

HERTSMERE BOROUGH COUNCIL  
STATEMENT OF ACCOUNTS  
FOR THE YEAR ENDED 31 March 2021



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## STATEMENT OF RESPONSIBILITIES

### Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to 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 2021 and its Income & Expenditure for the year then ended.**

**Matthew Bunyon**

Head of Finance and Business Services

Date: 8 September 2022

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

### **Opinion**

We have audited the financial statements Hertsmere Borough Council and the Group for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014 (as amended). The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement
- the related notes 5.1 to 5.38.
- Collection Fund and the related notes 6.0 to 6.3
- And the Group notes 7.1 to 7.6.2

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of Hertsmere Borough Council and the Group as at 31 March 2021 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Head of Finance and Business Services' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Authority's ability to continue as a going concern for a period of twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Head of Finance and Business Services with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

## **Other information**

The other information comprises the information included in the statement of accounts, other than the financial statements and our auditor's report thereon. The Head of Finance and Business Services is responsible for the other information contained within statement of accounts.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Group and the Authority
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- we are not satisfied that the Group and the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects.

## **Responsibility of the Head of Finance and Business Services**

As explained more fully in the Statement of the Head of Finance and Business Services' Responsibilities set out on page 1, the Head of Finance and Business Services is responsible for the preparation of the Statement of Accounts, which includes the Group financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the Head of Finance and Business Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Finance and Business is responsible for assessing the Group and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting



unless the Group and the Authority either intends to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's responsibilities for the audit of the financial statements**

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

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are:

- Local Government Act 1972,
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
- Local Government Act 1989,
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
- The Local Government Finance Act 2012, and,
- The Accounts and Audit Regulations 2015.

In addition, the Group and the Authority has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

We understood how Hertsmere Borough Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit, those charged with governance, and monitoring officer and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Group and the Authority's committee minutes and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Group and the Authority's financial statements to material misstatement, including how fraud might occur by understanding the potential

incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified manipulation of reported financial performance (through improper recognition of revenue of Elstree Films Studios Ltd.) and management override of controls to be our fraud risks.

To address our fraud risk around the manipulation of reported financial performance through improper recognition of Elstree Films Studios Ltd. revenue, we obtained the component auditor's completed working papers relating to revenue, reviewed and ensured the component auditor undertook appropriate audit procedures to challenge the assumptions and corroborated to evidence as appropriate.

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately. In addition, we assessed whether the judgements made in making accounting estimates were indicative of a potential bias and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our review in accordance with the Code of Audit Practice 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in December 2021, as to whether the Hertsmere Borough Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Hertsmere Borough Council in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Hertsmere Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Group's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.

In addition, we cannot formally conclude the audit and issue an audit certificate until we have issued our Auditor's Annual Report for the year ended 31 March 2021. We have completed our work on the value for money arrangements and will report the outcome of our work in our commentary on those arrangements within the Auditor's Annual Report.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

### **Use of our report**

This report is made solely to the members of Hertsmere Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Neil Harris (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Luton  
8 September 2022

## Narrative Statement

Overview from the Head of Finance and Business Services

### Introduction incl. Covid-19 Support to Local Residents and Businesses

I am presenting the 2020/21 Statement of Accounts at the end of a most challenging year, a year when the Covid-19 pandemic took hold in the UK and across the world. The pandemic has 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.

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.

Service changes, access to advice, and information about financial support measures and how to get involved in volunteering are available via [www.hertsmere.gov.uk/coronavirus](http://www.hertsmere.gov.uk/coronavirus).

The 2020/21 financial year was challenging even before the pandemic. Central government had announced a one-year financial settlement rather than the anticipated multi-year settlement due to other priorities in relation to Brexit. The multi-year settlement would have provided more budgeting and financial certainty for local authorities over the medium term. Included within the one-year settlement was the announcement the Council would receive no Revenue Support Grant as the funding ceased for Hertsmere in 2019/20. We also continue to reduce reliance on the New Homes Bonus (NHB) due to the uncertain future of this funding. The council continue 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 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.

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. With the exception of the Additional Restrictions Grant, all the grants received in 2020/21 have an award date to 31 March 2021 therefore the 2020/21 accounts have to accrue payments made after 31 March 2021.

Below is a summary of the business support grants received to 31 March 2021 and the grants paid to businesses up to 20 October 2021:

Business Support Grant Scheme	Principal / Agent	Amount Rec from Gov't £'000	Grants paid to 20/10/2021 £'000	CIES £'000	Balance Sheet £'000	Balance c/f £'000
Small Business Grant & Retail, Hospitality and Leisure Support Grant – Mandatory	Agent	18,270	18,260	-	18,260	10
Small Business Grant & Retail, Hospitality and Leisure Support Grant – Discretionary	Principal	910	910	910	-	-
Additional Restrictions Grant	Principal	3,030	2,891	2,891	-	139
Local Restrictions Support Grant (Closed) Addendum	Agent	6,540	3,161	-	3,161	3,379
Local Restrictions Support Grant (Closed)	Agent	11	65	-	65	(54)
Local Restrictions Support Grant (Open)	Principal	212	210	210	-	2
Christmas Support Payments (Wet Led Pubs)	Agent	32	15	-	15	17
Closed Business Lockdown Grant	Agent	4,167	2,412	-	2,412	1,755
<b>TOTAL</b>		<b>33,172</b>	<b>27,924</b>	<b>4,011</b>	<b>23,913</b>	<b>5,248</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 2020/21 amounted to £4.011m 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 received £33.172m of business support grants from central government and paid £27.924m to 20 October 2021.

### **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 2020/21 accounts:

<b>Test and Trace Self Isolation Scheme</b>	<b>Principal / Agent</b>	<b>Amount Rec from Gov't £'000</b>	<b>T&amp;T paid to 31/03/2021 £'000</b>	<b>CIES £'000</b>	<b>Balance Sheet £'000</b>	<b>Balance c/f £'000</b>
Test and Trace Self Isolation – Mandatory	Agent	57	58	-	58	(1)
Test and Trace Self Isolation – Discretionary	Principal	86	35	35	-	51
<b>TOTAL</b>		<b>143</b>	<b>93</b>	<b>35</b>	<b>58</b>	<b>50</b>

The table above shows the Council received £0.143m of Test and Trace Self Isolation Fund from central government and paid £0.093m to 31 March 2021. Of the £0.093m, £0.035m 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 104,000. There are approximately 42,800 dwellings in the area and over 3,200 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**

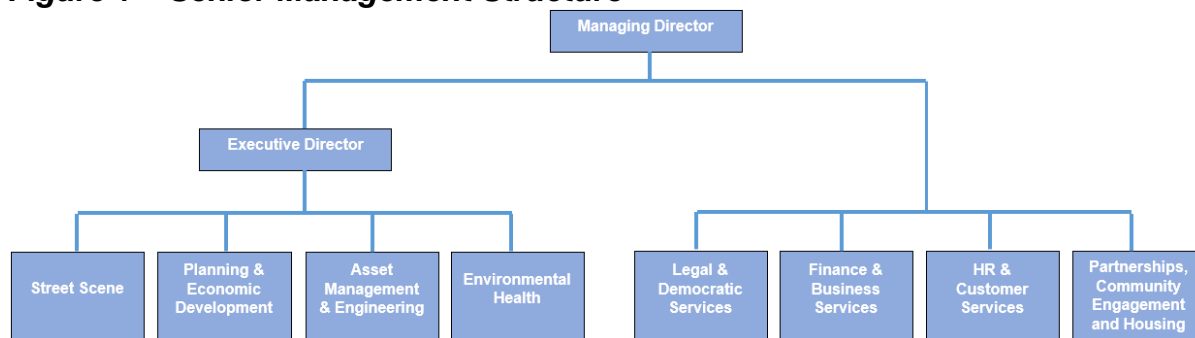
Hertsmere has 39 councillors in 16 wards who are elected to serve for four years at a time. The number of seats held during the year by political groups was:

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**



By the end of March 2020, we went through massive technological and cultural changes whereby the vast majority of our workforce were working remotely following the government advice of ‘stay at home’. All employees impacted by service provision changes were redeployed to alternative duties to support critical functions in high demand as well as working alongside the voluntary sector to deliver essential support to the vulnerable in our communities through initiatives such as shielding; as such we have not applied the Furlough scheme.

There has been a considerable increase in the demand for the services provided by our customer services; revenues and benefits teams among others due to customer concerns over Covid-19 and in relation to the support measures we have implemented. However, despite the closure of the Council offices these demands were managed by redirection of queries through online and telephone services to our staff working remotely.



## **2020 Vision – A corporate plan for Hertsmere**

The Council has responded to the challenges by adopting our Corporate Plan, “Hertsmere’s 2020 Vision” which has identified three Corporate Goals, which each have a number of outcome-based objectives, which support the development of priorities for action.

- Being an enterprising Council
- Planning for the future
- Supporting our community

This includes the Council having a more entrepreneurial approach and focussed on expanding 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 recently the Council approved the first 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 is now also well underway with the main construction contract awarded in May 2021 and anticipated completion of the new stages in March 2022. The project, which is 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 are also investing in our local communities through the Community Infrastructure Levy and S106 monies funding many local projects and new community infrastructure.

2020 Vision is the collective name for the suite of documents that make up Hertsmere’s Corporate Plan 2017-2020, which guides the work of the council. The Plan reflects the decision of the council to focus on key actions which will have the biggest impact on our work whilst also reflecting our desire to continue to deliver high quality services to our residents.

Hertsmere’s 2020 Vision articulates the council’s high level vision, values and priorities in a simple one page document which represents the key challenges we face over the next period and how we intend to respond to them whilst also maintaining focus on key service delivery.

Figure 2 – Hertsmere’s 2020 Vision



The council’s annual corporate action plan for 2018-19 set out the key high level actions that the council undertook during the year. It highlights those projects which are over and above our day to day service delivery and will have an impact on our residents in either how services are delivered or how we generate income.

In addition to internal monitoring, progress against the action plan is reported quarterly to the Executive.

**Annual report** - this retrospective document will detail work done by the council over the previous year and report back on progress against the Corporate Action Plan. It will be produced alongside the Corporate Action Plan for the forthcoming year. The last Annual Report was published in July 2019.

**Performance Management Framework** - The updated Performance Management Framework sets out how we will monitor progress against the Corporate Action Plan and also our key services. It aims to reduce the burden on Officers of collecting performance statistics whilst also recognising the need to understand how well we are performing both against our priorities but also in our aim to deliver high quality services to Hertsmere residents.

The Operations Review Committee receives quarterly performance reports to monitor the delivery of the corporate priorities.

The Corporate Plan 2017-2020 was last updated in September 2017 and will be reviewed during 2021.

## 2020/21 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 2020/21 accounts have to be confirmed by the Chief Financial Officer by 31 July 2021 at the latest.

The latest publication date for the 2020/21 audited accounts has moved back to 30 September 2021 or as soon as practicable if there were delays with finalising of the 2020/21 accounts.

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

The signed draft 2020/21 accounts was made available for public inspection on 9 July 2021. 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 in delivering the most challenging budget in recent times.

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

#### Being an Enterprising Council

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 2020/21 is drastically lower than the £13m received in the previous year, 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 and has also set aside the 2020/21 contingency budget to meeting further costs that may yet arise.

#### **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). 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 £1.5m in rental payments and investment income to the council in 2020/21.

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 was completed in June 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 DC 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.

### **Homelessness and temporary accommodation**

In 2020/21 the Council completed a 28-unit housing development to help address the need for temporary accommodation in 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**

Hertsmere 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.

### **Local Plan**

We are planning for the future by producing a new Local Plan which is a blueprint for development in Hertsmere. The process of creating a new Local Plan for Hertsmere began back in 2016 and will update the existing Local Plan 2013 to 2027.

Hertsmere 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:

- Community Safety Partnership engaging residents in Radlett and Borehamwood on feeling safer.
- Physical activity programmes that target getting women moving.
- Grants to the voluntary sector in the region of £0.4m, including to sports clubs and Hertfordshire Citizens Advice.
- Delivery of the Herts Warmer Homes giving free or discounted energy improvements, such as insulation and heating repairs, to eligible households.
- Delivered over 2,500 training opportunities on modern slavery, mental health first aid, self-harm awareness, anti-radicalisation and drug awareness.

## 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 2020/21, central government core funding was only from retained business rates which amounted to £2.740m, the revenue support grant having reduced to zero from 2019/20. Central government core funding now represents just 23.4% of the funding required to meet the Council's budgeted net expenditure of £11.725m. 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 2020/21 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 2021 the Council has around £51.120 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 2021 was £44.015 million. It has to be noted £9.685 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 £34.330 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.

The Council's cash flow forecasting and assessment of the adequacy of the liquidity position demonstrates positive cash balances throughout the going concern period, and no expectation of external borrowing. The cashflow forecast to the end of September 2023 shows the Council is forecast to hold £31.400 million in cash and cash equivalents and £5.000 million in short term investments.

It is therefore noted that there is significant headroom within the General Fund, cash and investment balances 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 2020/21 the budget for the Council's cost of services was set at £11.725 million after funding from reserves. The actual service spend for the year was £14.139 million, which has resulted in an overall unfavourable variance of £2.414 million, reflecting expenditure and income pressures faced by the Council. The Council received £3.004 million of central government funding in support of the Covid-19 pandemic which equated to a year end funding surplus of £0.590 million, which included the remaining contingency budget of £0.290 million, which the full Council agreed to set aside, was carried over in a specific Covid-19 reserve for use in future years.

**FINANCIAL MONITORING POSITION**

31 Mar 2021

**SUMMARY OF PERFORMANCE**

	REVISED BUDGET	ACTUAL SPEND FOR THE YEAR	SURPLUS (DEFICIT)
	£000	£000	£000
Planning & Economic Development	1,087	926	161
Housing Services	1,037	1,036	1
Partnership & Community Engagement	1,234	1,206	28
Environmental Health	1,042	1,065	(23)
Street Scene Services	4,374	6,280	(1,906)
Engineering Services	345	343	2
Asset Management	(3,666)	(3,220)	(446)
Finance & Business Services	2,524	2,472	52
Legal & Democratic Services	1,501	1,433	68
Human Resources & Customer Services	1,216	1,156	60
Executive Directors	488	437	51
Audit & Assurance	205	203	2
<b>Net Service Operational Expenditure</b>	<b>11,387</b>	<b>13,337</b>	<b>(1,950)</b>
General Expenses, Audit Fees, Bank Charges	275	359	(84)
General Expenses, Exceptional Items	-	831	(831)
Apprenticeship Levy	31	37	(6)
Central Contingency	290	-	290
Minimum Revenue Provision	242	242	-
Investment Interest	(500)	(667)	167
<b>Total Service Costs</b>	<b>11,725</b>	<b>14,139</b>	<b>(2,414)</b>
<b>Deficit Funded from:</b>			
Government Funding:			
- Emergency Funding	-	(1,475)	1,475
- Rough Sleepers	-	(5)	5
- New Burdens	-	(237)	237
- Compliance and Enforcement	-	(46)	46
- Irrecoverable Income	-	(1,241)	1,241
<b>Total Surplus / (Deficit) for the Year</b>	<b>11,725</b>	<b>11,135</b>	<b>590</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 Surplus</b>	590	-	<b>590</b>
Planned transfers to reserves	-	302	<b>302</b>
Capital expenditure funded from reserves	-	(398)	<b>(398)</b>
<b>Funding variances:</b>			
Adjustment for 2019/20 NNDR Pilot Gain			
Accrual	-	(69)	<b>(69)</b>
NNDR Business Rates Reserve	-	1,495	<b>1,495</b>
Collection Fund Deficit Reserve	-	9,685	<b>9,685</b>
New Homes Bonus	-	521	<b>521</b>
Transfer FMR Surplus to Covid-19 Reserve	(590)	590	-
GF Balance + 1% CPI	83	(83)	-
<b>Movement in General Fund Balance</b>	<b>83</b>	<b>12,043</b>	<b>12,126</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	(3,220)	(60)	-	79	501	(2,700)
Audit & Assurance	203	-	-	-	-	203
Executive Directors	437	(5)	(2)	77	-	507
Engineering Services	343	124	-	(9)	-	458
Environmental Health	1,065	(3)	-	(258)	8	812
Finance & Business Services	2,472	(31)	(29)	149	3	2,564
General Expenses	(1,376)	(669)	(2)	12	2,357	322
Housing Services	1,036	(6)	-	(183)	-	847
Human Resources & Customer Services	1,156	149	(8)	(36)	-	1,261
Legal & Democratic Services	1,433	(36)	(1)	9	-	1,405
Partnership & Community Engagement	1,206	226	-	56	-	1,488
Planning & Economic Development	926	(14)	-	265	(1)	1,176
Street Scene Services	6,280	(312)	42	(463)	85	5,632
Exceptional Items - Covid-19	-	637	-	-	-	637
Exceptional Items - Covid-19 Business Support Grants	-	-	-	-	-	-
Exceptional Items - Covid-19 Self Isolation	-	-	-	-	-	-
Investment Interest	(667)	-	-	-	-	(667)
	<b>11,294</b>	<b>-</b>	<b>-</b>	<b>(302)</b>	<b>2,953</b>	<b>13,945</b>

### 3.4 Capital outturn

The council spent £3.708 million on capital expenditure during 2020/21 and is committed to spending a total of £24.831 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 and redevelopment of Meadow Park.

#### FINANCIAL MONITORING POSITION

31 March 2021

2019-20

2020-21

#### SUMMARY OF CAPITAL SPEND

£000

£000

Asset Management	2,958	2,330
Planning & Economic Development	681	453
Environmental Health	1,047	542
Street Scene Services	1,158	209
Finance And Business Services	590	68
Housing & Partnerships	1,810	-
Human Resources & Customer Services	75	106

#### Total Capital Expenditure

8,318

3,708

#### FUNDING SOURCES

£000

£000

Usable Capital Receipts	2,254	859
Reserves	2,064	404
Grants	2,114	2,427
Donated Assets	-	-
Revenue	75	18
Borrowing	1,810	-

#### Total Funding Sources

8,318

3,708

### *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 2021 the balance on the General Fund was £44.015m (2019/20 £31.889m) - out of this, £8.392m was held as a contingency for unforeseen events and £35.623m 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 £12.043m was transferred to earmarked reserves. Total funds earmarked for future use at 31 March 2021 were £35.623m. The breakdown of this sum is provided at note 5.30.2.

Included within earmarked reserves was £9.685 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 £25.938 million.

### *Capital expenditure programme and associated financing*

During the year the Council incurred expenditure of £3.708m 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 £1.284m spent on the development of the Elstree Film Studios, £0.542m Disabled Facilities Grants for home adaptations, £0.331 on property redevelopment and £0.291m on Community Infrastructure Levy projects.

At the balance sheet date the Council was committed to capital spending of £24.831m. 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*

Please refer to Note 5.38 Prior Period Adjustment for 2019/20 amounts that have been restated.

The Council's net pension fund deficit has increased over the last year, from £30.161m to £42.943m due mainly to the re-measurement of the net liability which is detailed in the table below:

Return on plan assets	£16.685m
Actuarial loss on changes in financial assumptions	(£28.262m)
Actuarial loss on changes in demographic assumptions	(£1.695m)
Other experience gains	£1.357m
<b>Total re-measurements of the net pension liability</b>	<b>(£11.915m)</b>

The value of assets held within the scheme increased from £87.011m to £104.640m whilst the liabilities have increased from £117.172m to £147.583m. 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 2020 the Council's share stood at £2.072m and after taking into account the sums utilised in 2020/21, the provision increased to £2.614m at 31 March 2021. The increase was due to the introduction of the Check, Challenge, Appeal process, which has resulted in a considerable delay in appeals, also a significant backlog in the Valuation Office dealing with appeals. There is also a significant provision in respect of Hertfordshire Building Control Limited (HBCL) potential losses. Final figures are not yet available from HBCL, but the Company are forecasting a small surplus in year, so no change has been made to the provision for the year.

### *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 2021 are set out following this narrative statement in pages 32 to 159. Where appropriate, figures for 2019/20 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 2020/21 will be made available for inspection on the Council's website, and at the Council offices from 9 July 2021. 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*

Despite the economic pressures both locally and nationally, the Council's financial and non-financial performance in 2020/21 was once again strong. The surplus against budget of £0.590m is in line with expectations. The capital investment of £3.708m included £1.284m 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 2020/21 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 is able to recover the losses through central government funding. The on-going financial impact of Coronavirus across financial years will be reported in Government returns 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 116 to 124.

## 4.1 Movement in Reserves Statement

	Note	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2019</b>		<b>(30,996)</b>	<b>(8,171)</b>	<b>(8,237)</b>	<b>(47,404)</b>	<b>(97,075)</b>	<b>(144,479)</b>
Total comprehensive income and expenditure		(5,307)	-	-	<b>(5,307)</b>	(16,248)	<b>(21,555)</b>
Adjustments between accounting & funding basis under regulations	5.14	4,414	1,853	(3,064)	<b>3,203</b>	(3,203)	-
<b>Total (increase) / decrease during the year</b>		<b>(893)</b>	<b>1,853</b>	<b>(3,064)</b>	<b>(2,104)</b>	<b>(19,451)</b>	<b>(21,555)</b>
<b>Balance at 31 March 2020 (Restated *)</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>

	Note	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 1 April 2020</b>		<b>(31,889)</b>	<b>(6,318)</b>	<b>(11,301)</b>	<b>(49,508)</b>	<b>(119,241)</b>	<b>(168,749)</b>
Restated		-	-	-	-	2,715	2,715
<b>Balance at 1 April 2020 restated</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	-	-	<b>1,348</b>	6,247	<b>7,595</b>
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>

\* For further detail please refer to Note 5.38 Prior Period Adjustment

## 4.2 Comprehensive Income and Expenditure Statement

		2019-20 (Restated *)				2020-21	
Gross Expenditure £000	Gross Income £000	Net Expenditure / (Income) £000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure / (Income) £000
2,510	(4,779)	<b>(2,269)</b>	Asset Management		7,928	(4,789)	<b>3,139</b>
113	-	<b>113</b>	Audit & Assurance		203	-	<b>203</b>
686	-	<b>686</b>	Executive Directors		517	(2)	<b>515</b>
564	(153)	<b>411</b>	Engineering Services		548	(64)	<b>484</b>
1,343	(312)	<b>1,031</b>	Environmental Health		1,300	(465)	<b>835</b>
35,499	(32,996)	<b>2,503</b>	Finance & Business Services		33,910	(31,156)	<b>2,754</b>
423	(144)	<b>279</b>	General Expenses		454	(114)	<b>340</b>
3,387	(1,399)	<b>1,988</b>	Housing Services		2,870	(1,385)	<b>1,485</b>
1,430	(89)	<b>1,341</b>	Human Resources & Customer Services		1,345	(49)	<b>1,296</b>
2,196	(632)	<b>1,564</b>	Legal & Democratic Services		1,680	(264)	<b>1,416</b>
1,634	(244)	<b>1,390</b>	Partnership & Community Engagement		1,872	(375)	<b>1,497</b>
3,123	(1,262)	<b>1,861</b>	Planning & Economic Development		3,183	(1,524)	<b>1,659</b>
8,251	(3,576)	<b>4,675</b>	Street Scene Services		8,260	(1,987)	<b>6,273</b>
-	-	-	Exceptional Items - Covid-19		831	(194)	<b>637</b>
-	-	-	Exceptional Items - Covid-19 Business Support Grants		4,011	(4,011)	-
-	-	-	Exceptional Items - Covid-19 Self Isolation		35	(35)	-
<b>61,159</b>	<b>(45,586)</b>	<b>15,573</b>	<b>Net Cost of Services</b>		<b>68,947</b>	<b>(46,414)</b>	<b>22,533</b>
2,251	-	<b>2,251</b>	Other Operating Expenditure	5.7	1,358	-	<b>1,358</b>
1,817	(2,763)	<b>(946)</b>	Financing and Investment Income and Expenditure	5.8	1,781	(1,934)	<b>(153)</b>
13,182	(35,367)	<b>(22,185)</b>	Taxation and Non-Specific Grant Income	5.9	26,089	(48,479)	<b>(22,390)</b>
<b>78,409</b>	<b>(83,716)</b>	<b>(5,307)</b>	<b>(Surplus) / Deficit on Provision of Services</b>		<b>98,175</b>	<b>(96,827)</b>	<b>1,348</b>
		<b>(3,599)</b>	(Surplus) / Deficit on revaluation of non-current assets	5.31.1			<b>(5,668)</b>
		<b>(12,649)</b>	Re-measurements of net pension liability	5.29.1			<b>11,915</b>
		<b>(16,248)</b>	<b>Other Comprehensive (Income) and Expenditure</b>				<b>6,247</b>
		<b>(21,555)</b>	<b>Total Comprehensive (Income) and Expenditure</b>				<b>7,595</b>

\* For further detail please refer to Note 5.38 Prior Period Adjustment

**4.3 Balance Sheet**

<b>31-Mar-20</b> <b>(Restated *)</b>		<b>Note</b>	<b>31-Mar-21</b>
<b>£000</b>			<b>£000</b>
137,937	Property Plant and Equipment	5.16	139,451
1,267	Heritage Assets	5.19	1,244
8,888	Investment Properties	5.20	8,509
525	Intangible Assets	5.21	521
-	Long Term Investments	5.23	5,005
7,212	Long Term Debtors	5.22	7,733
<b>155,829</b>	<b>Long Term Assets</b>		<b>162,463</b>
51,182	Short Term Investments	5.23	51,120
6,734	Short Term Debtors	5.22	5,759
101	Inventories		115
10,489	Cash and Cash Equivalents	5.24	15,152
<b>68,506</b>	<b>Current Assets</b>		<b>72,146</b>
(15,065)	Short Term Creditors	5.25	(18,613)
(506)	Provisions	5.26	(559)
<b>(15,571)</b>	<b>Current Liabilities</b>		<b>(19,172)</b>
(1,795)	Provisions	5.26	(2,264)
	Liability related to Defined Benefit Pension		
(30,161)	Scheme	5.29.3	(42,943)
(430)	Other Long Term Liabilities	5.25	(400)
(10,344)	Capital Grants Received In Advance	5.27	(11,391)
<b>(42,730)</b>	<b>Long Term Liabilities</b>		<b>(56,998)</b>
<b>166,034</b>	<b>Net Assets</b>		<b>158,439</b>
(49,508)	Usable Reserves	5.30	(64,228)
(116,526)	Unusable Reserves	5.31	(94,211)
<b>(166,034)</b>	<b>Total Reserves</b>		<b>(158,439)</b>

\* For further detail please refer to Note 5.38 Prior Period Adjustment

This Statement of Accounts, which replaces the unaudited Statement of Accounts issued on 8 July 2021, was authorised for issue on 8 September 2022.

Matthew Bunyon  
Head of Finance and Business Services

Councillor Carter  
Chair of Audit Committee

**4.4 Cash Flow Statement**

<b>2019-20</b>		<b>Note</b>	<b>2020-21</b>
<b>£000</b>			<b>£000</b>
(5,307)	(Surplus) / Deficit on Provision of Services	4.2	1,348
(3,401)	Adjustments to net (Surplus) / Deficit on Provision of Services for non-cash movements	5.32	(16,468)
5,216	Adjustments for items included in the net (Surplus) / Deficit on Provision of Services that are investing and financing activities	5.32	5,705
<b>(3,492)</b>	<b>Net cash (inflow) / outflow from Operating Activities</b>		<b>(9,415)</b>
6,063	Investing Activities	5.33	1,021
(4,022)	Financing Activities	5.34	3,731
<b>(1,451)</b>	<b>Decrease / (increase) in cash and cash equivalents</b>		<b>(4,663)</b>
9,038	Cash and cash equivalents at the beginning of the reporting period		10,489
<b>10,489</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	5.24	<b>15,152</b>

## 5.1 Accounting Policies

### Basis of Preparation

The Statement of Accounts summarises the Authority's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. 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 2020/21, 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.



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 2020/21 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

- Definition of a business: Amendments to IFRS 3 business combinations
- Interest rate benchmark reform: Amendments to IFRS9, IAS39 and IFRS7
- Interest rate benchmark reform – Phase 2: Amendments to IFRS9, IAS39, IAS39, IFRS7, IFRS4 and IFRS16

The above changes in accounting requirements for 2020/21 are not anticipated to have a material impact on the Council's financial performance or financial position.

## 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 £6,533 thousand for the future cost of making repayments of business rates to payers who successfully appeal 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 (£2.613 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 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainty	Effect if actual results differ from assumptions
<i>Property Plant &amp; Equipment</i>	<p>The valuation of certain items of Property, Plant and Equipment is based on a number of estimated factors such as remaining useful life, regularity of rent reviews and levels of repairs and maintenance.</p> <p>When valuing Specialised Operational Properties no obsolescence factor is applied to assets less than 10 years old. For properties older than 10 years our valuer applies a depreciation &amp; obsolescence factor of 1% per year up to a cap of 50%.</p> <p>As this group of assets include high value properties (e.g. Leisure Centres) these assumptions are seen as key.</p> <p>Uncertainty in such areas is mitigated by the use of professional advisors to conduct valuations. As part of the valuation exercise they carry out physical inspections and take condition into account when applying estimates.</p> <p>Any methodologies for estimation are made with reference to the professional standards of the Royal Institute of Chartered Surveyors (RICS), the Red Book and the Code of Practice</p> <p>The Council has Property, Plant and Equipment with a carrying value of £139.451 million on the Balance Sheet as at 31st March 2021, with £2.245 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 asset falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £43k for every year that useful lives had to be reduced, based on depreciation calculated on opening values from 2020/21. The average 2020/21 life is 52.00 years.</p> <p>If the obsolescence factor is decreased the carrying value of the asset increases.</p> <p>It is estimated that the overall value of Specialised Leisure Centre Properties would change by £452k for every 1% that the obsolescence factor changed, based at the date of last revaluation in 2021.</p>

Item	Uncertainty	Effect if actual results differ from assumptions
<p><i>Property, Plant &amp; Equipment</i></p> <p><i>Investment Properties</i></p>	<p>The 2019/20 valuation of the council's Property, Plant and Equipment and Investment Properties were completed before the Covid-19 pandemic took hold across the country. The valuation basis was unprecedented with no previous market evidence and therefore the potential impacts on property valuations were difficult to quantify.</p>	<p>For the 2020/21 valuation, the council's external valuers did not report on the basis of 'material valuation uncertainty' as per the Valuation Technical and Performance Standards (VPS 3) and the Material Uncertainty Standard (VPGA 10) of the RICS Red Book Global, except in respect of retail and specific trading related assets such as car parks.</p> <p>To mitigate the material valuation uncertainty carried over from prior years, the Council undertook a full property revaluation in 2020/21.</p>
<p><i>Pensions Liability</i></p>	<p>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.</p>	<p>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.</p>
<p><i>Non Domestic Rates Appeals provision</i></p>	<p>The provision for NDR Appeals includes an assessment of the appeals lodged to 31st March 2021. The carrying amount of the provision is £6.533 million, of which the Council's share of £2.614 million is reflected in the accounts. The provision figure is growing, mainly due to delays in appeals under the check, challenge, appeal process.</p>	<p>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. The split of short term from long term provisions is estimated using the actual percentage settlement (13.37%) from 2020/21 against the closing 2020/21 provision. A large proportion of the 2017 list estimated appeals have not yet been lodged, and therefore less likely to be settled in the next 12 months.</p>

Item	Uncertainty	Effect if actual results differ from assumptions
<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 reiterated that the material uncertainty did not mean that the valuations were not appropriate</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.

2019/20		Expenditure	Income	2020/21
£000		£000	£000	£000
	<b>Cemeteries / Burial Grounds</b>			
97	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.	174	(143)	31
	<b>Trade Refuse</b>			
(145)	The Council has a duty under the Environmental Protection Act to provide, where requested, a commercial waste service for which a charge is made.	417	(540)	(123)
<b>(48)</b>	<b>Net (surplus) / deficit on trading accounts</b>	<b>591</b>	<b>(683)</b>	<b>(92)</b>

5. NOTES TO THE ACCOUNTS

**5.7 Other Operating Expenditure**

<b>2019-20</b>		<b>2020-21</b>
<b>£000</b>		<b>£000</b>
1,235	Parish and town council precepts	1,273
1,016	Losses / (gains) on the disposal of non-current assets	85
<u>2,251</u>	<b>Total</b>	<u>1,358</u>

**5.8 Financing and Investment Income and Expenditure**

<b>2019-20</b>		<b>2020-21</b>
<b>£000</b>		<b>£000</b>
43	Interest payable and similar charges	12
(846)	Interest receivable and similar income	(679)
145	Impairment of financial assets	70
(705)	(Increase) / decrease in the fair value of investment property	413
(529)	Income in relation to investment properties	(572)
(48)	(Surplus) / deficit on trading undertakings not included in net cost of services	(92)
994	Net interest cost on the defined benefit pension liability	695
<u>(946)</u>	<b>Total</b>	<u>(153)</u>



**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>2019-20</b>		<b>2020-21</b>
<b>£000</b>		<b>£000</b>
	<b>Council tax income and expenditure</b>	
(7,320)	Amount collectable from council tax	(7,638)
(1,235)	Amount collectable on behalf of parishes	(1,273)
(165)	Share of (surplus) / deficit on collection fund for the year	(34)
-	Council Tax - Tax Income Guarantee Compensation	(61)
<b>(8,720)</b>		<b>(9,006)</b>
	<b>Non-domestic rates income and expenditure (see note below):</b>	
(15,862)	Amount collectable from business rates	(18,701)
13,166	Tariff payable	15,681
(1,770)	Share of (surplus) / deficit on collection fund for the year	9,611
16	Growth levy	728
(9)	Levy Account Surplus Grant	-
(1,474)	Grant in respect of small business and other rates reliefs	(10,041)
-	NNDR - Tax Income Guarantee Compensation	(925)
(1,193)	NNDR Pilot Share from HCC	69
<b>(7,126)</b>		<b>(3,578)</b>
	<b>Covid-19 Government Grants and Contributions</b>	
-	Covid-19 Local Authority Support	(1,427)
-	SFC Irrecoverable Income Compensation	(1,227)
-	New Burdens	(122)
-		<b>(2,776)</b>
	<b>General Government Grants:</b>	
(1,155)	New Homes Bonus	(1,321)
<b>(1,155)</b>		<b>(1,321)</b>
	<b>Capital grants and contributions:</b>	
	<i>Recognised capital grants and contributions:</i>	
(1,024)	Disabled facilities grant	(920)
(4,035)	Community Infrastructure Levy	(3,170)
(119)	Section 106 monies utilised	(316)
-	Other capital contributions	(1,278)
<b>(5,178)</b>		<b>(5,684)</b>
(6)	Donated assets	(25)
<b>(22,185)</b>	<b>Total Taxation and Non-Specific Grant Income</b>	<b>(22,390)</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 MHCLG. 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.

A deficit of £9.611 million (2019/20: surplus £1.770 million) on the collection of business rates was recognised in the Comprehensive Income and Expenditure Statement for the year. The 2020/21 deficit will be spread over the next three years as a result of the central government requirement to help local authorities budget how the deficit is funded. The Council set aside £9.685 million of Section 31 grants in reserves to be released in future years to fund the 2020/21 deficit.

In 2019/20 the Council was a member of the Hertfordshire Business Rates Pilot. There was a £0.069m charge in 2020/21 as a result of an over accrual of the 2019/20 NNDR Business Pilot Share. This was funded from the Business Rates Equalisation reserve.

### 5.10 Members Allowances and Expenses

2019-20		2020-21
£000		£000
	<b>Allowance / Expense:</b>	
231	Basic allowance	232
140	Special responsibility allowance	143
1	Travel and other allowance	-
<u>372</u>	<b>Total</b>	<u>375</u>

**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>2019- 20 Total £000</b>
Chief Executive	92	167	14	<b>273</b>
Managing Director	132	-	24	<b>156</b>
Head of Finance & Business Services	78	-	15	<b>93</b>
Head of Partnerships & Community Engagement	84	-	16	<b>100</b>
Head of Legal & Democratic Services	81	-	15	<b>96</b>
Head of HR & Customer Services	54	-	10	<b>64</b>
<b>Total</b>	<b>521</b>	<b>167</b>	<b>94</b>	<b>782</b>

	<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>

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.

2019-20	REMUNERATION BAND:	2020-21
5	£50,000 - £54,999	4
6	£55,000 - £59,999	5
1	£60,000 - £64,999	5
2	£65,000 - £69,999	3
1	£70,000 - £74,999	-
1	£75,000 - £79,999	-
<b>16</b>		<b>17</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 2020/21 incurring liabilities of £203k (2019/20: £186k).

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	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20 £000	2020/21 £000
£0 - £20,000	1	1	1	-	2	1	19	16
£20,001 - £40,000	-	1	-	1	-	2	-	50
£40,001 - £60,000	-	1	1	2	1	3	167	137
<b>Total</b>	<b>1</b>	<b>3</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>6</b>	<b>186</b>	<b>203</b>

### 5.13 Audit Fees

2019-20		2020-21
£000		£000
	<b>Audit Fees:</b>	
38	External audit services carried out	38
18	Certification of grant claims and returns	14
14	Other	37
<b>70</b>	<b>Total</b>	<b>89</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

2019-20	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	(114)	-	-	114	Capital Adjustment Account
Depreciation	(2,575)	-	-	2,575	
Impairment / Revaluation charged to the CIES	1,357	-	-	(1,357)	
Movements in the market value of Investment Properties	705	-	-	(705)	
Revenue expenditure funded from capital under statute	(1,728)	-	-	1,728	
Non-current assets written out on disposal	(777)	-	-	777	
Accumulated gains on non-current assets disposed	(277)	-	-	277	Revaluation Reserve
Donated Assets	6	-	-	(6)	Deferred Capital Receipts
Grant income transferred to Capital Grants Unapplied	5,099	-	(5,099)	-	
<b>Transfers between revenue and capital resources</b>					
Transfer of sale proceeds from revenue to the Capital Receipts Reserve	38	(401)	-	363	Deferred Capital Receipts Reserve
Minimum Revenue Provision	242	-	-	(242)	Capital Adjustment Account
Capital expenditure charged against the General Fund	2,140	-	-	(2,140)	
<b>Adjustments to capital resources</b>					
Use of Capital Receipts to finance capital expenditure	-	2,254	-	(2,254)	Capital Adjustment Account
Application of capital grants and other contributions to finance capital expenditure	79	-	2,035	(2,114)	
<b>Adjustments between accounting and funding basis under regulations</b>					
Pension costs	(2,119)	-	-	2,119	Pensions Reserve
Council Tax and NNDR	2,493	-	-	(2,493)	Collection Fund Adjustment Account
Financial Instruments	(144)	-	-	144	Capital Adjustment Account
Holiday Pay	(11)	-	-	11	Accumulated Absences Account
<b>Total Adjustments</b>	<b>4,414</b>	<b>1,853</b>	<b>(3,064)</b>	<b>(3,203)</b>	

## 5. NOTES TO THE ACCOUNTS

2020-21	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	(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>	

### 5.15 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

		2019-20	
	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	(2,473)	204	(2,269)
Audit & Assurance	113	-	113
Executive Directors	650	36	686
Engineering Services	350	61	411
Environmental Health	911	120	1,031
Finance & Business Services	2,229	274	2,503
General Expenses	261	18	279
Housing Services	875	1,113	1,988
Human Resources & Customer Services	1,218	123	1,341
Legal & Democratic Services	1,482	82	1,564
Partnership & Community Engagement	1,335	55	1,390
Planning & Economic Development	1,000	861	1,861
Street Scene Services	3,429	1,246	4,675
<b>Total</b>	<b>11,380</b>	<b>4,193</b>	<b>15,573</b>
Other Income and Expenditure	(12,273)	(8,607)	(20,880)
<b>(Surplus) / Deficit on Provision of Services</b>	<b>(893)</b>	<b>(4,414)</b>	<b>(5,307)</b>
<b>Opening Balance on the General Fund</b>	<b>(30,996)</b>		
Surplus / (Deficit) for the year	(893)		
<b>Closing Balance on the General Fund</b>	<b>(31,889)</b>		

## 5. NOTES TO THE ACCOUNTS

		<b>2020-21</b>	
	<b>Net General Fund Expenditure</b>	<b>Adjustments between funding and accounting basis</b>	<b>Amounts included in the Comprehensive Income and Expenditure Statement</b>
<b>SERVICE</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
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	1,296
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>		

## 5.15.1 Note to the Expenditure and Funding Analysis

	2019-20			
<b>Adjustments to General Fund to add expenditure or income not chargeable to taxation and remove items which are only chargeable under statute</b>	<b>Adjustments for capital purposes (Note 1)</b>	<b>Net change for pensions adjustments (Note 2)</b>	<b>Other differences (Note 3)</b>	<b>Total adjustments</b>
<b>SERVICE</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Asset Management	154	48	2	204
Audit & Assurance	-	-	-	-
Executive Directors	-	36	-	36
Engineering Services	27	35	(1)	61
Environmental Health	23	98	(1)	120
Finance & Business Services	68	200	6	274
General Expenses	18	-	-	18
Housing Services	1,047	67	(1)	1,113
Human Resources & Customer Services	28	93	2	123
Legal & Democratic Services	-	78	4	82
Partnership & Community Engagement	-	55	-	55
Planning & Economic Development	731	133	(3)	861
Street Scene Services	964	282	-	1,246
<b>Net Cost of Services</b>	<b>3,060</b>	<b>1,125</b>	<b>8</b>	<b>4,193</b>
Other Operating Expenditure	1,016	-	-	1,016
Financing and Investment Income and Expenditure	(2,943)	994	-	(1,949)
Taxation and Non-Specific Grant Income	(5,181)	-	(2,493)	(7,674)
<b>Other Income and Expenditure from the Expenditure and Funding Analysis</b>	<b>(7,108)</b>	<b>994</b>	<b>(2,493)</b>	<b>(8,607)</b>
<b>Adjustments between funding and accounting basis</b>	<b>(4,048)</b>	<b>2,119</b>	<b>(2,485)</b>	<b>(4,414)</b>

## 5. NOTES TO THE ACCOUNTS

	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>

### 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 2020</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	765	1,242	2	184	163	-	154	(4,779)	<b>(2,269)</b>
Audit & Assurance	-	-	-	-	113	-	-	-	<b>113</b>
Executive Directors	658	-	1	25	2	-	-	-	<b>686</b>
Engineering Services	370	26	35	15	91	-	27	(153)	<b>411</b>
Environmental Health	1,145	2	10	100	63	-	23	(312)	<b>1,031</b>
Finance & Business Services	2,814	-	8	632	218	31,759	68	(32,996)	<b>2,503</b>
General Expenses	80	-	-	324	1	-	18	(144)	<b>279</b>
Housing Services	1,010	71	10	1,140	41	68	1,047	(1,399)	<b>1,988</b>
Human Resources & Customer Services	1,159	10	1	80	152	-	28	(89)	<b>1,341</b>
Legal & Democratic Services	1,360	60	5	733	38	-	-	(632)	<b>1,564</b>
Partnership & Community Engagement	693	12	3	288	622	16	-	(244)	<b>1,390</b>
Planning & Economic Development	1,856	-	6	257	273	-	731	(1,262)	<b>1,861</b>
Street Scene Services	4,487	1,008	940	455	406	-	955	(3,576)	<b>4,675</b>
<b>Total</b>	<b>16,397</b>	<b>2,431</b>	<b>1,021</b>	<b>4,233</b>	<b>2,183</b>	<b>31,843</b>	<b>3,051</b>	<b>(45,586)</b>	<b>15,573</b>

## 5. NOTES TO THE ACCOUNTS

<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

5.16 Property, Plant & Equipment

2019-20

	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 2019</b>	<b>128,469</b>	<b>4,880</b>	<b>521</b>	<b>1,858</b>	<b>2,597</b>	-	<b>138,325</b>
Additions	617	1,338	2	-	2,500	-	<b>4,457</b>
Revaluation increases / (decreases) recognised in the Revaluation Reserve	3,509	-	-	90	-	-	<b>3,599</b>
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	1,357	-	-	-	-	-	<b>1,357</b>
Disposals	(505)	(339)	-	-	(567)	-	<b>(1,411)</b>
Assets reclassified (to) / from Investment Property	(347)	-	-	-	(1)	-	<b>(348)</b>
Other movements	936	60	1	(57)	(939)	-	<b>1</b>
Accumulated depreciation and impairment written to Cost or Valuation	(3,183)	-	-	-	-	-	<b>(3,183)</b>
<b>At 31 March 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>



5. NOTES TO THE ACCOUNTS

2019-20

	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 2019</b>	<b>(1,883)</b>	<b>(3,556)</b>	<b>(166)</b>	<b>(265)</b>	-	-	<b>(5,870)</b>
Depreciation	(2,113)	(383)	(11)	(46)	-	-	(2,553)
Disposals	26	332	-	-	-	-	358
Assets reclassified to / (from) Investment Property	21	-	-	-	-	-	21
Other movements	4	(22)	(1)	20	-	-	1
Accumulated depreciation and impairment written to Cost or Valuation	3,183	-	-	-	-	-	3,183
<b>At 31 March 2020</b>	<b>(762)</b>	<b>(3,629)</b>	<b>(178)</b>	<b>(291)</b>	-	-	<b>(4,860)</b>
<b>Net Book Value</b>							
<b>As at 31 March 2019</b>	<b>126,586</b>	<b>1,324</b>	<b>355</b>	<b>1,593</b>	<b>2,597</b>	-	<b>132,455</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>

5. NOTES TO THE ACCOUNTS

**2020-21**

	<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 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>(178)</b>	<b>(291)</b>	-	-	<b>(4,860)</b>
Depreciation	(1,804)	(390)	(5)	(46)	-	-	(2,245)
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	(147)	-	-	-	-	-	(147)
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	(19)	-	-	-	-	-	(19)
Disposals	174	-	-	-	-	-	174
Assets reclassified to / (from) Investment Property	1	-	-	-	-	-	1
Other movements	-	-	(1)	-	-	-	(1)
Accumulated depreciation and impairment written to Cost or Valuation	2,187	-	-	-	-	-	2,187
<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

Assets included in note 5.16 within 'Other Land and Buildings' with a carrying value of £132.2 million at 31 March 2021 were revalued in full at the dates shown in the table below. Valuations as at 31 January 2021 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>	-	2,146	340	1,015	2,855	<b>6,356</b>	-
<i>Valued at Fair Value</i>							
As at 31 March 2021	18,555	-	-	-	-	<b>18,555</b>	-
As at 31 January 2021	113,204	-	-	899	-	<b>114,103</b>	8,509
As at 31 January 2019	437	-	-	-	-	<b>437</b>	-
<b>Total cost or valuation 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>8,509</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.

2019-20		2020-21
£000		£000
9,398	<b>Opening Capital Financing Requirement</b>	10,813
	<b>Capital Investment:</b>	
4,457	Property, plant and equipment	2,497
324	Intangible assets	129
-	Investment properties	-
1,728	Revenue expenditure funded from capital under statute	1,082
1,656	Loan advanced for capital purposes	-
	<b>Sources of finance:</b>	
(2,114)	Government grants and other contributions	(2,427)
(2,254)	Capital receipts	(859)
(2,140)	Revenue contribution to capital	(422)
	<b>Provision for repayment of debt:</b>	
(242)	Minimum revenue provision	(242)
<b>10,813</b>	<b>Closing Capital Financing Requirement</b>	<b>10,571</b>
	<b>Explanation of movements in year:</b>	
1,415	(Decrease) / Increase in the underlying need to borrow	(242)

**5.17.1 Capital Commitments**

<b>2019-20</b>		<b>2020-21</b>
<b>£000</b>		<b>£000</b>
	<b>Capital Commitments:</b>	
8,559	Asset Management	19,539
75	Human Resources & Customer Services	-
648	Planning & Economic Development	386
2,711	Environmental Health	3,040
-	Housing & Partnerships	-
1,468	Street Scene Services	1,469
204	Finance And Business Services	94
303	Loan to Hertsmere Development Company	303
<b><u>13,968</u></b>	<b>Total</b>	<b><u>24,831</u></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 2020/21 was £1,550k (2019/20: £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:

**2020-21**

	<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>(246)</b>	-	<b>(246)</b>
Depreciation charged in year	-	(23)	-	(23)
<b>At 31 March</b>	-	<b>(269)</b>	-	<b>(269)</b>
<b>Net Carrying Amounts</b>				
<b>31 March 2020</b>	<b>110</b>	<b>1,107</b>	<b>50</b>	<b>1,267</b>
<b>31 March 2021</b>	<b>110</b>	<b>1,084</b>	<b>50</b>	<b>1,244</b>

**5.20 Investment Property**

Rental income from investment property of £572k (2019/20: £529k) 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

2019-20		2020-21
£000		£000
7,857	<b>At 1 April</b>	8,888
-	Additions in year	-
705	Net gains / (losses) from Fair Value adjustments	(413)
-	Disposals	-
-	Other movements	1
326	Assets reclassified (to)/from Property, Plant and Equipment	33
<u>8,888</u>	<b>Level 2 balances at 31 March</b>	<u>8,509</u>
<u>8,888</u>	<b>Total</b>	<u>8,509</u>

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>2019-20</b>		<b>2020-21</b>
<b>£000</b>		<b>£000</b>
	<b>Gross Carrying Amount</b>	
<b>1,379</b>	<b>At 1 April</b>	<b>1,703</b>
324	Additions in year	129
-	Other movements	(1)
<b>1,703</b>	<b>At 31 March</b>	<b>1,831</b>
	<b>Amortisation</b>	
<b>(1,064)</b>	<b>At 1 April</b>	<b>(1,178)</b>
(114)	Charged in year	(132)
<b>(1,178)</b>	<b>At 31 March</b>	<b>(1,310)</b>
<b>525</b>	<b>Net Carrying Amount</b>	<b>521</b>

**5.22 Debtors**

<b>31 March</b>		<b>31 March</b>
<b>2020</b>		<b>2021</b>
<b>£000</b>		<b>£000</b>
	<b>Amounts receivable within one year:</b>	
	<i>Financial assets</i>	
2,332	Sundry debtors and accrued income	3,244
452	Other loans	55
43	Employee car loans	33
<b>2,827</b>	<b>Total</b>	<b>3,332</b>
	<i>Non-financial assets and statutory debt</i>	
269	Council tax	404
369	Business rates	131
133	HM Revenue and Customs	109
2,374	Government departments and other local authorities	944
264	Housing Benefits overpaid	245
498	Prepayments	594
<b>3,907</b>	<b>Total</b>	<b>2,427</b>
<b>6,734</b>	<b>Total amounts receivable within one year</b>	<b>5,759</b>
	<b>Amounts receivable after one year:</b>	
	<i>Financial assets</i>	
2,328	Equity charge on properties	2,176
52	Employee car loans	41
459	Loans to subsidiary undertakings	513
4,340	Other loans	4,970
33	Other	33
<b>7,212</b>	<b>Total amounts receivable after one year</b>	<b>7,733</b>

**5.23 Investments**

Investments were held as follows:

<b>31 March 2020 £000</b>		<b>31 March 2021 £000</b>
	<b>Long Term Investments:</b>	
-	Investments in subsidiaries	-
-	Other	-
-	Local Authorities	5,005
<u>-</u>	<b>Total Long Term Investments</b>	<u>5,005</u>
	<b>Short Term Investments:</b>	
12,028	Banks	6,003
3,006	Building Societies	-
36,148	Local Authorities	45,117
<u>51,182</u>	<b>Total Short Term Investments</b>	<u>51,120</u>

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 0.70% (2019/20: 1.28%). 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 2020 £000</b>		<b>31 March 2021 £000</b>
2	Cash held by the council	2
894	Bank current accounts	409
9,593	Call deposit and money market funds	14,741
<u>10,489</u>	<b>Total</b>	<u>15,152</u>

## 5.25 Creditors

31 March 2020		31 March 2021
£000		£000
<b>Amounts payable within one year:</b>		
<i>Financial liabilities</i>		
2,376	Sundry creditors	5,785
<u>2,376</u>	<b>Total</b>	<u>5,785</u>
<i>Non-financial liabilities and statutory debt</i>		
104	Accrual for accumulated absences (note 5.31.6)	106
308	HM Revenue and Customs - payroll taxes	315
9,247	Due to government departments and other local authorities	10,872
3,030	Receipts in advance	1,535
<u>12,689</u>	<b>Total</b>	<u>12,828</u>
<u>15,065</u>	<b>Total included in current liabilities</b>	<u>18,613</u>
<b>Amounts payable after one year:</b>		
<i>Financial liabilities</i>		
400	Other creditors	400
30	Other loans	-
<u>430</u>	<b>Total included in non-current liabilities</b>	<u>400</u>

## 5.26 Provisions

2019-20	Municipal Mutual Insurance	Business Rates Appeals	Uninsured Losses	Herts Building Control Ltd Losses	Loan ECL	Total
	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2019</b>	95	3,422	-	134	18	3,669
Increase/(decrease) in provision during year	-	(1,193)	-	-	-	(1,193)
Amounts used	-	(157)	-	-	(18)	(175)
Classified as Long Term	-	(1,795)	-	-	-	(1,795)
<b>Balance as at 31 March 2020</b>	<u>95</u>	<u>277</u>	<u>-</u>	<u>134</u>	<u>-</u>	<u>506</u>

## 5. NOTES TO THE ACCOUNTS

2020-21

	<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 2020</b>	<b>95</b>	<b>2,072</b>	<b>134</b>	<b>2,301</b>
Increase/(decrease) in provision during year	-	872	-	<b>872</b>
Amounts used	(20)	(330)	-	<b>(350)</b>
Classified as Long Term	-	(2,264)	-	<b>(2,264)</b>
<b>Balance as at 31 March 2021</b>	<b>75</b>	<b>350</b>	<b>134</b>	<b>559</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 13.37% of total calculated provision. This is based on the 2020/21 settlement percentage and the expected continued delays in VOA settlements coming through.

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 2021.

**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.

A summary of the major Section 106 balances held as at 31 March 2021 is as follows:

<b>31 March 2020 £000</b>		<b>Receipts £000</b>	<b>Utilised £000</b>	<b>31 March 2021 £000</b>
133	18 Watford Road	-	-	<b>133</b>
1,062	3 London Road	1	-	<b>1,063</b>
-	8 Watford Rd	118	-	<b>118</b>
503	Argyll House	1	-	<b>504</b>
57	Arsenal Training Ground	88	-	145
190	Byron Avenue	-	(103)	<b>87</b>
2003	Chess House	2	-	<b>2,005</b>
438	Elder Court	-	-	<b>438</b>
-	Elstree Film Studios	100	-	<b>100</b>
115	Elstree Way	-	-	<b>115</b>
228	Gemini House	-	(5)	<b>223</b>
1,857	Horizon One	2	-	<b>1,859</b>
1,483	International University	2	(33)	<b>1,452</b>
276	Isopad House	-	(141)	<b>135</b>
114	Oakland College	-	-	<b>114</b>
197	Sparrow Herne	-	(3)	<b>194</b>
384	Watling Street	-	(20)	<b>364</b>
1,304	Other	153	(35)	<b>1,422</b>
<b>10,344</b>	<b>S106 balances</b>	<b>467</b>	<b>(340)</b>	<b>10,471</b>
-	<b>Other capital grants</b>	<b>920</b>	-	<b>920</b>
<b>10,344</b>		<b>1,387</b>	<b>(340)</b>	<b>11,391</b>

S106 receipts include interest of £10k (2019/20: £43k) 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 2021 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 £1,403 (2020: £8,167) 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% (2021: £203k, 2020: £194k) and this amount has been earmarked against the Council's usable capital receipts (£5.656m at 31 March 2021).
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 2020</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	-	-	-	-	(20)
Long Term Debtors	4,884	2,328	-	7,212	(282)
Short Term Investments	51,182	-	-	51,182	-
Short Term Debtors	4,137	-	2,597	6,734	(584)
Cash and Cash Equivalents	10,489	-	-	10,489	-
					<u>(886)</u>
<b>Financial Liabilities</b>					
Short Term Creditors	(2,767)	-	(12,298)	(15,065)	-
Other Long term Liabilities	(430)	-	-	(430)	-
					<u>(886)</u>

<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>

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 2020/21 in relation to financial instruments.

<b>2019-20 Financial Instruments measured at amortised cost £000</b>	<b>2020-21 Financial Instruments measured at amortised cost £000</b>
<u>Financing and Investment Income and Expenditure</u>	
- Interest payable and similar charges	2
(846) Interest receivable and similar income	(679)
145 Impairment of Financial Assets	70
<u>(701)</u>	<u>(607)</u>

**Changes in Expected Credit Losses**

	<b>Allowance at 1 April 2020 £000</b>	<b>Allowance for assets originated or acquired £000</b>	<b>Allowance for assets derecognised £000</b>	<b>Allowance at 31 March 2021 £000</b>
<b>Long Term Investments</b>				
- Lifetime credit losses	(20)	-	-	(20)
<b>Loans to businesses and group companies</b>				
- 12-month credit losses	(194)	(9)	-	(203)
- Lifetime credit losses	(107)	-	-	(107)
<b>Deposits with banks and building societies</b>				
- 12-month credit losses	-	-	-	-
<b>Trade receivables</b>				
- Grouped assets	(565)	(61)	70	(556)
<b>Total loss allowances</b>	<b>(886)</b>	<b>(70)</b>	<b>70</b>	<b>(886)</b>



**Credit Risk Exposure**

The Council had the following exposure to credit risk at 31 March 2021.

	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	21,153	-	-	21,153
<b>Loans to businesses and group companies</b>				
- 12-month credit losses	5,578	-	-	5,578
- Lifetime credit losses	107	-	-	107
<b>Trade receivables</b>				
- Grouped assets	Not subject to credit rating			1,757
<b>Total amount exposed to credit risk</b>				<u>28,595</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 2020/21):

Category	Maximum Investment	Investment as at 31 March 2021	Call deposits at 31 March 2021 (included in cash and cash equivalents)
Higher Quality Rated Banks – rating AAA, AA+, AA and AA-	£8m		
UK Medium Quality Rated Banks and Building Societies - rating A+, A	£6m	1 deposit not exceeding £6m	
Medium Quality Rated Non UK Banks – rating A+, A	£4m		
DMO, UK Government and Local Authorities	£10m	9 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 and Enhanced Money market funds – AAA	£8m		2 deposits not exceeding £10m
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 2021 £000
	0-30 %	31-60 %	61-90 %	90- 180 %	180- 365 %	Over 365 %	
Other	0	15	30	50	80	100	(444)
Garage Rents	0	0	40	60	80	80	(13)
Parking	Provision is made based on age of Penalty Charge Notices.						(99)
							(556)

**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.

Please refer to Note 5.38 Prior Period Adjustment for 2019/20 amounts that have been restated.

**5.29.1 Comprehensive Income and Expenditure Statement**

<b>2019-20 (Restated)</b>		<b>2020-21</b>
<b>£000</b>		<b>£000</b>
	<b>Cost of Services:</b>	
	<i>Service cost comprising:</i>	
3,665	Current service cost	2,870
(147)	Past service cost	1
	<i>Finance and investment income and expenditure:</i>	
994	Net interest expense	695
<b>4,512</b>	<b>Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>3,566</b>
	<b>Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement:</b>	
	<i>Re-measurement of the net defined liability comprising:</i>	
3,344	Return on plan assets (excluding the amount included in the net interest expense)	(16,685)
(9,727)	Actuarial (gains) and losses arising on changes in financial assumptions	28,262
(3,000)	Actuarial (gains) and losses arising on changes in demographic assumptions	1,695
(3,266)	Other experience (gains) and losses	(1,357)
<b>(12,649)</b>	<b>Total post-employment benefits charged/(credited) to the Comprehensive Income and Expenditure Statement</b>	<b>11,915</b>

**5.29.2 Movement in Reserves Statement**

<b>2019-20 (Restated)</b>		<b>2020-21</b>
<b>£000</b>		<b>£000</b>
(4,512)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(3,566)
	<b><i>Actual amount charged against the General Fund for pensions for the year:</i></b>	
2,393	Employer's contributions payable to the scheme	2,699

**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>2019-20 (Restated)</b>		<b>2020-21</b>
<b>£000</b>		<b>£000</b>
(117,172)	Present value of defined benefit obligations	(147,583)
87,011	Fair value of scheme assets	104,640
<b>(30,161)</b>	<b>Net liability arising from defined benefit obligation</b>	<b>(42,943)</b>

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

<b>2019-20 (Restated)</b>		<b>2020-21</b>
<b>£000</b>		<b>£000</b>
	<b>Present Value of Defined Benefit Obligations:</b>	
<b>(130,861)</b>	<b>As at 1 April</b>	<b>(119,921)</b>
-	Restated	2,749
<b>(130,861)</b>	<b>As at 1 April restated</b>	<b>(117,172)</b>
(3,665)	Current service cost	(2,870)
147	Past service cost	(1)
(3,147)	Interest cost	(2,683)
(570)	Contributions by scheme members	(591)
	<i>Re-measurement gains and (losses):</i>	
3,000	Actuarial gains and (losses) arising on changes in demographic assumptions	(1,695)
9,727	Actuarial gains and (losses) arising on changes in financial assumptions	(28,262)
3,927	Other experience gains and (losses)	1,357
4,270	Benefits paid	4,334
<b>(117,172)</b>	<b>As at 31 March</b>	<b>(147,583)</b>
	<b>Fair Value of Scheme Assets:</b>	
<b>90,170</b>	<b>As at 1 April</b>	<b>92,475</b>
-	Restated	(5,464)
<b>90,170</b>	<b>As at 1 April restated</b>	<b>87,011</b>
2,153	Interest Income	1,988
570	Contributions by scheme members	591
2,393	Contributions by employer	2,699
	<i>Re-measurement gains and (losses):</i>	
(661)	Other experience gains and (losses)	-
(3,344)	Return on plan assets excluding the amount included in the net interest expense	16,685
(4,270)	Benefits paid	(4,334)
<b>87,011</b>	<b>As at 31 March</b>	<b>104,640</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 2020 (Restated)			
	Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total	
	£000	£000	£000	%
<b>Cash and cash equivalents</b>	1,879	-	<b>1,879</b>	2
<b>Equity instruments:</b>				
<i>By industry type:</i>				
Consumer	1,661	-	1,661	2
Manufacturing	1,326	-	1,326	2
Energy & Utilities	-	-	-	-
Financial Institutions	1,275	-	1,275	1
Health & Care	783	-	783	1
Information Technology	2,981	-	2,981	3
Other	142	-	142	-
<b>Sub-total equity instruments</b>	<b>8,168</b>	-	<b>8,168</b>	<b>9</b>
<b>Debt Securities:</b>				
Other	-	2,255	2,255	3
<b>Private Equity</b>	-	<b>4,655</b>	<b>4,655</b>	<b>5</b>
<b>Property:</b>				
UK Property	-	2,631	2,631	3
Overseas Property	-	5,192	5,192	6
<b>Sub-total property</b>	-	<b>7,823</b>	<b>7,823</b>	<b>9</b>
<b>Investment Funds and Unit Trusts:</b>				
Equities	27,068	-	27,068	31
Bonds	28,527	-	28,527	33
Infrastructure	-	80	80	-
Other	734	5,914	6,648	8
<b>Sub-total investment funds and unit trusts</b>	<b>56,329</b>	<b>5,994</b>	<b>62,323</b>	<b>72</b>
<b>Derivatives: foreign exchange</b>	-	<b>(92)</b>	<b>(92)</b>	-
<b>Total assets</b>	<b>66,376</b>	<b>20,635</b>	<b>87,011</b>	<b>100</b>



	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>	2,946	-	<b>2,946</b>	<b>3</b>
<b>Equity instruments:</b>				
<i>By industry type:</i>				
Consumer	930	-	<b>930</b>	<b>1</b>
Manufacturing	820	-	<b>820</b>	<b>1</b>
Financial Institutions	671	-	<b>671</b>	<b>1</b>
Health & Care	414	-	<b>414</b>	-
Information Technology	2,386	-	<b>2,386</b>	<b>2</b>
Other	93	-	<b>93</b>	-
<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	-	<b>5,361</b>	<b>5</b>
Other	-	2,388	<b>2,388</b>	<b>2</b>
<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	<b>5,790</b>	<b>6</b>
Overseas Property	-	4,822	<b>4,822</b>	<b>5</b>
<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	-	<b>48,138</b>	<b>46</b>
Bonds	16,921	-	<b>16,921</b>	<b>16</b>
Infrastructure	-	44	<b>44</b>	-
Other	969	5,698	<b>6,667</b>	<b>6</b>
<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>

**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 2020</b>		<b>31 March 2021</b>
	<b>Financial assumptions:</b>	
1.90%	Rate of increase in inflation / pension cost	2.85%
2.30%	Rate of increase in salaries	3.25%
2.30%	Expected return on investments	2.00%
2.30%	Rate for discounting scheme obligations	2.00%
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)	
21.9	Men	22.1
24.1	Women	24.5
	Longevity at 65 for future pensioners (years)	
22.8	Men	23.2
25.5	Women	26.2

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%		223
0.1% increase in the Pension Increase Rate	2%		2,372
0.1% decrease in Real Discount Rate	2%		2,623
1 year increase in member life expectancy	4%		5,903

### **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 £2.677 million to the Local Government Pension Scheme during the year ending 31 March 2022.

<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b> <b>(Restated)</b>	<b>As at 31 March</b>	<b>2021</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>		<b>£000</b>
(119,830)	(120,692)	(130,861)	(117,172)	Present value of defined benefit obligations	(147,583)
81,615	85,183	90,170	87,011	Fair value of employer assets	104,640
<b>(38,215)</b>	<b>(35,509)</b>	<b>(40,691)</b>	<b>(30,161)</b>	<b>Deficit in the scheme</b>	<b>(42,943)</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 2020 £000</b>		<b>Note</b>	<b>31 March 2021 £000</b>
(8,309)	General Fund	5.30.1	(8,392)
(23,580)	Earmarked Reserves (General Fund)	5.30.2	(35,623)
(6,318)	Capital Receipts Reserve	5.30.3	(5,656)
(11,301)	Capital Grants and Contributions Unapplied	5.30.4	(14,557)
<b><u>(49,508)</u></b>	<b>Total</b>		<b><u>(64,228)</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>2019-20</b>		<b>Note</b>	<b>2020-21</b>
<b>£000</b>			<b>£000</b>
<b>(8,186)</b>	<b>Balance at 1 April</b>		<b>(8,309)</b>
(5,307)	(Surplus) / deficit on provision of services	4.2	1,285
4,414	Adjustments between accounting basis and funding basis under regulation	5.14	(13,411)
770	Transfers to (from) earmarked reserves	5.30.2	12,043
<b><u>(8,309)</u></b>	<b>Total</b>		<b><u>(8,392)</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>2019-20</b>		<b>Note</b>	<b>2020-21</b>
<b>£000</b>			<b>£000</b>
<b>(22,810)</b>	<b>Balance at 1 April</b>		<b>(23,580)</b>
(770)	Transfers (to) from earmarked reserves	5.30.1	(12,043)
<b><u>(23,580)</u></b>	<b>Total</b>		<b><u>(35,623)</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.
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.
CIL Admin Reserve	Retained receipts to fund the administrative costs associated with collection and management of CIL.
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.
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.
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 2021** and the amounts transferred from / to the General Fund in order to meet future / current expenditure.

	Balance at 31 Mar 19 £000	Transfers Out 2019-20 £000	Transfers In 2019-20 £000	Balance at 31 Mar 20 £000	Transfers Out 2020-21 £000	Transfers In 2020-21 £000	Balance at 31 Mar 21 £000
3 Valleys Way Play Area	(102)	-	-	(102)	-	-	(102)
Business rates equalisation	(4,202)	123	(1,758)	(5,837)	474	(1,495)	(6,858)
Collection fund deficit	-	-	-	-	-	(9,685)	(9,685)
CCTV Reserve	(117)	18	(15)	(114)	15	(15)	(114)
CIL Admin Reserve	(211)	-	-	(211)	30	-	(181)
Civic Offices Sinking Fund	(237)	-	(55)	(292)	-	(55)	(347)
Corporate Consultation	(202)	-	-	(202)	-	-	(202)
Council Contribution to Pension Fund	(500)	-	-	(500)	155	-	(345)
Covid-19	-	-	(48)	(48)	48	(590)	(590)
Emergency Funding	(1,623)	78	-	(1,545)	49	-	(1,496)
EWC Housing Zone	(165)	-	-	(165)	10	-	(155)
Fishers Park Play Area	(103)	-	-	(103)	-	-	(103)
Flexible Homeless Support	(290)	436	(273)	(127)	372	(359)	(114)
Housing & Council Tax Benefit Equalisation Account	(1,722)	124	(426)	(2,024)	468	(401)	(1,957)
Human Resources strategy	(374)	140	(23)	(257)	126	(50)	(181)
Information Services - Infrastructure Replacement	(490)	239	(26)	(277)	10	(50)	(317)
Innovation and Investment fund	(2,372)	496	(56)	(1,932)	178	-	(1,754)
Land Drainage	(378)	100	(15)	(293)	-	(15)	(308)
Minor revenue grants	(1,189)	259	(783)	(1,713)	889	(1,146)	(1,970)
New Homes Bonus Equalisation Reserve	(3,135)	280	(38)	(2,893)	-	(521)	(3,414)
Non-recurring Items	(823)	-	(92)	(915)	-	(99)	(1,014)
Parking Repairs & Renewals	(641)	-	(140)	(781)	42	(140)	(879)
Parks Play Equipment	(307)	21	(10)	(296)	-	(10)	(306)
Recycling Initiatives	(699)	-	(48)	(747)	-	-	(747)
Waste Services Vehicles Replacement	(1,976)	980	(305)	(1,301)	64	(350)	(1,587)
Other < £100k	(952)	477	(430)	(905)	303	(295)	(897)
<b>Total</b>	<b>(22,810)</b>	<b>3,771</b>	<b>(4,541)</b>	<b>(23,580)</b>	<b>3,233</b>	<b>(15,276)</b>	<b>(35,623)</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>2019-20</b> <b>£000</b>		<b>2020-21</b> <b>£000</b>
<b>(8,171)</b>	<b>Balance as at 1 April</b>	<b>(6,318)</b>
(38)	Receipts in year	(21)
(363)	Realisation of deferred capital receipts	(176)
2,254	Applied during the year	859
<b><u>(6,318)</u></b>	<b>Balance as at 31 March</b>	<b><u>(5,656)</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>2019-20</b> <b>£000</b>		<b>2020-21</b> <b>£000</b>
<b>(8,237)</b>	<b>Balance as at 1 April</b>	<b>(11,301)</b>
(5,099)	Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	(4,090)
2,035	Application of grants to capital financing transferred to the Capital Adjustment Account	834
<b><u>(11,301)</u></b>	<b>Balance as at 31 March</b>	<b><u>(14,557)</u></b>

The balance above includes Community Infrastructure Levy (CIL) funding of £13,922k (2019/20 £11,043k).



**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 2020 (Restated *)</b>	<b>Note</b>	<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
(75,291) Revaluation Reserve	5.31.1	(79,853)
(67,166) Capital Adjustment Account	5.31.2	(63,946)
(2,328) Deferred Capital Receipts	5.31.3	(2,177)
(2,006) Collection Fund Adjustment Account	5.31.4	8,716
30,161 Pension Reserve	5.31.5	42,943
104 Accumulated Absence Account	5.31.6	106
<b>(116,526) Total</b>		<b>(94,211)</b>

\* For further detail please refer to Note 5.38 Prior Period Adjustment

**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>2019-20 £000</b>		<b>2020-21 £000</b>
<b>(73,435)</b>	<b>Balance as at 1 April</b>	<b>(75,291)</b>
(3,599)	Upward revaluation of non-current assets	(5,668)
277	Accumulated gains on non-current assets disposed	99
1,182	Difference between current value depreciation and historical cost depreciation	1,007
284	Other	-
<b>(75,291)</b>	<b>Balance as at 31 March</b>	<b>(79,853)</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 (2019/20 £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:

2019/20 £000		2020/21 £000
(62,225)	<b>As at 1 April</b>	(67,166)
	<b>Reversal of items debited or credited to the CIES</b>	
2,689	Depreciation, impairment and amortisation	2,400
(1,357)	Impairment / Revaluation charged to the CIES	4,267
(705)	Movements in the market value of Investment Properties	413
1,728	Revenue expenditure funded from capital under statute	1,082
776	Non-current assets written out on disposal	105
-	Donated Assets	-
144	Financial Instrument Impairment Allowance	9
	<b>Transfers between revenue and capital resources</b>	
(242)	Minimum Revenue Provision	(242)
(2,140)	Capital expenditure charged against the General Fund	(422)
	<b>Adjustments to capital resources</b>	
(2,254)	Use of Capital Receipts to finance capital expenditure	(859)
(2,114)	Application of capital grants and other contributions to finance capital expenditure	(2,427)
	<b>Adjustments involving the Revaluation Reserve</b>	
-	Accumulated gains on non-current assets disposed	(99)
(1,182)	Difference between current value depreciation over historic cost depreciation	(1,007)
(284)	Other	-
<b>(67,166)</b>	<b>As at 31 March</b>	<b>(63,946)</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:

2019-20 £000		2020-21 £000
(2,685)	<b>Balance as at 1 April</b>	(2,328)
(6)	Deferred receipts - recognition of PPE & donated assets	(25)
-	Increase in carrying amount to realised receipts	-
363	Realised in year	176
<u>(2,328)</u>	<b>Balance as at 31 March</b>	<u>(2,177)</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.

2019-20 £000		2020-21 £000
	<b>COUNCIL TAX</b>	
(60)	<b>Balance as at 1 April</b>	(293)
(233)	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	166
<u>(293)</u>	<b>Balance as at 31 March</b>	<u>(127)</u>
	<b>NON-DOMESTIC RATES</b>	
546	<b>Balance as at 1 April</b>	(1,713)
(2,259)	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	10,556
<u>(1,713)</u>	<b>Balance as at 31 March</b>	<u>8,843</u>
<u>(2,006)</u>	<b>Total</b>	<u>8,716</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>2019-20 (Restated *) £000</b>		<b>2020-21 £000</b>
<b>40,691</b>	<b>Balance as at 1 April</b>	<b>27,446</b>
-	Restated	<b>2,715</b>
<b>40,691</b>	<b>Balance as at 1 April restated</b>	<b>30,161</b>
(12,649)	Re-measurement of the net defined pension liability (note 5.29.1)	11,915
4,512	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)	3,566
(2,393)	Employers contribution payable to scheme (note 5.14 / 5.29.2)	(2,699)
<b>30,161</b>	<b>Balance as at 31 March</b>	<b>42,943</b>

\* For further detail please refer to Note 5.38 Prior Period Adjustment

**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.

2019-20 £000		2020-21 £000
93	<b>Balance as at 1 April</b>	<b>104</b>
11	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	2
<u>104</u>	<b>Balance as at 31 March</b>	<u>106</u>

**5.32 Cash Flow Statement - Operating Activities**

2019-20 £000		2020-21 £000
	<b>Adjustments for Non-cash movements:</b>	
	<i>Charges for depreciation, impairment and amortisation of non-current assets:</i>	
(1,195)	Property, plant and equipment	(6,512)
(23)	Heritage assets	(23)
(114)	Intangible assets	(132)
(145)	Impairment of Financial Instruments	(9)
705	Movements in the value of investment properties	(413)
6	Donated assets	25
	<i>Carrying amount of non-current assets sold:</i>	
(1,053)	Property, plant and equipment	(105)
(2,119)	Non cash pension costs	(867)
(43)	Movement in respect of internal interest	(10)
(16)	Increase / (decrease) in inventories	15
1,375	Increase / (decrease) in revenue debtors	(1,192)
<u>(779)</u>	(Increase) / decrease in revenue creditors & provisions	<u>(7,245)</u>
<b><u>(3,401)</u></b>		<b><u>(16,468)</u></b>
	<b>Adjustments for items that are investing or financing activities:</b>	
5,178	Capital grants credited to deficit on the provision of services	5,684
<u>38</u>	Proceeds from the sale of non-current assets:	<u>21</u>
<b><u>5,216</u></b>		<b><u>5,705</u></b>
	<b>The cash flows for operating activities include the following:</b>	
<u>(814)</u>	Interest received	<u>(736)</u>

**5.33 Cash Flow Statement - Investing Activities**

<b>2019-20 £000</b>		<b>2020-21 £000</b>
	<b>Investing activities</b>	
4,390	Purchase of property plant and equipment, investment property and intangible assets	2,010
-	Purchase of long-term investments	5,000
51,000	Purchase of short-term investments	51,000
2,031	Other payments for investing activities	74
	<b>Proceeds from the sale of non-current assets</b>	
(401)	Property plant and equipment	(197)
(44,000)	Proceeds from the redemption of short-term investments	(51,000)
(6,804)	Grants received towards the purchase of property plant and equipment	(5,866)
(153)	Other receipts from investing activities	-
<u>6,063</u>	<b>Net cash (inflow) / outflow from investing activities</b>	<u>1,021</u>

**5.34 Cash Flow Statement - Financing Activities**

<b>2019-20 £000</b>		<b>2020-21 £000</b>
	<b>Financing activities</b>	
(4,022)	Cash inflow from agency arrangements for the collection of NNDR and council tax	3,731
<u>(4,022)</u>	<b>Net cash (inflow) / outflow from financing activities</b>	<u>3,731</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.

#### Claim against Royal Mail

The Council forms part of a class action against Royal Mail, relating to the charging of VAT on services. The case has been ongoing for five years, and continues, and the final settlement is not certain.

#### 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 2020/21 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 £438k (2019/20: £422k) were made to such organisations by the council in the year. Details of the interests of members in external organisations are maintained in the Register of Members' Interests. Organisations in which members had disclosed an interest, received CIL project payments of £84k (including £65k to Parish and Town Councils) in 2020/21 (2019/20: £305k). There were no material transactions with declared organisations.</p> <p>The following members hold Director positions on Hertsmere Developments Ltd, the Council's wholly owned subsidiary: Cllrs DJ Carter, HS Cohen, PJ Hodgson-Jones and A Sachdev.</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.</p>



<b>Chief Officers</b>	<p>Chief Officers are entitled to receive car loans from the Council. During the year no new loans were made to chief officers (2019/20: nil), repayments of £3k (2019/20: £22k) were received and less than £1k was receivable at 31 March 2020 (2019: £3k).</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.</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.</p> <p>HJ Shade represents the Council on the CCTV partnership.</p>
<b>Pension Fund</b>	<p>Transactions and balances with Hertfordshire Local Government Pension Scheme have been disclosed in note 5.29.</p>
<b>Elstree Studios Limited</b>	<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 £18.6 million (2020: £17.3 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 £1,550k (2019/20 £1,550k).</p> <p>The amount due to Hertsmere Borough Council from Elstree Studios Limited of £252k (2020: £407k) includes a loan and accrued interest.</p>
<b>Hertsmere Developments Limited</b>	<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>
<b>InspireAll (a company limited by guarantee)</b>	<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 is for an initial 10 years from 1 February 2012 with an option to extend by a further five years. 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 generated significant budget savings for the Council and is regarded as a contract which will deliver value for money for Hertsmere's residents. At</p>

	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 throughout the 10 year period and possibly beyond. The loan balance at the end of 2020/21 sits at £4.85 million with no advances or repayments in year.
<b>West Herts Crematorium</b>	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 (2020: £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 (2020: £50k).
<b>Hertfordshire CCTV Partnership</b>	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.
<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 2020/21 the Council's estimated share of losses have been maintained at £134k, (2019/20 £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>

### 5.38 Prior Period Adjustment

A review of the Council's accounts identified the following issue requiring restatement of the 2019/20 figures.

In 2017, Hertfordshire Building Control (HBC) began participation in the Hertfordshire Pension Fund. The pension fund assets were allocated to HBC solely from Hertfordshire County Council (HCC) rather than from each of the seven originating councils, due to human error by the actuary, Hyman's Robertson. Therefore from this date asset shares will have been understated for HCC and overstated for the seven originating councils, including Hertsmere.

The prior period adjustment allows for the allocation of assets from Hertsmere Borough Council to Hertfordshire Building Control to be correctly included in the net pension liability and pension reserve. Whilst the transfer of HBC took place in 2017, the first IAS19 accounting reports to be affected were those at 31 March 2020, following the 31 March 2019 formal valuation.

Furthermore, an additional prior period adjustment related to the pooling of a ceding pension body for Community Building Services with the council's pension fund in the 2019/20 IAS19 valuation.

5. NOTES TO THE ACCOUNTS

The pooling was incorrectly made and the adjustment was to remove the Community Building Services pension fund from the council's fund.

The details of the above were reported to the March 2022 Audit Committee. As the adjustment occurred during 2019/20, the balances as at 1 April 2019 were not affected and as such no restatement was required.

Effect on	2019/20 as previously stated £000	Restatement - Defined Benefit Pension Scheme £000	2019/20 as restated £000
<b>Movement in Reserves Statement</b>			
<b>Unusable Reserves</b>			
Total comprehensive income and expenditure	(18,963)	2,715	(16,248)
<b>Total (increase) / decrease during the year</b>	<b>(22,166)</b>	<b>2,715</b>	<b>(19,451)</b>
<b>Balance at 31 March 2020</b>	<b>(119,241)</b>	<b>2,715</b>	<b>(116,526)</b>

<b>Total Authority Reserves</b>			
Total comprehensive income and expenditure	(24,270)	2,715	(21,555)
<b>Total (increase) / decrease during the year</b>	<b>(24,270)</b>	<b>2,715</b>	<b>(21,555)</b>
<b>Balance at 31 March 2020</b>	<b>(168,749)</b>	<b>2,715</b>	<b>(166,034)</b>

Effect on	2019/20 as previously stated £000	Restatement - Defined Benefit Pension Scheme £000	2019/20 as restated £000
<b>Comprehensive Income and Expenditure Statement</b>			
Re-measurements of net pension liability	(15,364)	2,715	(12,649)
<b>Other Comprehensive (Income) and Expenditure</b>	<b>(18,963)</b>	<b>2,715</b>	<b>(16,248)</b>
<b>Total Comprehensive (Income) and Expenditure</b>	<b>(24,270)</b>	<b>2,715</b>	<b>(21,555)</b>

Effect on	2019/20 as previously stated £000	Restatement - Defined Benefit Pension Scheme £000	2019/20 as restated £000
<b>Balance Sheet</b>			
Liability related to Defined Benefit Pension Scheme	(27,446)	(2,715)	(30,161)
<b>Long Term Liabilities</b>	<b>(40,015)</b>	<b>(2,715)</b>	<b>(42,730)</b>
<b>Net Assets</b>	<b>168,749</b>	<b>(2,715)</b>	<b>166,034</b>
Unusable Reserves	(119,241)	2,715	(116,526)
<b>Total Reserves</b>	<b>(168,749)</b>	<b>2,715</b>	<b>(166,034)</b>

Effect on	2019/20 as previously stated £000	Restatement - Defined Benefit Pension Scheme £000	2019/20 as restated £000
<b>5.29 Defined Benefit Pension Scheme</b>			
<b>5.29.1 Comprehensive Income and Expenditure Statement</b>			
<b>Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement:</b>			
Re-measurement of the net defined liability comprising:			
Return on plan assets (excluding the amount included in the net interest expense)			
	(1,529)	4,873	3,344
Actuarial (gains) and losses arising on changes in financial assumptions			
	(9,906)	179	(9,727)
Actuarial (gains) and losses arising on changes in demographic assumptions			
	(3,067)	67	(3,000)
Other experience (gains) and losses			
	(862)	(2,404)	(3,266)
<b>Total post-employment benefits charged/(credited) to the Comprehensive Income and Expenditure Statement</b>			
	<b>(15,364)</b>	<b>2,715</b>	<b>(12,649)</b>
<b>5.29.3 Pensions Assets and Liabilities recognised in the Balance Sheet</b>			
Present value of defined benefit obligations			
	(119,921)	2,749	(117,172)
Fair value of scheme assets			
	92,475	(5,464)	87,011
<b>Net liability arising from defined benefit obligation</b>			
	<b>(27,446)</b>	<b>(2,715)</b>	<b>(30,161)</b>
<b>Present Value of Defined Benefit Obligations:</b>			
Interest cost			
	(3,146)	(1)	(3,147)
Re-measurement gains and (losses):			
Actuarial gains and (losses) arising on changes in demographic assumptions			
	3,067	(67)	3,000
Actuarial gains and (losses) arising on changes in financial assumptions			
	9,906	(179)	9,727
Other experience gains and (losses)			
	862	3,065	3,927
Benefits paid			
	4,339	(69)	4,270
<b>Restatement of present value of defined benefit obligations</b>			
		<b>2,749</b>	
<b>Fair Value of Scheme Assets:</b>			
Interest Income			
	2,152	1	2,153
Re-measurement gains and (losses):			
Other experience gains and (losses)			
	-	(661)	(661)
Return on plan assets excluding the amount included in the net interest expense			
	1,529	(4,873)	(3,344)
Benefits paid			
	(4,339)	69	(4,270)
<b>Restatement of Fair Value of Scheme Assets</b>			
		<b>(5,464)</b>	

**5.29.4 Pension Fair Values Scheme****Assets**

<b>Total assets</b>	<b>92,475</b>	<b>(5,464)</b>	<b>87,011</b>
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**5.29.5 Basis for estimating Assets and Liabilities**

Present value of defined benefit obligations	(119,921)	2,749	(117,172)
Fair value of employer assets	92,475	(5,464)	87,011
<b>Deficit in the scheme</b>	<b>(27,446)</b>	<b>(2,715)</b>	<b>(30,161)</b>

<b>Effect on</b>	<b>2019/20 as previously stated £000</b>	<b>Restatement - Defined Benefit Pension Scheme £000</b>	<b>2019/20 as restated £000</b>
<b>5.31 Unusable Reserves</b>			
Pension Reserve	27,446	2,715	30,161
<b>Total</b>	<b>(119,241)</b>	<b>2,715</b>	<b>(116,526)</b>

**5.31.5 Pension Reserve**

Re-measurement of the net defined pension liability	(15,364)	2,715	(12,649)
<b>Balance as at 31 March</b>	<b>27,446</b>	<b>2,715</b>	<b>30,161</b>

<b>Effect on</b>	<b>2019/20 as previously stated £000</b>	<b>Restatement - Defined Benefit Pension Scheme £000</b>	<b>2019/20 as restated £000</b>
<b>Group Accounts</b>			
<b>7.1 Group Movement in Reserves Statement</b>			
<b>Total Unusable Reserves HBC</b>			
Total comprehensive income and expenditure	(18,963)	2,715	(16,248)
<b>Total (increase) / decrease during the year</b>	<b>(22,166)</b>	<b>2,715</b>	<b>(19,451)</b>
<b>Balance at 31 March 2020</b>	<b>(119,241)</b>	<b>2,715</b>	<b>(116,526)</b>
<b>Total Unusable Reserves (Group)</b>			
Total comprehensive income and expenditure	(18,792)	2,715	(16,077)
<b>Total (increase) / decrease during the year</b>	<b>(21,995)</b>	<b>2,715</b>	<b>(19,280)</b>
<b>Balance at 31 March 2020</b>	<b>(119,327)</b>	<b>2,715</b>	<b>(116,612)</b>
<b>Total Authority Reserves (Group)</b>			
Total comprehensive income and expenditure	(24,057)	2,715	(21,342)
<b>Total (increase) / decrease during the year</b>	<b>(24,057)</b>	<b>2,715</b>	<b>(21,342)</b>
<b>Balance at 31 March 2020</b>	<b>(169,332)</b>	<b>2,715</b>	<b>(166,617)</b>

Effect on	2019/20 as previously stated £000	Restatement - Defined Benefit Pension Scheme £000	2019/20 as restated £000
<b>7.2 Group Comprehensive Income and Expenditure Statement</b>			
Re-measurements of net pension liability	(15,193)	2,715	(12,478)
<b>Other Comprehensive (Income) and Expenditure</b>	<b>(18,792)</b>	<b>2,715</b>	<b>(16,077)</b>
<b>Total Comprehensive (Income) and Expenditure</b>	<b>(24,057)</b>	<b>2,715</b>	<b>(21,342)</b>
Effect on	2019/20 as previously stated £000	Restatement - Defined Benefit Pension Scheme £000	2019/20 as restated £000
<b>7.3 Group Balance Sheet</b>			
Liability related to Defined Benefit Pension Scheme	(27,402)	(2,715)	(30,117)
<b>Long Term Liabilities</b>	<b>(40,002)</b>	<b>(2,715)</b>	<b>(42,717)</b>
<b>Net Assets</b>	<b>169,332</b>	<b>(2,715)</b>	<b>166,617</b>
Unusable Reserves	(119,327)	2,715	(116,612)
<b>Total Reserves</b>	<b>(169,332)</b>	<b>2,715</b>	<b>(166,617)</b>

## 6.0 The Collection Fund Statement

## COLLECTION FUND 2019-20

	Business Rates £000	Council Tax £000	Total £000
<b>INCOME</b>			
Council Tax Receivable	-	74,411	74,411
Business Rates Receivable	48,635	-	48,635
Transitional Protection Payments	(299)	-	(299)
	<b>48,336</b>	<b>74,411</b>	<b>122,747</b>
<b>EXPENDITURE</b>			
<b>Precepts, Demands and Shares</b>			
MHCLG	(11,330)	-	(11,330)
Hertsmere Borough Council	(15,862)	(8,554)	(24,416)
Hertfordshire County Council	(18,129)	(56,130)	(74,259)
Hertfordshire Police & Crime Commissioner	-	(7,760)	(7,760)
	<b>(45,321)</b>	<b>(72,444)</b>	<b>(117,765)</b>
<b>Charges to Collection Fund</b>			
Write offs charged to collection fund	-	(153)	(153)
Increase (-) / Decrease in Impairment Allowance	(448)	(368)	(816)
Increase (-) / Decrease in Provision for Appeals	2,636	-	2,636
Cost of Collection	(147)	-	(147)
	<b>2,041</b>	<b>(521)</b>	<b>1,520</b>
<b>Surplus / Deficit (-) for the year</b>	<b>5,056</b>	<b>1,446</b>	<b>6,502</b>
<b>Apportionment of Previous Year Surplus</b>			
MHCLG	612	-	612
Hertsmere Borough Council	490	67	557
Hertfordshire County Council	123	411	534
Hertfordshire Police & Crime Commissioner	-	49	49
	<b>1,225</b>	<b>527</b>	<b>1,752</b>
<b>Surplus / Deficit (-) arising during the year</b>	<b>6,281</b>	<b>1,972</b>	<b>8,254</b>
<b>Surplus / Deficit (-) brought forward 1st April</b>	<b>(1,365)</b>	<b>516</b>	<b>(849)</b>
<b>Surplus / Deficit (-) carried forward 31st March</b>	<b>4,916</b>	<b>2,488</b>	<b>7,404</b>
Hertsmere Borough Council ( <i>included in reserves</i> )	1,713	293	2,006
Precepting authorities ( <i>included in current assets or liabilities</i> )	3,203	2,195	5,398
	<b>4,916</b>	<b>2,488</b>	<b>7,404</b>

**COLLECTION FUND 2020-21**

	<b>Business Rates £000</b>	<b>Council Tax £000</b>	<b>Total £000</b>
<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>



## 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 £805k (2019/20: increase £368k) and net £777k (2019/20: £521k) irrecoverable debts were written on against the provision not the collection fund.

The provision for irrecoverable business rates was increased by £1,409k (2019/20: increase £448k).

#### 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 (2019/20: 49.1p) and 51.2p (2019/20: 50.4p) with no relief. The total rateable value of properties at the year-end amounted to £116m (2020: £117m). 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>
MHCLG	23,376	-	<b>23,376</b>
Hertsmere Borough Council	18,701	7,638	<b>26,339</b>
Hertfordshire County Council	4,675	59,240	<b>63,915</b>
Hertfordshire PCC	-	8,294	<b>8,294</b>
Aldenham Parish Council	-	687	<b>687</b>
Elstree & Borehamwood Town Council	-	494	<b>494</b>
Shenley Parish Council	-	80	<b>80</b>
South Mimms	-	12	<b>12</b>
<b>Total</b>	<b>46,752</b>	<b>76,445</b>	<b>123,197</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 a premium up to 200%.

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 2020/21 the numbers as approved by full Council on 22 January 2020 (Ref: C/20/03) 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	488	326
B	40,001	to	52,000	1,744	1,356
C	52,001	to	68,000	4,988	4,433
D	68,001	to	88,000	11,849	11,850
E	88,001	to	120,000	7,833	9,574
F	120,001	to	160,000	3,943	5,696
G	160,001	to	320,000	4,270	7,116
H		Over	320,000	1,045	2,091
<b>Total number of equivalent band D dwellings</b>					<b>42,442</b>
Assumption of 98.0% collection					41,592
Number of equivalent band D contribution in lieu					298
<b>Total tax base</b>					<b>41,890</b>

## GROUP ACCOUNTS 2020-21

### 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 2020/21, 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 accounts were signed off by their auditors Berg Kaprow Lewis LLP on 20<sup>th</sup> December 2021. 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.

## 7. GROUP ACCOUNTS

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

Much of the 2020/21 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 2019</b>	(30,996)	(8,171)	(8,237)	(47,404)	(539)	(47,943)	(97,075)	(257)	(97,332)	(145,275)
Total comprehensive income and expenditure	(5,307)	-	-	(5,307)	42	(5,265)	(16,248)	171	(16,077)	(21,342)
Adjustments between accounting & funding basis under regulations	4,414	1,853	(3,064)	3,203	-	3,203	(3,203)	-	(3,203)	-
<b>Total (increase) / decrease during the year</b>	<b>(893)</b>	<b>1,853</b>	<b>(3,064)</b>	<b>(2,104)</b>	<b>42</b>	<b>(2,062)</b>	<b>(19,451)</b>	<b>171</b>	<b>(19,280)</b>	<b>(21,342)</b>
<b>Balance at 31 March 2020 (Restated *)</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>
	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 2020</b>	(31,889)	(6,318)	(11,301)	(49,508)	(497)	(50,005)	(119,241)	(86)	(119,327)	(169,332)
Restated	-	-	-	-	-	-	2,715	-	2,715	2,715
<b>Balance at 1 April 2020 restated</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>

\* For further detail please refer to Note 5.38 Prior Period Adjustment

## 7.2 Group Comprehensive Income and Expenditure Statement

2019-20 (Restated *) Net				2020-21 Net		
Gross Expenditure £000	Gross Income £000	Expenditure / (Income) £000		Gross Expenditure £000	Gross Income £000	Expenditure / (Income) £000
2,400	(3,229)	(829)	Asset Management	7,928	(3,239)	4,689
113	-	113	Audit & Assurance	203	-	203
686	-	686	Executive Directors	517	(2)	515
564	(153)	411	Engineering Services	548	(64)	484
1,343	(312)	1,031	Environmental Health	1,300	(465)	835
35,499	(32,996)	2,503	Finance & Business Services	33,910	(31,156)	2,754
423	(144)	279	General Expenses	454	(114)	340
3,387	(1,399)	1,988	Housing Services	2,870	(1,385)	1,485
1,430	(88)	1,342	Human Resources & Customer Services	1,345	(49)	1,296
2,198	(632)	1,566	Legal & Democratic Services	1,680	(264)	1,416
1,634	(244)	1,390	Partnership & Community Engagement	1,872	(375)	1,497
3,123	(1,262)	1,861	Planning & Economic Development	3,183	(1,524)	1,659
8,251	(3,576)	4,675	Street Scene Services	8,260	(1,987)	6,273
-	-	-	Exceptional Items – Covid-19	831	(194)	637
-	-	-	Exceptional Items – Covid-19 Business Support Grant	4,011	(4,011)	-
-	-	-	Exceptional Items – Covid-19 Self isolation	35	(35)	-
2,960	(4,518)	(1,558)	Elstree Film Studios Ltd	2,558	(4,264)	(1,706)
<b>64,011</b>	<b>(48,553)</b>	<b>15,458</b>	<b>Net Cost of Services</b>	<b>71,505</b>	<b>(49,128)</b>	<b>22,377</b>
2,251	-	<b>2,251</b>	Other Operating Expenditure	1,358	-	<b>1,358</b>
1,817	(2,756)	<b>(939)</b>	Financing and Investment Income and Expenditure	1,781	(1,932)	<b>(151)</b>
13,182	(35,239)	<b>(22,057)</b>	Taxation and Non-Specific Grant Income	26,089	(48,349)	<b>(22,260)</b>
22	-	<b>22</b>	Tax expense of subsidiary	7	-	<b>7</b>
<b>81,283</b>	<b>(86,548)</b>	<b>(5,265)</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>100,740</b>	<b>(99,409)</b>	<b>1,331</b>
		<b>(3,599)</b>	(Surplus) / Deficit on revaluation of non-current assets			<b>(5,668)</b>
		<b>(12,478)</b>	Re-measurements of net pension liability			<b>11,894</b>
		<b>(16,077)</b>	<b>Other Comprehensive (Income) and Expenditure</b>			<b>6,226</b>
		<b>(21,342)</b>	<b>Total Comprehensive (Income) and Expenditure</b>			<b>7,557</b>

\* For further detail please refer to Note 5.38 Prior Period Adjustment

## 7.3 Group Balance Sheet

31 March 2020 (Restated *) £000		31 March 2021 £000
138,591	Property Plant and Equipment	139,967
1,267	Heritage Assets	1,244
8,888	Investment Properties	8,509
525	Intangible Assets	521
-	Long Term Investments	5,005
6,962	Long Term Debtors	7,483
<b>156,233</b>	<b>Long Term Assets</b>	<b>162,729</b>
51,182	Short Term Investments	51,120
6,914	Short Term Debtors	6,274
101	Inventories	115
11,095	Cash and Cash Equivalents	16,280
<b>69,292</b>	<b>Current Assets</b>	<b>73,789</b>
(15,685)	Short Term Creditors	(19,954)
(506)	Provisions	(559)
<b>(16,191)</b>	<b>Current Liabilities</b>	<b>(20,513)</b>
(1,826)	Provisions	(2,270)
(30,117)	Liability related to defined benefit pension scheme	(42,884)
(430)	Other Long Term Liabilities	(400)
(10,344)	Capital Grants Received In Advance	(11,391)
<b>(42,717)</b>	<b>Long Term Liabilities</b>	<b>(56,945)</b>
<b>166,617</b>	<b>Net Assets</b>	<b>159,060</b>
(50,005)	Usable Reserves	(64,742)
(116,612)	Unusable Reserves	(94,318)
<b>(166,617)</b>	<b>Total Reserves</b>	<b>(159,060)</b>

\* For further detail please refer to Note 5.38 Prior Period Adjustment



## 7.4 Group Cash Flow Statement

2019-20		2020-21
£000		£000
(5,265)	<b>(Surplus) / Deficit on Provision of Services</b>	1,331
(3,843)	Adjustments to net (Surplus) / Deficit on Provision of Services for non-cash movements	(17,084)
<u>5,216</u>	Adjustments for items included in the net (Surplus) / Deficit on Provision of Services that are investing and financing activities	<u>5,705</u>
<b>(3,892)</b>	<b>Net cash (inflow) / outflow from Operating Activities</b>	<b>(10,048)</b>
6,219	Investing Activities	1,132
(4,022)	Financing Activities	3,731
<u>(1,695)</u>	<b>Decrease / (increase) in cash and cash equivalents</b>	<u>(5,185)</u>
9,400	Cash and cash equivalents at the beginning of the reporting period	11,095
<u>11,095</u>	<b>Cash and cash equivalents at the end of the reporting period</b>	<u>16,280</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**

<b>2019-20</b>	<b>Profit and Loss Account</b>	<b>2020-21</b>
<b>£000</b>		<b>£000</b>
(4,518)	Turnover	(4,264)
2,620	Cost of sales	2,511
<b>(1,898)</b>	<b>Gross Profit</b>	<b>(1,753)</b>
1,911	Administrative expenses	1,727
-	Interest receivable and similar income	-
12	Interest payable and similar charges	12
(5)	Other finance income	(10)
<b>20</b>	<b>(Profit) / Loss before taxation</b>	<b>(24)</b>
22	Taxation	7
<b>42</b>	<b>(Profit) / Loss for the year</b>	<b>(17)</b>
171	<b>Actuarial (gain) / loss related to pension scheme</b>	(21)
<b>213</b>	<b>Recognised (gains) / losses for the year</b>	<b>(38)</b>

## 7. GROUP ACCOUNTS

## 7.6.2 Summary Balance Sheet

31 March 2020	Balance Sheet	31 March 2021
<u>£000</u>		<u>£000</u>
654	Tangible Fixed Assets	516
	<b>Current Assets</b>	
786	Debtors	517
606	Cash	1,128
	<b>Current Liabilities</b>	
(1,476)	Creditors due within one year	(1,593)
	<b>Non-Current Liabilities</b>	
(31)	Provision for deferred tax	(6)
44	Pension scheme asset	59
<u>583</u>	<b>Net Assets</b>	<u>621</u>
	<b>Capital and Reserves</b>	
-	- Called up share capital	-
(86)	Pension scheme reserve	(107)
(497)	Profit and Loss Account	(514)
<u>(583)</u>	<b>Shareholders' Funds</b>	<u>(621)</u>



ANNUAL GOVERNANCE  
STATEMENT FOR THE  
FINANCIAL YEAR 2020/21

This Annual Governance Statement covers the 2020/21 financial year and up to the date of the approval of the audited accounts.

## **BACKGROUND**

The Accounts and Audit (England) Regulations 2015 require the Council to:

- a) Ensure that it has a sound system of internal control (Regulation 3),
- b) Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance (Regulation 5),
- c) Conducts a review at least once a year of the effectiveness of its system of internal control (Regulation 6),
- d) Prepare an annual governance statement (Regulation 6),
- e) Consider the findings of the review (either at a committee meeting or at Council) and, following that consideration, approve an AGS prepared in accordance with proper practices (Regulation 6), and
- f) Approve the annual governance statement in advance of approval of the statement of accounts (Regulation 6).

A local authority shall undertake a review of its system of internal control in accordance with best practice. Delivering Good Governance in Local Government: Framework (2016), published by CIPFA and SOLACE, recommends that the review be reported in an Annual Governance Statement.

The preparation and publication of an Annual Governance Statement in accordance with Delivering Good Governance in Local Government: Framework (2016) would fulfil the statutory requirements across the United Kingdom for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review with its Statement of Accounts. In England, the Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement must be “prepared in accordance with proper practices in relation to accounts”. Therefore, a local authority in England shall provide this statement in accordance with Delivering Good Governance in Local Government: Framework (2016) and the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (CIPFA / LASAAC) states that the preparation of an AGS fulfils the statutory requirement for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control, and that authorities should include an AGS report on the review in its Statement of Accounts. It also states that:

- a) The statement shall relate to the governance system as it applied during the financial year for the accounts that it accompanies;
- b) Significant events or developments relating to the governance system that occur between the reporting date and the date on which the Statement of Accounts is signed by the responsible financial officer shall also be reported; and
- c) Where an authority is in a group relationship with other entities and undertakes significant activities through the group, the review of the effectiveness of the system of internal control shall include its group activities.

Governance arrangements in the public services are keenly observed and sometimes criticised. Significant governance failings attract huge attention – as they should – and one significant failing can taint a whole sector. Local government organisations are big business and are vitally important to taxpayers and service users. They need to ensure that they meet the highest standards, and that governance arrangements are not only sound but are seen to be sound.

The International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) (the ‘International Framework’) defines governance as “Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.”

The International Framework also states that “To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity’s objectives while acting in the public interest at all times. Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders”.

Local authorities are required to prepare an annual governance statement in order to report publicly on the extent to which they comply with their own local code of governance (‘local code’ essentially refers to the governance structure), which in turn is consistent with the good governance principles in the Framework 2016. This includes how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The process of preparing the governance statement should itself add value to the effectiveness of the governance and internal control framework.

To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the core and sub-principles contained in the Framework 2016. It should therefore develop and maintain a local code of governance / governance arrangements reflecting the principles set out.

The seven core principles in the Framework 2016 are as follows:

- a) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law,
- b) Ensuring openness and comprehensive stakeholder engagement,
- c) Defining outcomes in terms of sustainable economic, social, and environmental benefits,
- d) Determining the interventions necessary to optimise the achievement of the intended outcomes,
- e) Developing the entity’s capacity, including the capability of its leadership and the individuals within it,
- f) Managing risks and performance through robust internal control and strong public financial management, and
- g) Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

The AGS should include the following information:

- a) An acknowledgement of responsibility for ensuring that there is a sound system of governance (incorporating the system of internal control) and reference to the authority’s code of governance,
- b) Reference to and assessment of the effectiveness of key elements of the governance framework and the role of those responsible for the development and maintenance of the governance environment, such as the authority, the executive, the audit committee, internal audit and others as appropriate,
- c) An opinion on the level of assurance that the governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework,
- d) An agreed action plan showing actions taken, or proposed, to deal with significant governance issues,
- e) Reference to how issues raised in the previous year’s annual governance statement have been resolved, and
- f) A Conclusion – a commitment to monitoring implementation as part of the next annual review.

## **SCOPE OF RESPONSIBILITY**

Hertsmere Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

This Governance Statement explains how the Council has maintained sound governance during the financial year 2020/21 and also how the Council meets the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015.

## **THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

The governance framework, which has been in place for the financial year 2020/21, comprises the systems and processes as well as the culture and values, by which the Council is directed and controlled and through which it accounts to, engages with and leads the community.

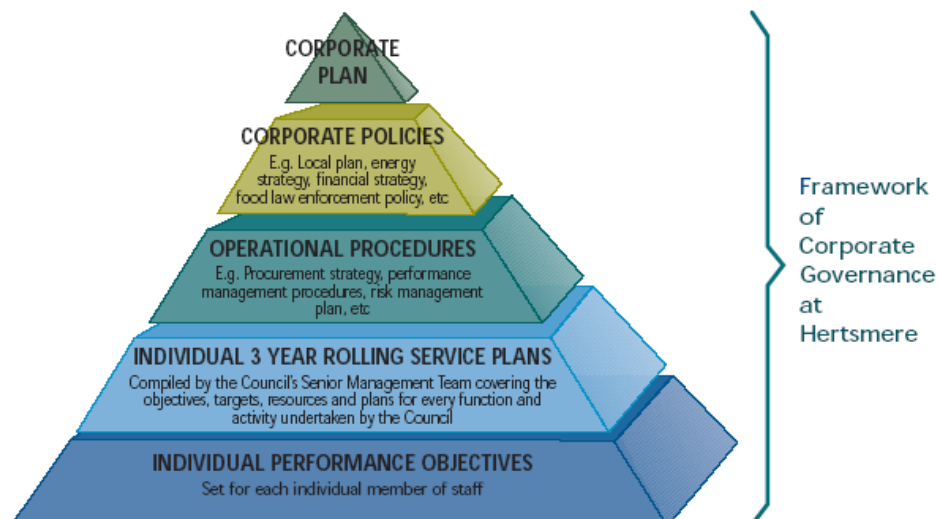
The governance framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.

The system of internal control is a significant part of this framework and is designed to manage risk to a reasonable level. However, it cannot eliminate all risk of failure to achieve policies, aims and objectives and, therefore, can only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and to manage them efficiently, effectively and economically.

## **THE GOVERNANCE FRAMEWORK**

The diagram below shows how the Council's plans and strategies link together. The model recognises the external influence of the Community Strategy as well as internal business planning processes:





The key elements of the systems and processes that comprise the Council's governance arrangements, as per the CIPFA 'Delivering good governance in local government: Framework – Addendum' include the following:

### **General**

The Council has adopted the Leader and Cabinet style of political management under the Local Government Act 2000 and has a comprehensive Constitution to govern its actions and decision-making.

The Constitution sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to the local community. Some of these procedures are required by law, whilst others are adopted by the Council. The Constitution is reviewed annually and is available on the Council's website and intranet.

The Council has an approved Local Code of Governance, which

- a) Defines good governance,
- b) Establishes and describes the seven principles of good governance in the 2016 Framework,
- c) States its commitment to the principles of good governance,
- d) Sets out the Council's governance structure and framework specifically in terms of the seven principles within the 2016 Framework.
- e) Establishes the arrangements and timing for ensuring that it operates effectively in practice.

The Local Code of Governance to the Annual Governance Statement, which is available on the Council's website and intranet and should be read together with the AGS.

The Council acknowledges its responsibility for internal control, and for ensuring that its systems maintain the integrity of accounting records and safeguard its assets. These systems provide reasonable assurance as to the reliability of financial information and to maintain proper control over the income, expenditure, assets and liabilities of the Council. However, no system of internal control can provide absolute assurance against material misstatement or loss.

The Chief Officers' Board and the Senior Management Team are aware of the financial and other procedures and controls outlined in the Constitution, and the Managing Director and each Head of Service is required to sign a declaration of compliance, in the form of a Service Assurance Statement, at the end of each year – this evidences, amongst other things, that their staff are aware of and consistently apply the requirements of the Constitution.

Elected Members as decision-makers have to declare conflicts of interest as and when they occur, as well as on an annual basis. All staff complete an outside commitments form which for senior officers would include directorships. A Related Party Declaration is also completed by Members and Senior Officers.

### **Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users / translating the vision into objectives for the authority and its partnerships**

The Council and its partner agencies in the Local Strategic Partnership (LSP) Hertsmere Together have a Sustainable Community Strategy which is underpinned by the Council's Corporate Plan. The Community Strategy was reviewed during 2017 and the revised strategy 2017/2021 was launched at the LSP in June 2017 and adopted by the Council in September 2017.

The Community Strategy and Corporate Plan ensure that the Council's strategic plans, priorities and targets are robustly developed in consultation with local communities and other key stakeholders.

The Corporate Plan and associated Performance Management Framework was reviewed during 2016/17. The high level vision, priorities and organisational values were agreed by the Council in November 2016.



The existing Corporate Plan priorities with regard to supporting our communities are closely allied to the strategic objectives in the Community Strategy to ensure an integrated approach to delivering services that meet community needs.

Local Strategic Partnership "Community Strategy" Strategic Objectives	Hertsmeres Borough Council Corporate Plan High Level Priorities
<p><b>Safer Communities</b></p> <ul style="list-style-type: none"> <li>To create safer environments by tackling crime, antisocial behaviour and extremism.</li> <li>To build community confidence and increase feelings of safety empowering our communities</li> <li>To raise awareness and take action against domestic abuse.</li> <li>To support and protect vulnerable people affected by emerging issues , such as child sexual exploitation, modern slavery and human trafficking</li> </ul>	<p><b>Supporting our Communities</b></p> <ul style="list-style-type: none"> <li>Work in partnership to build a safe, strong and cohesive community</li> </ul>
<p><b>Healthier Communities</b></p> <ul style="list-style-type: none"> <li>To promote healthy weight and increase physical activity.</li> <li>To improve mental health and emotional wellbeing.</li> <li>To support the reduction of smoking, drug and alcohol misuse.</li> <li>Enhance our environments and increase use of green space.</li> </ul>	<p><b>Supporting our Communities</b></p> <ul style="list-style-type: none"> <li>Support our residents to be healthier and live longer</li> <li>Provide opportunities to enable all the people of Hertsmeres to lead fulfilling lives</li> </ul>

Local Strategic Partnership “Community Strategy” Strategic Objectives	Hertsmere Borough Council Corporate Plan High Level Priorities
Thriving Communities <ul style="list-style-type: none"> <li>• To support and empower people to have a good start in life and age well.</li> <li>• Develop volunteering, social enterprise and business opportunities.</li> <li>• Provide accessible opportunities for skills development and financial advice.</li> <li>• Ensure a healthy standard of living for all and prevent homelessness.</li> </ul>	Supporting our Communities <ul style="list-style-type: none"> <li>• Provide opportunities to enable all the people of Hertsmere to lead fulfilling lives</li> </ul>

### **Reviewing the Council’s vision and its implications for the Council’s governance arrangements**

The Council’s Corporate Plan has been subject to ongoing review and the previous vision, priorities and values were subject to review and consultation in 2016. A new approach has been agreed with a high-level vision 2020 Vision as above at paragraph 19, with the key priorities and organisational values agreed at Council in November 2016. This will be supported with an Annual Corporate Action Plan and Annual Report of Performance. The Performance Management Framework has also been revised to reflect the new arrangements. The updated Corporate Plan / Vision for the year 2022 – 2027, known as the Hertsmere Vision 2022-27, was agreed at Executive and Full Council in November 2021. The 2021/22 Accounts will reference the new Hertsmere Vision 2022-27.

The Corporate Plan will always form part of the Council’s governance arrangements as, together with the Community Strategy, they fully encompass Council and community priorities for the Borough and they are used to inform other key documents such as the Council’s Medium-Term Financial Strategy.

The Council publishes an Annual Statement of Accounts, which show its activities, achievements, financial position and performance.

### **Measuring the quality of services for users, for ensuring they are delivered in accordance with the Council’s objectives and for ensuring that they represent the best use of resources**

The Corporate Plan and Annual Action Plan provide the benchmarks for performance within the Council, and the Annual Report of Performance and Annual Statement of Accounts shows the achievements against the Plan. The Council allocates resources based on its priorities, as set out in the Plan as well as in other Policy Framework Documents and the Communications Strategy and Residents’ Survey.

The Council has made proper arrangements for monitoring and reporting performance through the Executive Performance Management Panel and Scrutiny Committees and has sound systems to provide management and financial information. Where performance does not meet the planned levels, the Panel may refer the matter to the Scrutiny Committee for a more in-depth review.

The Council aims to provide high-quality services for everyone in the Hertsmere area and recognises the importance of customer feedback (i.e. Comments, Compliments or Complaints). The Council has approved a Customer Feedback Procedure, which is available both in leaflet form in the Civic Offices’ Reception and in the Area Offices as well as on the website.

The Council aims to use its resources efficiently, effectively and economically – the Constitution provides specific guidance in this.

The Council has entered into a number of shared service initiatives, e.g. with Hertfordshire County Council, Broxbourne Borough Council, Dacorum Borough Council, East Herts Council, North Herts District Council, Stevenage Borough Council, Three Rivers District Council, Watford Borough Council and Welwyn Hatfield Borough Council as well as the Hertfordshire Constabulary.

**Defining and documenting the roles and responsibilities of the Executive, non-Executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication**

The Council's Constitution sets out the roles and responsibilities of both Members and officers. It also commits the Council to provide clear leadership to the community. It aims to enhance the involvement of citizens in decision-making and make the decision-making process efficient, effective and transparent and those involved in it accountable.

There are regular meetings of the Council, the Executive, the Management Board and the Senior Management Team.

In addition, there are regular meetings of the Planning, Licensing, Operations Review, Policy Review, Personnel, Standards and Audit Committee.

Each has a clear terms of reference covering the business they respectively conduct.

There is a realistic level of delegation in place, which permits the Council's business to be conducted as effectively as possible.

Committee terms of reference and levels of delegation are kept under review to ensure that there is a clear demarcation of roles between the Council, Executive and various Committees, and between the Committees and officers. These boundaries are understood in order to manage reputational and uninsurable risks that are contrary to the best interests of the Council, and it is advisable to have regular training in respect of these roles.

The Council's Forward Plan and publication of minutes provides the Operations Review Committee and the Policy Review Committee with proposed and recently made executive decisions including key decisions, which are used to determine items for call-in or scrutiny.

In addition, the Council has created a list of policies and strategies, which identifies the responsible officer and when the policy is due for review. This document is used by councillors wishing to raise items on the scrutiny agenda.

The Constitution includes roles and responsibilities of the three statutory officers, and the Chief Officers, as well as Proper Officer Functions. In addition, each Head of Service has an up to date Scheme of Delegation which is reviewed annually. Roles and responsibilities of officers are further defined in the job descriptions for each post.

The Constitution also provides a Protocol for Member/Officer Relations and Codes of Conduct, which define the standard of behaviour that the Council requires of both Members and Officers. These also ensure that Members and Officers are not influenced by prejudice, bias or conflict of interest in their work.

**Developing, communicating and embedding Codes of Conduct, defining the standards of behaviour for Members and officers**

The Council's Constitution sets out:

Code of Conduct for Members – this includes General Provisions, Interests and the Register of Members' Interests, including Gifts and Hospitality and Related Party Declarations. The Register entries are renewed annually and when Members are elected or re-elected. Members are regularly advised to keep their entries accurate and up to date. The Register is subject to review by both Management and SIAS. Members are also required to declare the existence and nature of interests at meetings and these are recorded in the minutes of the meeting,

Local Code of Guidance for Members and Officers involved in Planning Matters – this includes conduct of Members and officers, Procedures for Committees considering Planning Matters, Site Visits by Members and by the Planning Control Committee, Officers' Code of Conduct – this includes Duties, Disclosure of Information, Political Neutrality, Outside Commitments, Personal Interests, Interests of Officers in Contracts, Gifts and Hospitality and Related Party Declarations. Appointment and other employment matters, Use of Financial Resources and Disciplinary Rules. Officers are regularly reminded to record any offers of gifts and hospitality, Protocol on Member Officer Relations – this includes the Principles underlying Member Officer Relations, the roles of Members and Officers, the relationships between the Mayor and officers, the Leader and Members of the Cabinet and officers, the Chairmen and Members of Committees and officers, Officer relationships with Party Groups, etc.

Copies of the Council's Constitution are available to all on the Council's website and at Council Offices (including the Members' Room), libraries and other appropriate locations.

In addition, Induction Training is provided to all newly elected Members and new employees and the Council has been awarded the Elected Members' Development Charter. In a digital world, there is also an emphasis on responsible use of social media.

**Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls to manage risks**

The Constitution and the decision-making structures (both Members and officers) are regularly reviewed to ensure that they are up-to-date, relevant, in line with good practice and fit for purpose. In the period covered by this Statement, the work of the Constitution and Member Development Working Party included a detailed review of the Council Procedure Rules intended to improve the efficient and effective working of Council meetings. This resulted in the adoption of revised Council Procedure Rules in July 2018.

The Constitution sets out the Council's Policy Framework which includes the following plans and policies at Article 4:

- Community Strategy
- Corporate Plan
- Community Safety Partnership Plan
- Economic Development Strategy
- Financial Strategy including the Efficiency Plan
- Gambling Policy
- Homeless Strategy
- Local Development Documents which include the Local Development Framework; the Local Plan Core Strategy and Site Allocation and Development Management Development Plan Document
- Risk Management Strategy
- The Local Code of Governance
- Treasury Management Strategy
- Workforce Strategy

The Council has an approved Risk Management Strategy, which sets out:

- the key features of its risk management system
- roles and responsibilities with regard to risk management
- its overall approach to the management of risk
- actions to embed the process in future periods

The Council's Risk Register is recorded on Pentana the Council's Performance and Risk management software. This includes both Strategic and Operational risks. The Risk Management Strategy provides an introduction to the risk management framework, definitions and how to identify assess and manage risks. The use of a risk matrix enables the assessment level of the risks to be readily identified.

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

The Audit Committee has Terms of Reference, which are included in the Council's Constitution and are regularly reviewed to ensure compliance with recognised best practice - the CIPFA publication "Audit Committees – Practical Guidance for Local Authorities and Police". Responsibilities arising from the Bribery Act were added. From April 2016, the Audit Committee became the nominated body responsible for the scrutiny of the Treasury Management function and receives a minimum of three reports per annum in accordance with the Treasury Management code of practice.

It is recognised that, in order to discharge these responsibilities, the Audit Committee may require any officer to attend meetings of the Committee, so it may receive explanations regarding any matter that it is considering.

At the beginning of each financial year, the Committee establishes a Work Program, as well as a Training and Development Program. At each Committee, it receives reports from officers setting out performance against items listed in the Work Program.

The Audit Committee Chair presents a report on the work of the Committee to the Full Council.

### **Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful**

The Council has a full range of relevant policies and procedures and places emphasis on compliance with these, as well as with the law and other external regulations. Compliance is achieved through the following mechanisms:

Members - Code of Conduct, Role Descriptions, Training and Development and Declaration of Interests

Employees - Code of Conduct, Job / Person Specification, Appraisals, Team Meetings and Training & Development and Declarations of Outside Interests.

Other -

The Constitution and other policies and procedures are available on the Council's website, intranet and as hard copy

Officers prepare timely reports to all of the Council's decision-making bodies (including the Executive, the Audit Committee and the Chief Officers' Board) on statutory requirements and proposals regarding their implementation

Standard report formats require officers to consider the implications of Corporate Policy, Finance, Health and Safety, Legal, Personnel and Risk Management

Two Officer Groups, the Corporate Policy Network and the Governance Group generally met quarterly to review policy and track changes in legislation

The work of the Council's external auditors, who report to members, officers and the Council's stakeholders if they have been required to issue a report in the public interest or exercise any other special powers of the auditor under the Local Audit and Accountability Act 2014, including applying to the court for a declaration that an item of account is contrary to law.

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

The Council's Whistle-blowing Policy was reviewed and updated in June 2017 to ensure that staff can continue to raise concerns in confidence and without fear of retribution in relation to actual or perceived

unlawful conduct, financial malpractice or dangers to the public and the environment. The Policy is available on the Council's Website and Intranet and covers malpractice or wrongdoing by:

Any Member of the Council

Any employee of the Council

Any contractor, supplier, consultant or partner of the Council in the course of their work for the Council

The Council aims to provide high-quality services for everyone in the Hertsmere area and recognises the importance of customer feedback (i.e. Comments, Compliments or Complaints). The Council has approved a Customer Feedback Procedure, which is available both in leaflet form in the Civic Offices' Reception and in the Area Offices as well as on the website.

**Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by the appropriate training**

On taking up office, all Members are required to attend a comprehensive Members' Induction Course. The Constitution states that the Council's Standards Committee is responsible for "advising, training or arranging to train Councillors and co-opted members on matters relating to the Members' Code of Conduct".

The Constitution also states that "All Members appointed to the Planning Committee (and all other Members who may from time to time consider a planning application) must receive training in planning procedures. Induction training in planning procedures shall be provided to all Members, either before serving on the Committee or within two months of appointment."

The Council has also identified the need to provide role descriptions and training to members nominated or appointed by the Council to the Boards of Management of Council owned companies and dedicated training had been delivered by the Institute of Directors to the member and officers who currently act as non-executive directors or company secretaries to Elstree Film Studio Limited, Hertsmere Developments Limited and Hertsmere Homes Limited.

Senior Officers' training needs are identified (and regularly monitored) as part of the Council's Continuous Performance Review Scheme (appraisals). In addition to the Corporate Training Programme and various professional development courses, seminars and conferences, a variety of Management Development Courses, Project Planning and mentoring facilities have been delivered to senior managers.

**Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

Opinion Research Services has been commissioned by the Council to undertake a survey in which the Council wished to examine residents' views on a range of services. Overall the results have historically been very positive for the Council, showing improvements in key areas. The chart below shows the response to key questions from each year the survey was carried out since 1999. The most recent survey was conducted in early 2018. Overall, the results show that Hertsmere Borough Council is performing similarly to other councils nationally. Hertsmere Borough Council figures have fallen back when benchmarked against the Hertsmere 2014/15 survey but are generally at similar levels to other council areas in the country, and in some cases better (LGA Survey Results).

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	1999	2002	2005	2008	2011	2014	2018
% Satisfaction with the area as a place to live	82	82	82	84	91	90	83
% Satisfaction with the way the Council is run	62	64	66	65	74	74	66
% Agree the Council provides value for money	45	45	39	52	61	65	48
% Agree treats all areas of the borough fairly	29	31	28	35	65	70	69

The Council's official magazine "Hertsmere News" is published three times a year and delivered throughout the Borough.

The Council's upgraded website has provision for residents and interested parties to register to receive e-alerts on topics which are of interest of them or for all council alerts. In addition, the Council has an active presence on social media platforms, including Facebook, Instagram, Twitter and Youtube.

Residents and property / business owners in the Borough are able to submit relevant questions in writing for consideration and response at Council meetings.

There is a facility for the Council to receive petitions should a group of residents feel strongly about an issue that relates to or affects the Council's functions or the Council has an interest in or involvement with.

Committee meetings of the Council, including the Executive and Planning Committee are webcast.

Members of the public are also able to speak at a Planning Committee on any application being considered at that meeting – by prior arrangement only.

A Participatory Budgeting process was carried out in November 2016 and resulted in ongoing annual savings of £201,000, which assisted the Council in balancing the 2017/18 budget and in addressing the continuing reduction in funding from Central Government. Further annual savings of £150,000 were incorporated into the revenue budget from 2018/19.

The Council is subject to the requirements of the Freedom of Information Act 2003 and the Local Government Transparency Code 2014, the approaches of which are to provide demand-led, open, honest, timely and transparent information to all stakeholders without compromising confidentiality.

The Council has established clear channels of communication with its staff, e.g. briefings from the Managing Director, regular Directorate meetings and weekly 'All Staff' e-mails.

**Compliance with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)**

The Council can confirm that its financial management arrangements conform to the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer in Local Government.



### **Incorporating good governance arrangements in respect of partnerships and other joint working and reflecting these in the Council's overall governance arrangements**

The Council is committed to improving and supporting collaborative working of all kinds, although the wide range of partnership models do make it very difficult to prescribe a single set of arrangements. However, partnership working should not result in diminished accountability to the public.

There is a Partnership Governance Framework in place for significant partnership and the register of such partnerships and shared services is reviewed on an annual basis by the Governance Group. For the organisations which the council supports through core funding there are individual Service Level / Partnership Agreements in place and there are regular meetings with partners to monitor the performance of the work carried out by the organisation / partnership. All Service Level / Partnership Agreements are subject to an annual review with a full review carried out every five years ahead of any renewal of agreements.

The Local Strategic Partnership is the forum for all of the Council's key partners – meetings are chaired by the Leader and are supported by the Chief Executive / Managing Director and senior managers.

### **REVIEW OF EFFECTIVENESS**

The Council has the responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

This review is informed by those Members and officers, who have the responsibility for the development and maintenance of the governance environment, including:

- a) The work of Members at Council, Executive, Overview and Scrutiny Committees, the Audit Committee, the Standards Committee and Financial Monitoring Panel,
- b) The work of the Corporate Governance Group,
- c) The annual Management Assurance Statements prepared by the Directors, Heads of Service and Senior Managers relating to internal controls, performance and risk management within their areas of activity,
- d) The Head of SIAS's Annual Assurance Statement and Annual Report as well as the individual audit reports, and
- e) Reports made by the Council's External Auditors and any other review agencies and inspectorates.

### **Reviewing the effectiveness of the authority's decision-making framework**

#### **The Council**

The full Council comprises 39 Members, who as a collective, approve the Council's annual Revenue and Capital Budgets, set the Council Tax, approve the Policy Framework and take decisions that are contrary to, or not in accordance with, the Budget or the Policy Framework. Full Council also takes a range of decisions that are reserved to it such as approving the Council's Constitution, electing or removing an Executive Leader (in Hertsmere called the Leader of the Council), establishing a number of committees to discharge the Council's regulatory, scrutiny and non- executive functions, approving an Officers Scheme of Delegations, making bye-laws and making a Scheme of Allowances for Members.

At the Annual Meeting in June 2020 the Council noted the appointment by the Leader to the Executive of a Deputy Leader and six other portfolio-holders. The Council also elected a Mayor, appointed a Deputy Mayor and appointed members to the standing Committees in accordance with the requirements of political balance and appointed a number of members to represent the Council on a range of outside bodies for the coming municipal year.

Each Council meeting has been open to the public to view online (due to the Covid-19 pandemic). Members are also entitled to submit a question or petition to any ordinary meeting of Council.

The Council met nine times during the last financial year comprising of an annual meeting, six ordinary meetings and two extraordinary meetings. Agendas, Open Reports and Minutes are available on the Council's website.

### The Executive

The Executive comprises the Leader of the Council and seven other members appointed by him, one of whom is also appointed as Deputy Leader. The Executive is responsible for developing the annual budget, for the development and implementation of Council policy, for the delivery of the Council's corporate plan priorities, for ensuring that the officers team have sufficient resources to effectively discharge all the Council's statutory and discretionary functions and for setting and monitoring service standards and service delivery performance indicators.

Each Member of the Executive has responsibility for a range of Council functions, known as a portfolio and each portfolio-holder is required to work closely with Directors and Heads of Service and develop an in-depth knowledge of their portfolio area.

The dates of all Executive meeting are pre-published and all executive decisions have been taken in public apart from a small number of reports which were considered and determined after the press and public has been lawfully excluded (for example, to protect personal or commercially sensitive information or to receive confidential legal advice). Agendas, open reports and the minutes of the meetings are available on the Council's web site and all background documents can be inspected by the public for six year after the date of the decision.

The Executive are unable to take key decision that have not been published in the Forward Plan unless the general exception or urgency procedures are followed and officers are unable to implement key decisions until the five day 'call-in' period has elapsed – except for those decisions taken under urgency procedures.

The Executive met 14 times during the 2020/21 municipal year, including one special meeting. Agendas, Open Reports and Minutes are available on the Council's website.

### The Review Committees

At the Annual Meeting in 2019, Council appointed two Review Committees. These were the Operations Review Committee and the Policy Review Committee whose role is to scrutinise the decisions and performance of the Executive and the Council as a whole, to call-in unimplemented executive decisions for re-consideration and to undertake policy development and review work. Both Committees have the power to require executive member and officers to appear before them to give account and have extensive rights of access to Council records and information to enable them to effectively discharge their functions. It is important to maintain the clear demarcation between the conduct of executive functions and the scrutiny of executive decisions as part of democratic accountability.

The Operations Review Committee has responsibility for reviewing all aspects of the Councils operational business and met nine times in 2020/21. It set and monitored its own work plan which included regular Financial and Performance Monitoring, the receipt of presentations from Executive Portfolio-holders and consideration of the annual reports of Elstree Film Studios Limited, Hertsmere Developments Limited and InspireAll Leisure Limited.

The Policy Review Committee has responsibility for keeping the Council's strategies and plans under review, for reviewing the draft budget and financial performance of the Council and for overseeing the enterprise and regeneration agenda of the Council. It met six times during 2020/21 and its work plan included a review of the Scrutiny function.

### Member Panels

There has been a number of cross-party Member Panels to scrutinise the various areas of Council activity, e.g. Asset Management Panel, Financial Monitoring Panel, Leisure Panel, the Performance Management Panel and the Shareholder Panel.

### The Standards Committee

The Standards Committee's Terms of Reference were amended to take account of the revised purpose of this Committee following the enactment of the Localism Act 2011. One of its functions remains the promotion and maintenance of high standards of conduct by Members and co-opted Members.

The Committee comprises five Borough Councillors supported by two Independent Persons (IP).

The Standards Committee met three times during 2020/21 of which one meeting was solely to appoint the Chair and Vice-Chair. Agendas, supporting papers and minutes of the Standards Committee are available on the Council's website. The Standards Assessment Panel which considers whether a complaint against an elected or co-opted member warrants investigation or other action, met four times in the year. The decisions of the Panel are published for a minimum of fifty-six days on the Council's website.

### Members' and Officers' Allowances and Expenses

#### Members' Allowances:

As recommended by the Council's Independent Remuneration Panel, members' allowances were increased by 2% in 2020/21, this being the level of the officers pay award. The actual allowances and expenses received by members in 2020/21, including those received by members appointed by the Council as directors of Council owned and controlled companies, was reported to full Council in July 2021 and thereafter published on the Council's website.

#### Officers' Allowances & Expenses:

Allowances are stipulated by individual employment contracts, whereby the Human Resources Team instructs the Payroll Team as to the payment to be made.

Officers' Expenses are authorised for payment by employees' line managers and reimbursed via payroll. Senior officer pay is disclosed in the Statement of Accounts and the Pay Policy Statement. These are also published on the Council's website.

Both Members' and Officers' Allowances and Expenses are subject to periodic review by the SIAS Team to ensure that the internal controls in operation are both adequate and effective.

### Senior Management

There are three Council officers who are statutory appointments – the Managing Director's role as the Head of Paid Service, the Head of Finance and Business Services as the Section 151 Officer and the Head of Legal and Democratic Services as the Monitoring Officer.

The Chief Officers' Board (Managing Director and Executive Director), together with the Heads of Housing, Partnerships and Community Engagement, Finance and Business Services, HR & Customer Services, Street Scene, Planning and Economic Development, Asset Management and Engineering Services and Legal and Democratic Services comprise the Senior Management Team, which meets on a monthly basis. The SIAS Client Audit Manager also attends Senior Management Team.

Each Director and Head of Service has completed and signed off a personal Service Assurance Statement. These statements have been designed to require each officer to certify the effective operation of the control environment in their service area – including arrangements for performance

management and risk management. As a consequence, these Statements are key supporting documents in identifying any significant governance issues.

### Governance Group

The Governance Group has been chaired by the Managing Director, in their capacity as the Council's Head of Corporate Governance.

The Group met four times during the financial year and received reports and updates covering Ethics and Standards, New Legislation, Officer and Member Issues, Internal Control, Counter-fraud and Corruption, Health and Safety, Partnerships and Performance Management and Risk Management, Shared Learning and other current governance matters.

The Group has co-ordinated the preparation of this Annual Governance Statement – as part of this process. The Group has also monitored the progress of the Action Plan which was put in place to address the Significant Governance Issues identified in the Annual Governance Statement.

### Performance Management

The Performance Strategy remains a key link between the Community Strategy, the Corporate Plan, Service Plans and individual Key Result Areas – “the golden thread”.

Local Performance Indicators have been regularly collected, analysed, risk managed alongside the Corporate Plan Annual Action Plan and reported to Members and senior management – the process is facilitated by a software package, Covalent.

An Executive-led Performance Management Panel, which comprises key Members and Senior Officers, has met on a quarterly basis to consider selected key performance indicators and the delivery of the Corporate Annual Action Plan where the performance is deteriorating or below target, the Panel may refer the matter to Scrutiny. The quarterly performance report has also been presented to the Executive on a quarterly basis.

The Financial Monitoring Panel has met on a monthly basis to scrutinise the Council's financial performance (April through to March). The financial performance is scrutinised in detail by the Panel and reported in summary and by exception back to the Operations Review Committee. Whereas the panel would usually meet monthly commencing from the June monitoring, due to the financial impact of the Covid-19 pandemic the Panel met every month during 2020/21. The Panel were informed of the impact from the pandemic on the Council's services and budgets both in terms of additional cost pressures and loss of income from fees and charges and were advised how the resulting financial pressure could be funded through the various government funding schemes and the use of the contingency budget agreed by the full Council in July.

### Procurement

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

The Council has a robust set of documentation to provide guidance and advice to Members and officers to ensure that Procurement is carried out in an effective and ethical manner. This documentation includes the Procurement Strategy, Contract Procedure Rules and the Procurement Handbook. These documents are regularly reviewed to reflect changes in local requirements, EU policy and legislation and general good practice. Both documents were updated and approved during 2020/21.

To ensure compliance with these rules, an expenditure report is run on a six monthly basis and mapped against the contract list. An exception list is then produced and, where possible, non-compliance is highlighted. Officers are then required to provide an explanation of this non-compliance and then put into place an action plan to address this.

The Council has a full e-tendering package that provides a secure and auditable method of issuing and receiving tenders.

### **Undertaking the core functions of an audit committee, as identified in the CIPFA's 'Audit Committees: Practical Guidance for Local Authorities'**

#### The Audit Committee

The Audit Committee's Terms of Reference have been kept under regular review to ensure that its role complies with those prescribed by the CIPFA publication "Audit Committees – Practical Guidance for Local Authorities".

The Audit Committee has comprised five non-Executive Members (as required) and has met four times during the financial year – Agendas, Open Reports and Minutes are available on the Council's website.

It substantially completed its Planned Work Programme, regularly receiving reports from:

- The Council's External Auditors – Progress Reports, Annual Governance Report, Annual Audit Letter, Audit Plan and Certification Report on Claims and Returns
- The Shared Anti-Fraud Service – Progress Reports and Annual Report
- The SIAS Team – Progress Reports, Draft Annual Governance Statement, Annual Assurance Statement and Annual Report, and Annual Audit Plan
- The Risk Manager – Progress Reports
- The Head of Finance and Business Services – Accounting Policies, Statement of Accounts, Treasury Management.

### **Ensuring the authority's assurance arrangements conform with governance requirements**

#### Internal Audit

Internal Audit is an assurance function that provides an independent and objective opinion to the Council on its control environment – this comprises the systems of governance, internal control and risk management – by evaluating its effectiveness in achieving the organisation's objectives.

The Council joined six other districts / boroughs (East Herts Council, North Herts DC, Stevenage BC, Welwyn Hatfield BC, Watford BC and Three Rivers DC) and Hertfordshire County Council in 2011/12 to deliver a shared internal audit service to provide efficiency and resilience.

The SIAS Team has undertaken a work programme during the financial year, which was approved by the Audit Committee, and has operated in accordance with the Public Sector Internal Audit Standards (PSIAS).

In line with the PSIAS, an Annual Assurance Statement and Internal Audit Annual Report is presented to the Audit Committee which:

- a) includes an opinion on the overall adequacy and effectiveness of the Council's internal control environment,
- b) discloses any qualifications to that opinion, together with any reasons for the qualification, and
- c) draws attention to any issues which are judged particularly relevant to the preparation of the Annual Governance Statement.

The SIAS Head of Assurance Annual Report is a key source document for the Council's Annual Governance Statement. For 2020/21 this report includes the following statements:

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- A satisfactory assurance opinion is given on the adequacy and effectiveness of both financial systems and non-financial systems in the internal control environment. The internal control framework is largely working well in managing the key risks in scope, with some audit findings related to the current arrangements. There are no qualifications to this assurance.
- SIAS has concluded that the corporate governance and risk management frameworks substantially comply with the CIPFA/SOLACE best practice guidance on corporate governance. This conclusion is based on the work undertaken by the Council and reported in its Annual Governance Statement. Although no specific review of Risk Management was carried out by SIAS during the year, a Risk Management audit has been requested by the Head of Assurance and by the Audit Committee in 2021/22. Risk Management arrangements are considered during annual audit planning and delivery of individual audit assignments. A review of member’s declarations of interest was completed in 2020/21.

Individual SIAS Reports also state whether or not there are any implications for the Annual Governance Statement. All 2020/21 final reports issued have stated that there are no implications for the Annual Governance Statement.

All recommendations made by the SIAS Team to strengthen the internal control environment and agreed by management are kept under review by the Audit Committee and Corporate Governance Group to ensure that they are implemented in a timely manner.

The Council’s External Auditors regularly review the work of the SIAS Team.

The Council’s External Auditors

Following the abolition of the Audit Commission in March 2015, the Secretary of State for Communities and Local Government delegated statutory functions to Public Sector Audit Appointments Limited (PSAA), on a transitional basis, to make auditor appointments to local government, police and local NHS bodies under the Local Audit and Accountability Act 2014 until 2018/19. Ernst and Young LLP were appointed as Hertsmere’s external auditors under these transitional arrangements from 2015/16.

The transitional arrangements only extended to the 2017/18 financial year in November 2016 the Full Council agreed that Hertsmere BC should take advantage of the new national collective scheme that the Public Sector Audit Appointments (PSAA) was developing by formally “opting in” in January 2017.

Hertsmere have since opted into the new PSAA scheme (along with 98% of Local Authorities) and on 17 August 2017 the PSAA confirmed the appointment of Ernst & Young LLP as Hertsmere’s external auditors for five years from 2018/19.

Ernst & Young LLP presented their Annual Audit Letter for 2020/21 to the Audit Committee in January 2021 and their main audit conclusions for the year were:

Area of Work	Conclusions
<p><b>Opinion on the Council’s:</b></p> <p>Financial Statements</p> <p>Consistency of other information published with the financial statements.</p>	<p>Unqualified - the financial statements give a true and fair view of the financial position of the Council as at 31 March 2020 and of its expenditure and income for the year then ended.</p> <p>Other information published with the financial statements was consistent with the Annual Accounts.</p>

Concluding on the Council's arrangements for securing economy, efficiency and effectiveness.	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.
<p><b>Reports by exception:</b></p> <p>Consistency of Governance Statement</p> <p>Public interest report</p> <p>Written recommendations to the Council, which should be copied to the Secretary of State.</p> <p>Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014.</p>	<p>The Governance Statement was consistent with our understanding of the Council.</p> <p>We had no matters to report in the public interest.</p> <p>We had no matters to report.</p> <p>We had no matters to report.</p>
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	The Council is below the specified audit threshold of £500mn. Therefore, we did not perform any audit procedures on the consolidation pack.
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 30 July 2020
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 25 November 2020.

The new PSAA scheme did not include provision for the audit of the Housing Benefit Subsidy claim and Local Authorities are now responsible for their own appointment in this respect. In September 2017, it was recommended to the Audit Committee that Hertsmere also appoint Ernst & Young LLP to undertake this subsidy work along-side their other audit work due in the main to the efficiencies of appointing a single auditor. The Audit Committee considered Ernst & Young LLP's proposal and recommended their appointment by the full Council.

### **Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained**

#### Anti-Fraud and Anti-Corruption

During 2014/15, the Council joined four other districts / boroughs (East Herts Council, North Herts DC, Stevenage BC and Broxbourne BC) and Hertfordshire County Council to form the Shared Anti-Fraud Service (SAFS), offering an exclusive strategic fraud prevention and investigation service to its partners across Hertfordshire and subsequently to Luton Borough Council within Bedfordshire. The SAFS officially commenced at the Council on 1 April 2015.

The service has delivered a full range of fraud awareness training, the use of highly developed investigation skills, data-matching opportunities and partnership working with law enforcement agencies. This allows for the investigation of any fraud and corruption, bribery or money laundering matters (internal or external) that the Council becomes aware of and, the comprehensive reporting of all fraud deterrence, prevention and investigation activity undertaken by the SAFS and the Council.

The aims of the Shared Anti-Fraud Service are as follows:

- Ensure ongoing effectiveness and resilience of Partner anti-fraud arrangements
- Deliver financial benefits in terms of cost savings or increased revenue to Partners
- Develop the current Data-Hub into a *FraudHub* working in partnership with the Cabinet Office and others
- Improve the reach into new areas of fraud risk across all partner services, with a focus on Adult Care, Procurement and emerging areas of high risk
- Develop services which can be marketed to 3<sup>rd</sup> Parties or shared for mutual benefit
- Continue to develop SAFS as a recognised centre of excellence regionally and nationally.

The Audit Committee reviews the comprehensive Anti-Fraud Action Plan each year which is agreed by SAFS and senior managers. This is based on CIPFA / MHCLG / NAO Good Practice and progress against this is reported to Audit Committee three times each year. The Committee also reviews the Anti-Fraud and Corruption Strategy and Anti-Money Laundering Policy.

### **Review of effectiveness of the framework for identifying and managing risks and demonstrating clear accountability**

#### Risk Management

Responsibility and accountability for Risk Management is placed with the Heads of Service and on-going training and support was provided to assist them in this role. Risk Management support was provided by Hertfordshire County Council.

Regular reporting to the Audit Committee on the Council's strategic risks is in place. The Council's risks are recorded on Pentana, the Council's performance and risk management software, so there is one central record of the Council's risks.

### **SIGNIFICANT GOVERNANCE ISSUES**

In reviewing and approving the AGS, officers and Members require assurances on the effectiveness of the governance framework and how this addresses the key risks faced by the Council, taking account of changing risks and circumstances.

Management from across the Council have provided the primary source of assurance – this is evidenced by the Managing Director, Executive Director and Heads of Service (including statutory officers) producing a duly signed Service Assurance Statement. This certifies the effective operation of the control environment in their Directorate and Service Areas, including arrangements for:

- a) Internal controls,
- b) Governance,
- c) Financial and Non-Financial Performance, and
- d) Risk Management.

Weaknesses or gaps in control identified were given consideration as to whether they constituted a significant governance issue, and thus whether they should be included in the AGS Action Plan. Significant governance issues should fulfil at least one of the following criteria:



## 8. ANNUAL GOVERNANCE STATEMENT

- a) It has seriously prejudiced or prevented the achievement of a principal corporate or service priority or objective of the authority,
- b) It has resulted in the need to seek additional funding to allow it to be resolved, or has resulted in a significant diversion of resources from other areas,
- c) It has led to a material adverse impact on the accounts,
- d) The Audit Committee has advised that it should be considered significant,
- e) The Head of Internal Audit has reported the matter as significant in the annual opinion on the internal control environment,
- f) The Head of Partnerships and Community Engagement has reported the matter as significant in relation to the Performance Management Framework,
- g) The issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation, and
- h) The issue has resulted in formal action being undertaken by the S151 Officer and/or the Monitoring Officer.

Another significant source of assurance and source of identification of significant governance issues is the work of the Internal Audit Team – this is evidenced by the production of the Head of Assurance Annual Internal Audit Report.

Further assurances are available from a wide range of external sources including corporate assessments and direction of travel statements, peer reviews, inspections and the Council's External Auditors – through the annual audit of the accounts.

The officer Corporate Governance Group and Chief Officers Board, both of which are chaired by the Managing Director (i.e., the Head of Governance), has reviewed the assurances and significant governance issues, as well as the Constitutional review, performance reporting, risk management arrangements and the individual audit and risk management assessments.

Prior to the approval of the AGS, the Managing Director and the Leader of the Council should seek to satisfy themselves that all of the information obtained to support the disclosures made is relevant and reliable so that they can then sign the AGS.

### AGS Action Plan

A key part of the AGS is the AGS Action Plan. For 2020/21 one significant governance issue has been identified as follows:

#### Freedom of Information

The internal audit of FOI completed in March 2021 concluded that a 'Limited' level of assurance could be given. Two 'high' and 'three' medium priority recommendations were made. Full implementation of these recommendations is a priority in 2021/22.

Coronavirus (Covid-19) – whilst the coronavirus is not a specific governance issue, the impact of this pandemic during the year does need to be noted. There was a significant financial impact due to Covid-19 during 2020/21 resulting in a year-end budget deficit of c.£2.7m albeit this was fully funded from Government Grants. Whilst it is anticipated that there will continue to be a financial impact due to the pandemic well into 2021/22 the budget has been prepared based on normal service provision meaning any Covid related measures can be identified and reported in this context as a variance against the normal budget.

As agreed by Council any remaining Government Covid funding and/or Contingency budget from 2020/21 (c.£430k) has been carried forward in a reserve to support any ongoing financial impact in 2021/22. Further Government funding was announced in the budget in March 2021, with allocations to be confirmed. More regular financial monitoring and reporting will also continue during 2021/22 with financial monitoring meetings recommencing from April 2021.

## 8. ANNUAL GOVERNANCE STATEMENT

Local Plan- whilst not a specific significant governance issue, the Council continues to face significant risks in delivering the development needs of the Borough. The Council has continued to progress the Local Plan and adoption is expected in 2023. Public examination of the draft plan will be via Regulation 18 of the Town and County Planning (Local Planning) Regulations 2012 prior to further scrutiny by the examiner.

The 2019/20 AGS Action Plan contained two significant governance issues. These are noted below with a comment on whether or not they are being carried forward into 2020/21:

GDPR – not carried forward into 2020/21 as significant work has been undertaken during the last year and the internal audit recommendations from the limited assurance audit completed in March 2020 have fully implemented or are close to full implementation,

Newberries Car Park Development – not carried forward into 2020/21 as the site will likely be offered on the open market and the proceeds will off-set the costs incurred.

### **CERTIFICATION**

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Executive, the Audit Committee and the Governance Group, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined above, and the plan to address the identified weaknesses and to ensure continuous improvement of the system is in place.

We propose to take steps over the coming financial year to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that have been identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Signed:**

**Leader of the Council**

**Cllr Morris Bright**

8 September 2022  
**Date**

**Signed:**

**Managing Director**

**Sajida Bijle**

8 September 2022  
**Date**

## 9. GLOSSARY OF TERMS

### Term

#### **12-month expected credit losses**

### Definition

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.

## GLOSSARY

<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>