Total Unusable Reserves (Group)	Total Authority Reserves (Group)
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2020</b>	<b>(31,889)</b>	<b>(6,318)</b>	<b>(11,301)</b>	<b>(49,508)</b>	<b>(497)</b>	<b>(50,005)</b>	<b>(116,526)</b>	<b>(86)</b>	<b>(116,612)</b>	<b>(166,617)</b>
Total comprehensive income and expenditure	1,348	-	-	1,348	(17)	1,331	6,247	(21)	6,226	7,557
Adjustments between accounting & funding basis under regulations	(13,474)	662	(3,256)	(16,068)	-	(16,068)	16,068	-	16,068	-
<b>Total (increase) / decrease during the year</b>	<b>(12,126)</b>	<b>662</b>	<b>(3,256)</b>	<b>(14,720)</b>	<b>(17)</b>	<b>(14,737)</b>	<b>22,315</b>	<b>(21)</b>	<b>22,294</b>	<b>7,557</b>
<b>Balance at 31 March 2021</b>	<b>(44,015)</b>	<b>(5,656)</b>	<b>(14,557)</b>	<b>(64,228)</b>	<b>(514)</b>	<b>(64,742)</b>	<b>(94,211)</b>	<b>(107)</b>	<b>(94,318)</b>	<b>(159,060)</b>
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves HBC	Usable Reserves Elstree Studio	Total Usable Reserves (Group)	Total Unusable Reserves HBC	Unusable Reserves Elstree Studio	Total Unusable Reserves (Group)	Total Authority Reserves (Group)
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2021</b>	<b>(44,015)</b>	<b>(5,656)</b>	<b>(14,557)</b>	<b>(64,228)</b>	<b>(514)</b>	<b>(64,742)</b>	<b>(94,211)</b>	<b>(107)</b>	<b>(94,318)</b>	<b>(159,060)</b>
Total comprehensive income and expenditure	(9,941)			(9,941)	(140)	(10,081)	(18,025)	-	(18,025)	(28,106)
Adjustments between accounting & funding basis under regulations	13,669	580	(3,768)	10,481	-	10,481	(10,481)		(10,481)	-
<b>Total (increase) / decrease during the year</b>	<b>3,728</b>	<b>580</b>	<b>(3,768)</b>	<b>540</b>	<b>(140)</b>	<b>400</b>	<b>(28,506)</b>	<b>-</b>	<b>(28,506)</b>	<b>(28,106)</b>
<b>Balance at 31 March 2022</b>	<b>(40,287)</b>	<b>(5,076)</b>	<b>(18,325)</b>	<b>(63,688)</b>	<b>(654)</b>	<b>(64,342)</b>	<b>(122,717)</b>	<b>(107)</b>	<b>(122,824)</b>	<b>(187,166)</b>

## 7.2 Group Comprehensive Income and Expenditure Statement

2020-21				2021-22		
Gross Expenditure £000	Gross Income £000	Net Expenditure / (Income) £000		Gross Expenditure £000	Gross Income £000	Net Expenditure / (Income) £000
7,928	(3,239)	<b>4,689</b>	Asset Management	1,638	(3,308)	<b>(1,670)</b>
203	-	<b>203</b>	Audit & Assurance	189	-	<b>189</b>
517	(2)	<b>515</b>	Executive Directors	521	(2)	<b>519</b>
548	(64)	<b>484</b>	Engineering Services	607	(180)	<b>427</b>
1,300	(465)	<b>835</b>	Environmental Health	1,645	(323)	<b>1,322</b>
33,910	(31,156)	<b>2,754</b>	Finance & Business Services	30,738	(27,880)	<b>2,858</b>
454	(114)	<b>340</b>	General Expenses	505	(81)	<b>424</b>
2,870	(1,385)	<b>1,485</b>	Housing Services	3,178	(1,415)	<b>1,763</b>
1,345	(49)	<b>1,296</b>	Human Resources & Customer Services	1,556	(69)	<b>1,487</b>
1,680	(264)	<b>1,416</b>	Legal & Democratic Services	2,038	(542)	<b>1,496</b>
1,872	(375)	<b>1,497</b>	Partnership & Community Engagement	2,168	(628)	<b>1,540</b>
3,183	(1,524)	<b>1,659</b>	Planning & Economic Development	3,549	(1,316)	<b>2,233</b>
8,260	(1,987)	<b>6,273</b>	Street Scene Services	7,961	(2,877)	<b>5,084</b>
831	(194)	<b>637</b>	Exceptional Items – Covid-19	304	(139)	<b>165</b>
4,011	(4,011)	-	Exceptional Items – Covid-19 Business Support Grant	1,642	(1,642)	-
35	(35)	-	Exceptional Items – Covid-19 Self isolation	67	(67)	-
2,558	(4,264)	<b>(1,706)</b>	Elstree Film Studios Ltd	3,004	(4,948)	<b>(1,944)</b>
<b>71,505</b>	<b>(49,128)</b>	<b>22,377</b>	<b>Net Cost of Services</b>	<b>61,310</b>	<b>(45,417)</b>	<b>15,893</b>
1,358	-	<b>1,358</b>	Other Operating Expenditure	1,225	(3)	<b>1,222</b>
1,781	(1,932)	<b>(151)</b>	Financing and Investment Income and Expenditure	1,680	(2,927)	<b>(1,247)</b>
26,089	(48,349)	<b>(22,260)</b>	Taxation and Non-Specific Grant Income	21,004	(47,028)	<b>(26,024)</b>
7	-	<b>7</b>	Tax expense of subsidiary	75	-	<b>75</b>
<b>100,740</b>	<b>(99,409)</b>	<b>1,331</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>85,294</b>	<b>(95,375)</b>	<b>(10,081)</b>
		<b>(5,668)</b>	(Surplus) / Deficit on revaluation of non-current assets			<b>(7,451)</b>
		<b>11,894</b>	Re-measurements of net pension liability			<b>(10,574)</b>
		<b>6,226</b>	<b>Other Comprehensive (Income) and Expenditure</b>			<b>(18,025)</b>
		<b>7,557</b>	<b>Total Comprehensive (Income) and Expenditure</b>			<b>(28,106)</b>

## 7.3 Group Balance Sheet

31 March 2021 £000		31 March 2022 £000
139,967	Property Plant and Equipment	162,537
1,244	Heritage Assets	1,222
8,509	Investment Properties	9,692
521	Intangible Assets	404
5,005	Long Term Investments	5,000
7,483	Long Term Debtors	7,119
<b>162,729</b>	<b>Long Term Assets</b>	<b>185,974</b>
51,120	Short Term Investments	40,092
6,274	Short Term Debtors	5,767
115	Inventories	105
16,280	Cash and Cash Equivalents	29,547
<b>73,789</b>	<b>Current Assets</b>	<b>75,511</b>
(19,954)	Short Term Creditors	(26,265)
(559)	Provisions	(1,373)
<b>(20,513)</b>	<b>Current Liabilities</b>	<b>(27,638)</b>
(2,270)	Provisions	(188)
(42,884)	Liability related to defined benefit pension scheme	(34,829)
(400)	Other Long Term Liabilities	(148)
(11,391)	Capital Grants Received In Advance	(11,516)
<b>(56,945)</b>	<b>Long Term Liabilities</b>	<b>(46,681)</b>
<b>159,060</b>	<b>Net Assets</b>	<b>187,166</b>
(64,742)	Usable Reserves	(64,342)
(94,318)	Unusable Reserves	(122,824)
<b>(159,060)</b>	<b>Total Reserves</b>	<b>(187,166)</b>

## 7.4 Group Cash Flow Statement

2020-21		2021-22
£000		£000
1,331	<b>(Surplus) / Deficit on Provision of Services</b>	<b>(10,081)</b>
(17,084)	Adjustments to net (Surplus) / Deficit on Provision of Services for non-cash movements	(3,143)
<u>5,705</u>	Adjustments for items included in the net (Surplus) / Deficit on Provision of Services that are investing and financing activities	<u>10,991</u>
<b>(10,048)</b>	<b>Net cash (inflow) / outflow from Operating Activities</b>	<b>(2,233)</b>
1,132	Investing Activities	(9,196)
3,731	Financing Activities	(1,838)
<u>(5,185)</u>	<b>Decrease / (increase) in cash and cash equivalents</b>	<u><b>(13,267)</b></u>
11,095	Cash and cash equivalents at the beginning of the reporting period	16,280
<u><b>16,280</b></u>	<b>Cash and cash equivalents at the end of the reporting period</b>	<u><b>29,547</b></u>

## 7.5 Notes to the Group Accounts

The note below gives information on the areas that have materially changed on the consolidation of the group entities into the Council's individual accounts.

### Accounting Policies

The accounting policies of the Group are the same as those applied to the Council's single entity accounts except for the following policies specific to the Group Accounts:

### Tax Expense

The tax expense represents the sum of the tax currently payable and deferred tax not recognised in other comprehensive income or directly in equity.

The tax payable in respect of the year is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantially enacted by the reporting date.

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted.

## 7.6 Summary Financial Position of Subsidiary

Elstree Studios Ltd has been consolidated in the group accounts as a 100% owned subsidiary. The summary financial position of the company is shown below.

### 7.6.1 Summary Profit and Loss Account

2020-21	Profit and Loss Account	2021-22
<u>£000</u>		<u>£000</u>
(4,264)	Turnover	(4,948)
2,511	Cost of sales	2,893
<b>(1,753)</b>	<b>Gross Profit</b>	<b>(2,055)</b>
1,727	Administrative expenses	1,827
-	Interest receivable and similar income	-
12	Interest payable and similar charges	13
(10)	Other finance income	-
<b>(24)</b>	<b>(Profit) / Loss before taxation</b>	<b>(215)</b>
7	Taxation	75
<b>(17)</b>	<b>(Profit) / Loss for the year</b>	<b>(140)</b>
(21)	Actuarial (gain) / loss related to pension scheme	-
<b>(38)</b>	<b>Recognised (gains) / losses for the year</b>	<b>(140)</b>

7. GROUP ACCOUNTS

7.6.2 Summary Balance Sheet

31 March 2021	Balance Sheet	31 March 2022
<u>£000</u>		<u>£000</u>
516	Tangible Fixed Assets	356
	<b>Current Assets</b>	
517	Debtors	572
1,128	Cash	1,162
	<b>Current Liabilities</b>	
(1,593)	Creditors due within one year	(1,382)
	<b>Non-Current Liabilities</b>	
(6)	Provision for deferred tax	(6)
59	Pension scheme asset	59
<u>621</u>	<b>Net Assets</b>	<u>761</u>
	<b>Capital and Reserves</b>	
-	- Called up share capital	-
(107)	Pension scheme reserve	(107)
(514)	Profit and Loss Account	(654)
<u>(621)</u>	<b>Shareholders' Funds</b>	<u>(761)</u>





ANNUAL GOVERNANCE  
STATEMENT FOR THE  
FINANCIAL YEAR 2021/22

To be inserted at a later date

## 9. GLOSSARY OF TERMS

### Term

### Definition

**12-month expected credit losses**

The expected credit losses for a financial asset that are projected for the possible default events that might happen only in the next financial year.

**Accruals**

The concept that Income & Expenditure are recognised as they are earned or incurred, not as money is received or paid.

**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).
- The actuarial assumptions have changed.

**Agency Arrangements**

Arrangements under which the Council provides goods or services to third parties on behalf of another organisation.

**Amortised cost**

A way of measuring financial instruments that ignores changes in fair value but takes into account the spreading of transactions costs over the instrument term and the impact of any concessionary interest rates.

<b>Term</b>	<b>Definition</b>
<b>Amortised cost financial assets</b>	<p>Investments for which any gains and losses in fair value are not accounted for until the investment matures or is sold. Defined as financial assets:</p> <ul style="list-style-type: none"> <li>• held within a business model whose objective is to hold investments in order to collect their contractual cash flows, and</li> <li>• which have the form of a basic lending arrangement (i.e., contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding).</li> </ul>
<b>Apprenticeship Levy</b>	<p>The Apprenticeship Levy is a levy on employers to fund new apprenticeships. Control of apprenticeship funding is in the hands of employers through the Digital Apprenticeship Service. The levy will be charged at a rate of 0.5% of an employer's payroll. Each employer receives an allowance of £15,000 to offset against their levy payment.</p>
<b>Asset</b>	<p>Anything which somebody owns which can be given a monetary value, for example buildings, land, vehicles, machinery, cash, investments etc. It is always considered in comparison with liabilities in an organisation's accounts.</p>
<b>Balances</b>	<p>The capital or revenue reserves of the Council made up of the accumulated surplus of income over expenditure on the General Fund, Earmarked Reserves etc.</p>
<b>Business model</b>	<p>Arrangements for holding financial assets, whose objectives can involve making a return by either collecting the cash flows payable under the contracts for each investment (e.g., interest) or hoping to sell investments to gain from increases in their value.</p>
<b>Business Rates</b>	<p>The tax raised on non-domestic properties, based each year on a multiplier set by the Government applied to an assessment of the value of the property.</p>

## GLOSSARY

<b>Term</b>	<b>Definition</b>
<b>Capital Expenditure</b>	Expenditure on the acquisition of a fixed asset, or expenditure, that adds to the life, or value, of an existing fixed asset.
<b>Capital Financing Requirement (CFR)</b>	A measure of the capital expenditure incurred historically by an authority that has yet to be financed by capital receipts, capital grants or revenue financing. The Prudential Code requires that the Council monitors and controls its CFR through its Treasury Management Strategy and Medium Term Financial Strategies.
<b>Capital Receipts</b>	Monies received from the sale of assets, which may be used to finance capital expenditure or to repay outstanding loan debt as laid down within rules set by Central Government but which cannot be used to finance day-to-day spending.
<b>Collection Fund</b>	A fund administered by charging authorities into which Council Tax income and Business Rates collected locally are paid. Precepts are paid from the fund as is a charge in respect of the Council's own requirements.
<b>Community Assets</b>	Assets that a local Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.
<b>Consistency</b>	The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.
<b>Contingency</b>	A potential asset or obligation that is dependent on an event or circumstance which is possible but cannot be predicted with certainty.
<b>Council Tax</b>	The tax raised on households, based each year on the position of the property in eight valuation bands A to H.
<b>Council Tax Support</b>	A reduction in the liability to pay Council Tax granted in accordance with a locally determined support scheme.
<b>Credit Arrangements</b>	Transactions that result in the Council acquiring a non-current asset and recognising a liability to pay in the future for some or all of the cost of the asset.

## GLOSSARY

<b>Term</b>	<b>Definition</b>
<b>Credit Liabilities</b>	These relate to liabilities of the Council in respect of money borrowed (principal only), or in respect of credit arrangements.
<b>Credit losses</b>	A measure of how much the Council would lose if the amounts owed to it by debtors and borrowers are not repaid. Defined as the shortfall between all the cash flows that are due contractually to the Council under a financial asset and those that it actually expects to receive (discounted using the investment's effective interest rate).
<b>Creditor</b>	An amount owed by the Council for work done, goods received, or services rendered to the Council within the accounting period and for which payment has not been made at the Balance Sheet date.
<b>Current Service Cost</b>	The increase in pension liabilities arising from employee service in the current year.
<b>Curtailement</b>	<p>For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:</p> <ul style="list-style-type: none"><li>• Termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business.</li><li>• Termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees no longer qualifies or only qualifies for a reduced benefit.</li></ul>
<b>Debtor</b>	Sums of money due to the Council but not received at the Balance Sheet date.

## GLOSSARY

<b>Term</b>	<b>Definition</b>
<b>Defined Benefit Scheme</b>	A pension scheme where the future benefits receivable by pensioners are guaranteed and sufficient contributions have to be paid into the fund to ensure that payments will be affordable.
<b>Defined Contribution Scheme</b>	A pension scheme where the contributions payable into the fund are fixed and the benefits receivable by pensioners will depend on the assets that the fund has accumulated to pay them.
<b>Depreciation</b>	The measure of the cost or revalued amount of the benefit of the non-current assets that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion of time, obsolescence through either changes in technology or demand for the goods and services produced by the asset.
<b>Discretionary Benefits</b>	Pensions benefits that the Council can choose to award in certain circumstances that employees would not otherwise be entitled to.
<b>Effective interest method</b>	The method that uses effective interest rates to calculate the amortised cost of a financial instrument and allocates interest revenue or expense to the particular financial years over which the instrument is held.
<b>Effective interest rate</b>	The interest rate that exactly discounts future cash payments and receipts over the life of a financial instrument to the carrying amount (gross of any loss allowance) (asset) or to the amortised cost (liability). This might be different from the actual interest rate where (e.g.) transaction costs have been accrued or because of interest at less than market rates being spread over the term of the instrument.

<b>Term</b>	<b>Definition</b>
<b>Exceptional Items</b>	Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.
<b>Expected credit losses (ECLs)</b>	The credit losses that the Council estimates will arise from the amounts that it is currently owed. ECLs are calculated by measuring the losses that would arise from different default scenarios and calculates a weighted average loss based on the probability of each scenario taking place.
<b>Expected Rate of Return on Pension Assets</b>	For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.
<b>Extraordinary Items</b>	Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.
<b>Fair value through profit or loss financial assets</b>	Defined as financial assets that do not qualify for measurement at amortised cost or fair value through other comprehensive income.
<b>Finance and Operating Lease</b>	A finance lease transfers all of the risks and rewards of ownership of a fixed asset to the lessee and such assets have been valued and included within Non-current assets in the Balance Sheet. With an operating lease the ownership of the asset remains with the Leasing Company and the annual rent is charged to the relevant service revenue account.
<b>Financial Instrument</b>	A contract that gives one party a financial asset and the other party a financial liability (or an equity instrument), such as a loan, credit terms for the purchase of goods or services or a share in a company.



## GLOSSARY

<b>Term</b>	<b>Definition</b>
<b>General Fund</b>	The main revenue account of the Council. It contains the excess to date of income over expenditure in the Income and Expenditure Account.
<b>Government Grants</b>	Assistance by Central Government and inter-government agencies and similar bodies, whether local, national or international, towards either revenue or capital expenditure incurred in providing local Council services.
<b>Housing Advances</b>	Loans made by the Council to individuals towards the cost of acquiring or improving their homes.
<b>Housing Benefits</b>	A system of financial assistance to individuals towards certain housing costs, which is administered by Local Authorities. Assistance takes the form of rent rebates, rent allowances, and council tax rebates toward which central government pays a subsidy.
<b>Infrastructure Assets</b>	Expenditure on works of drainage, construction or improvement to highways, cycle ways, footpaths or other land owned by the Council.
<b>Interest Cost (Pensions)</b>	For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.
<b>Inventories</b>	Assets such as raw materials, building supplies and retail stock that will be used to produce goods or provide services or be sold as part of the Council's normal activities.
<b>Investments (Non-Pension Fund)</b>	<p>A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.</p> <p>Investments, other than those in relation to the pension fund, that do not meet the above criteria are classified as current assets.</p>

<b>Term</b>	<b>Definition</b>
<b>Investments (Pension Fund)</b>	The investments of the Pensions Fund will be accounted for in the statements of that fund. However, authorities (other than town parish and community councils) are required to disclose, as part of the disclosures relating to retirement benefits, their attributable share of pension scheme assets associated with their underlying obligations.
<b>Levy (see also “safety net”)</b>	The Council’s Comprehensive Income and Expenditure Statement include a share of any surplus or deficit arising for the year on the collection of business rates. Where, after taking into account any surpluses on collection, the Council’s income exceed a threshold set by central government, a levy is payable to central government but the Council may retain a proportion of the surplus.
<b>Liabilities</b>	Liabilities are present obligations of the Council to transfer an economic resource as a result of past events. They include borrowings and amounts owed by the Council.
<b>Lifetime expected credit losses</b>	The expected credit losses that are projected to arise from all possible default events that might happen in the lifetime of a financial asset.
<b>Liquid Resources</b>	Liquid resources are current asset investments held as readily disposable assets.
<b>Loss allowance</b>	An allowance made by setting funds aside to cover the expected credit losses calculated for a financial asset.
<b>MHCLG</b>	Ministry of Housing, Communities and Local Government.
<b>Minimum Revenue Provision</b>	The method by which capital expenditure is financed by setting aside amounts from revenue over the useful life of the relevant asset (or in accordance with some other methodology that prudently approximates this).
<b>Net Book Value</b>	The amount at which non-current assets are included in the Balance Sheet, i.e. their historical or current value less the cumulative amounts provided for depreciation.

<b>Term</b>	<b>Definition</b>
<b>Net current replacement cost</b>	The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or the nearest equivalent, adjusted to reflect the current condition of the existing asset.
<b>Net realisable value</b>	The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.
<b>Non-current assets</b>	An asset that the Council does not expect to realise or consume in the provision of services within the next twelve months.
<b>Non-operational assets</b>	Property, plant and equipment that is not being used to provide services, comprising surplus assets and assets under construction.
<b>Operational assets</b>	Property, plant and equipment that is used to provide services.
<b>Past due</b>	A financial asset for which a payment that was due contractually to the Council has not yet been paid.
<b>Past service cost</b>	The change in pension liabilities relating to employee service in previous years as result of changes to the pension scheme or the ending of the Council's responsibility for employees transferred to another organisation.
<b>Payments of principal and interest</b>	The amounts that would be paid under a basic lending arrangement. For accounting purposes, they comprise: <ul style="list-style-type: none"> <li>• the repayment of the fair value of a financial asset when it was brought onto the Council's Balance Sheet (principal) and</li> <li>• consideration for the time value of money, compensation for credit risk, recovery of basic lending costs and a profit margin (interest).</li> </ul>

<b>Term</b>	<b>Definition</b>
<b>Post balance sheet events</b>	Those events, both favourable and unfavourable, which occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the responsible officer.
<b>Precepts</b>	The levy made by one body on another. Hertfordshire County Council and Hertfordshire Police Constabulary, who do not administer the council tax system, each levy an amount on the Borough of Hertsmere, which collects the required income from local taxpayers on their behalf.
<b>Prior year adjustments</b>	Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.
<b>Projected unit method</b>	An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings.
<b>Provision</b>	An amount set aside to provide for a liability that is likely to be incurred but the exact amount and the date on which it will arise is uncertain.
<b>Related Parties</b>	Two or more parties are related parties when at any time during the financial period: <ul style="list-style-type: none"> <li>• One party has direct or indirect control of the other party.</li> <li>• The parties are subject to common control from the same source.</li> <li>• One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests.</li> <li>• The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.</li> </ul>

**Term****Related Party Transaction****Definition**

A related party transaction is the transfer of assets or liabilities or the performance of services by, to, or for a related party irrespective of whether a charge is made. Examples of related party transactions include:

- The purchase, sale lease, rental or hire of assets.
- The provision of a guarantee to a third party in relation to a liability or obligation of a related party.
- The provision of services to a related party.
- Transactions with individuals who are related parties of the Council, except those applicable to other members of the community such as council tax, rents and payments of benefits.

The materiality of related party transactions is judged not only in terms of their significance to the Council, but also in relation to its related party.

**Rent Allowances**

Subsidies payable by local authorities to tenants in private rented accommodation (either furnished or unfurnished) whose incomes fall below prescribed amounts.

**Rent Rebates**

Subsidies payable by local authorities to their own housing tenants whose incomes fall below prescribed amounts.

**Reserves**

The balances in the Balance Sheet that show variously the revenue and capital resources available to support the provision of services by the Council, the cumulative effect of statutory adjustments to manage the availability of those resources for particular financial years, and balances of revaluation gains and losses on assets that have yet to be realised.

<b>Term</b>	<b>Definition</b>
<b>Retirement Benefits</b>	The benefits that employees earn during their period of employment but which are not paid to them until after they retire (predominately pensions).
<b>Revenue Expenditure</b>	Expenditure on the day-to-day costs of providing services. Defined technically as the expenditure of the Council that does not meet the definition of capital expenditure.
<b>Right To Buy</b>	<p>The right acquired by tenants of Council dwellings to buy their homes at a discounted price.</p> <p>The Councils housing stock was sold to two Housing Associations in 1994 at a discounted rate. As part of the agreement, it was stipulated that any eventual sale of these properties under the “right to buy” scheme would result in part of the proceeds being paid to the Council.</p>
<b>Safety Net (see also “Levy”)</b>	The Council’s Comprehensive Income and Expenditure Statement include a share of any surplus or deficit arising for the year on the collection of business rates. Where, after taking into account any losses on collection, the Council’s income falls below a threshold set by central government, a safety net grant is paid by central government.
<b>Scheme Liabilities</b>	The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflects the benefits that the employer is committed to provide for service up to the valuation date.
<b>Settlement</b>	A transaction that eliminates pensions liabilities, such as the transfer of an employee to a new employer that participates in the Local Government Pension Scheme.
<b>Standard Spending Assessment</b>	An assessment by Central Government of how much a Local Council should spend in providing a common level of service, having regard to its individual circumstances and responsibilities.

<b>Term</b>	<b>Definition</b>
<b>Subsidiary Company</b>	<p>A company is a subsidiary of the Council if any of the following apply:</p> <ul style="list-style-type: none"> <li>• The Council holds a majority of the voting rights in the company.</li> <li>• The Council is a member of the company and has the right to appoint or remove directors holding a majority of the voting rights at meetings of the board on most matters.</li> <li>• The Council has the right to exercise a dominant influence over the company.</li> <li>• The Council is a member of the company and controls alone a majority of the voting rights in the company.</li> <li>• The Council has a participating interest in the company and it actually exercises a dominant influence of the company or it and the company are managed on a unified basis.</li> </ul>
<b>Transfer Payments</b>	<p>Payments to other parties that do not involve the provision of goods or services to the Council.</p>
<b>Usable Capital Receipts</b>	<p>This balance is available to either finance capital expenditure or repay debt.</p>
<b>Vested Rights</b>	<p>With relation to employee benefits, the benefits that employees have earned an entitlement to before the year-end, and not those that it is projected they will become entitled to as a result of future events.</p>