

**HERTSMERE BOROUGH COUNCIL  
STATEMENT OF ACCOUNTS  
FOR THE YEAR ENDED 31 March 2024**



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## Statement of Responsibilities

### The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of Finance and Business Services also referred to as the Chief Finance Officer or Section 151 Officer.
- 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 2024 and its Income & Expenditure for the year then ended.**



**Matthew Bunyon**  
Head of Finance and Business Services

Date: 27 February 2025

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

## REPORT ON THE AUDIT OF THE AUTHORITY'S FINANCIAL STATEMENTS

### Disclaimer of opinion

We were engaged to audit the financial statements of Hertsmere Borough Council ("the Authority") for the year ended 31 March 2024 which comprise the Group and Authority Movement in Reserves Statements, Group and Authority Comprehensive Income and Expenditure Statements, Group and Authority Balance Sheets, Group and Authority Cash Flow Statements, Collection Fund, and the related notes, including the Expenditure and Funding Analysis and the accounting policies in note 5.1.

We do not express an opinion on the financial statements. Due to the significance of the matters described in the *Basis for disclaimer of opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (the "Amendment Regulations") require the Authority to publish its financial statements and our opinion thereon for the year ended 31 March 2024 by 28 February 2025 (the "Backstop Date").

We have been unable to obtain sufficient appropriate audit evidence over a number of areas of the financial statements as we have been unable to perform the procedures that we consider necessary to form our opinion on the financial statements ahead of the Backstop Date. These areas include, but were not limited to: Cash; Property, Plant and Equipment; Short-Term and Long-Term Debtors, Short-Term and Long-Term Creditors in the Group and Authority Balance Sheets, Depreciation and Impairments; Non-domestic rates income and expenditure and Business Rates Appeals Provision; and the balance of, and movements in, usable and unusable reserves for the year ended 31 March 2024 in relation to both the Group and the Authority.

In addition, we have been unable to obtain sufficient appropriate evidence over the disclosed comparative figures for the year ended 31 March 2023 due to the Backstop Date. Therefore, we were unable to determine whether any adjustments were necessary to the opening balances as at 1 April 2023 or whether there were any consequential effects on the Group's and the Authority's income and expenditure for the year ended 31 March 2024.

Any adjustments from the above matters would have a consequential effect on the Group's and the Authority's net assets and the split between usable reserves and unusable reserves as at 31 March 2024 and 31 March 2023, the Collection Fund and on their income and expenditure and cash flows for the years then ended.

### Fraud and breaches of laws and regulations – ability to detect

As stated in the *Disclaimer of opinion* section of our report, we do not express an opinion on the financial statements due to the reasons described in the *Basis for disclaimer of opinion* section of our report.

### Other information

The Head of Finance and Business Services is responsible for the other information, which comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Any opinion on the financial statements would not cover the other information and we do not express an opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

Due to the significance of the matters described in the *Basis for disclaimer of opinion* section of our report, and the possible consequential effect on the related disclosures in the other

information, whilst in our opinion the other information included in the Statement of Accounts for the financial year is consistent with the financial statements, we are unable to determine whether there are material misstatements in the other information.

### **Head of Finance and Business Services' and Audit Committee's responsibilities**

As explained more fully in the statement set out on page 2, the Head of Finance and Business Services is responsible for the preparation of financial statements in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and that give a true and fair view. They are also responsible for: such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group's 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 they have been informed by the government of the intention to either cease the services provided by the Group and the Authority or dissolve the Group and the Authority without the transfer of their services to another public sector entity.

The Audit Committee of the Authority is responsible for overseeing the Authority's financial reporting process.

### **Auditor's responsibilities**

Our responsibility is to conduct an audit of the financial statements in accordance with International Standards on Auditing (UK), and to issue an auditor's report. However, due to the significance of the matter described in the *Basis for disclaimer of opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard.

## **REPORT ON OTHER LEGAL AND REGULATORY MATTERS**

### **Report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

Under the Code of Audit Practice published by the National Audit Office in November 2024 on behalf of the Comptroller and Auditor General (the "NAO Code of Audit Practice"), we are required to report to you if we identify any significant weaknesses in the arrangements that have been made by the Authority to secure economy, efficiency and effectiveness in its use of resources.

We have nothing to report in this respect.

### **Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are required under section 20(1) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively. We are also not required to satisfy ourselves that the Authority has achieved value for money during the year.

We planned our work and undertook our review in accordance with the NAO Code of Audit Practice and related statutory guidance, having regard to whether the Authority had proper arrangements in place to ensure financial sustainability, proper governance and to use information about costs and performance to improve the way it manages and delivers its services. Based on our risk assessment, we undertook such work as we considered necessary.

### **Statutory reporting matters**

We are required by Schedule 2 to the NAO Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 and Schedule 7 of the Local Audit and Accountability Act 2014; or
- we make written recommendations to the Authority under Section 24 and Schedule 7 of the Local Audit and Accountability Act 2014; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in this respect.

### **THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES**

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

### **DELAY IN CERTIFICATION OF COMPLETION OF THE AUDIT**

As at the date of this audit report, we have not yet completed our work in respect of the Authority's Whole of Government Accounts consolidation pack for the year ended 31 March 2024.

Until we have completed this work, we are unable to certify that we have completed the audit of the financial statements of Hertsmere Borough Council for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the NAO Code of Audit Practice.



**Christopher Paisley**  
**for and on behalf of KPMG LLP**  
*Chartered Accountants*  
1 St Peter's Square  
Manchester  
M2 3AE

28 February 2025

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## Narrative Statement

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

I am presenting these 2023/24 Statement of Accounts following yet another challenging year as the nation continues to face a tough economic climate.

The UK Base Rate, which is set by the Bank of England's Monetary Policy Committee, continued to rise during the first half of 2023/24 reaching 5.25% in August where it remained for the remainder of the fiscal year. As a result however we are now seeing inflation falling again, down to almost 3% (CPI) by year-end, having peaked at over 11% (CPI) back in October 2022.

Since the beginning of 2022, rapidly rising inflation and high inflation have had a significant impact on the lives of our residents and our local businesses as well as putting pressure on our own budgets.

As a district council, Hertsmere is at the heart of the community and pivotal to the needs of its residents and businesses. Over the past few years, through this challenging economic period, we have introduced many measures to ensure the continuity of key services to support our residents and businesses including the implementation of various Government grant funds. During 2023/24 we implemented various measures to continue to support households through the "Cost of Living Crisis" including:

- We awarded almost £400,000 in community grants to local voluntary sector and community groups who have worked to support local residents, with a focus on celebrating our increasingly diverse community. These included almost 50 small grants to help our communities celebrate The King's Coronation weekend in May.
- We continue to fund Citizens Advice with around £317,000 which includes an additional £60,000 from unclaimed Council Tax rebate funding to provide support and advice to our residents such as access to benefits and debt management.
- We continue to support the foodbanks in the borough to ensure that residents are able to access emergency food aid and support from a range of agencies to help address the causes of food poverty.
- The community engagement team has been supporting over 120 community groups across the borough to access funding, improve their services and to support their communities better. The types of groups supported include voluntary groups, religious groups, community spaces, toddler groups, youth activities, foodbanks, libraries and many more.
- Our staff have helped to raise awareness of local health priorities, local support available, voter ID requirements, and local activities and have distributed 450 Small Acts of Kindness Warm in Winter bags to the most vulnerable members of our community.
- Our Healthy Hubs continue to run drop ins in Borehamwood, Potters Bar, Radlett and Bushey, providing help and support on a range of health and wellbeing matters. The team is now able to offer NHS Health Checks and Stop Smoking Support.



- The Hertsmere Community Lottery continues to offer a free fundraising platform for 41 local causes, which receive 50p from every £1 ticket sold directly to their bank account each month.
- Our economic development work has continued with our government-funded Community Wealth Building programme in partnership with the Job Centre Plus and Clarion Housing Association providing training to more than 400 local people and resulting in more than 300 job offers.

Once again we faced uncertainty in our funding due to Central Government announcing a further one-year financial settlement rather than the anticipated and long overdue multi-year settlement, which would have provided more budgeting and financial certainty over the medium term. The Council however continues to work towards reducing the funding gap identified in its medium term financial plan and to produce a balanced budget in an extremely challenging financial climate.

We continue to face uncertainty in some of our own funding sources that are dependent on certain external drivers as well as factors at play within our own borough such as levels of employment, business growth and demand for our services such as affordable housing. Whilst we continue to develop our Local Plan we have also faced pressures in relation to speculative planning applications several of which have resulted in costly appeals.

The impact of all these pressures were regularly assessed by officers throughout the year however some service areas including Planning, Asset Management and Legal Services posted year-end overspends. Contra to this, whilst the economic conditions put pressure on service budgets the Council did also benefit from greater than anticipated investment returns more than offsetting the services net overspend and resulting in an overall General Fund surplus of £0.262million against budgeted net cost of Services of £13.130million.

Whilst the Council owned Elstree Studios remain a popular location for film and television productions, the discovery of asbestos in stages 7, 8 and 9 back in August 2022 resulted in the immediate closure of these stages for remediation works and unfortunately these stages remain closed.

## **Hertsmere and our local area**

Hertsmere is a largely rural Borough in Hertfordshire, situated immediately to the north of London. With 80% of our borough in Green Belt land, the majority of our residents live in our four main towns - Bushey, Borehamwood, Radlett and Potters Bar - each with their own identity. Excellent north-south rail and road connections mean that Hertsmere is very well connected to London and the rest of the country.

It's this mix of green areas, distinct towns, and strong connections that means life in Hertsmere offers a great balance of city and countryside. It is also this location and strong connections which make Hertsmere a great place to establish a business, and the borough has attracted a number of major employers as a result.

The professional, scientific or technical; construction, and ICT industries are particularly strong. An active film and television industry exists around Borehamwood, which has a heritage of film and television production dating back to the early 20th century. A budding avionics specialism is currently developing at London Elstree Aerodrome.

Small businesses also make up an important part of the local economy. However, proximity to London also brings challenges including recruitment and retention of workers and talent, high house prices which particularly impact first time buyers, along with high and rising private rental costs.

Hertsmere's population today is growing, aging and diversifying. While relatively prosperous, pockets of real deprivation exist within the borough. Overall population health is good, although health inequalities do exist.

## **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:

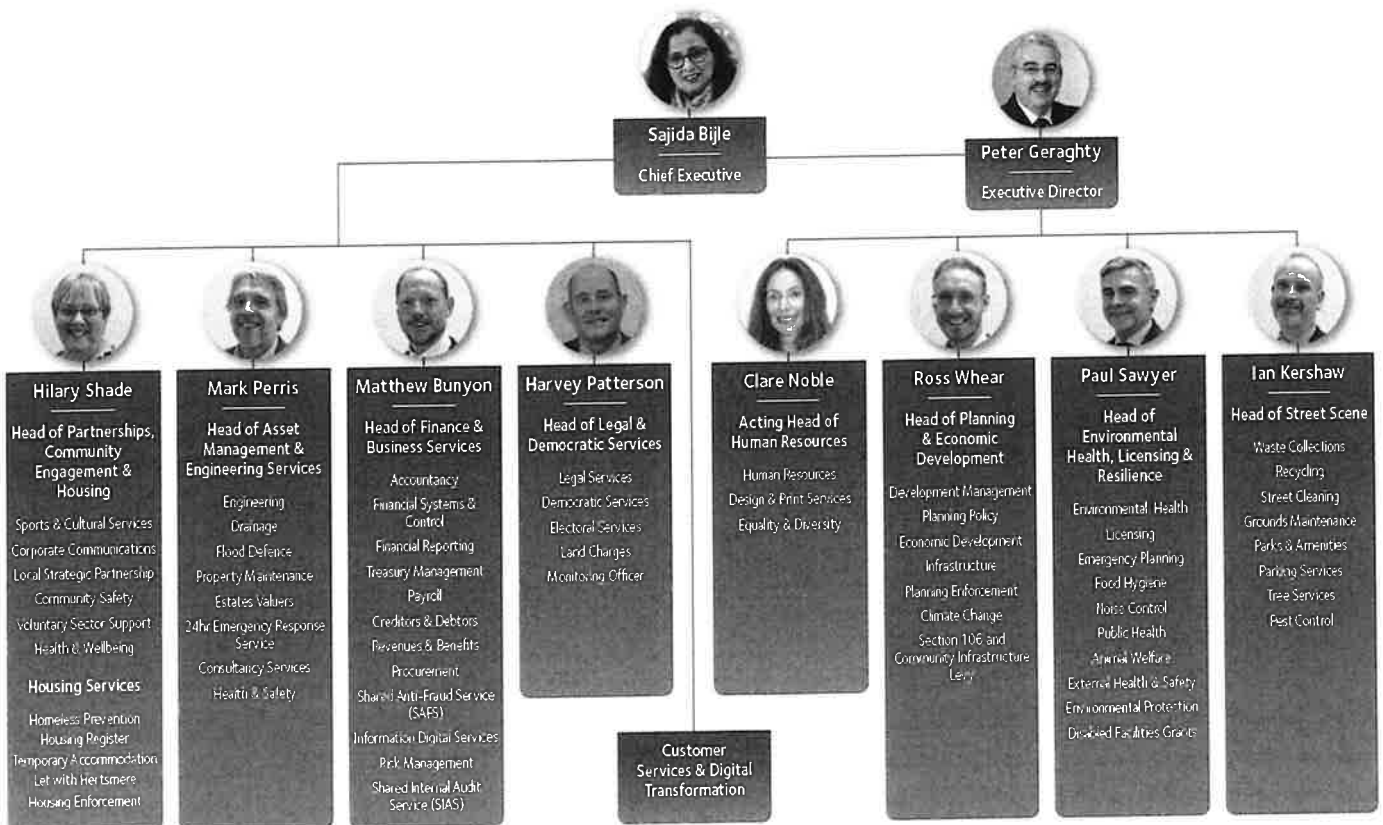
|                   |    |
|-------------------|----|
| Conservative      | 16 |
| Labour            | 14 |
| Liberal Democrats | 9  |

Following the local election in May 2023 Labour and the Liberal Democrats have formed a Partnership Administration.

## The Council’s Management Structure and Workforce

Supporting the work of Councillors is the organisational/management structure of the council headed by the Chief Executive and Executive Director, along with a number of Heads of Service who cover a variety of areas of business. The council currently employs approximately 330 people in full and part time roles.

### Hertsmere Borough Council Organisational Structure



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

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

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

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

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

The 6 Position Statements contained within the Vision are:

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

The 2023/24 Corporate Plan adopts each of the Position Statement and sets out how we will work towards implementing the position statements and commitments which sit underneath that overall vision. We have identified key areas of work that will be undertaken during the year ahead and also articulate what success will look like so that we know we are heading in the right direction.

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

By promoting and developing our ability to generate income as well as reducing costs by entering into partnerships with other councils and looking for commercial opportunities such as establishing our own property development company. We currently have partnerships with other local authorities for Building Control, CCTV, Internal 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 (HDL) to take forward new developments on council-owned land. During 2023/24 HDL delivered its first development of 15 new housing units and a second development for a further 11 units is well advanced and due to be delivered in 2024/25. Two further developments that will deliver a further 40 housing units are also expected to commence in 2024/25.

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

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

## **Performance Management**

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

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

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

### ***Annual Report***

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

### ***Corporate Plan***

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

### ***Service Plans***

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

## 2023/24 Financial Statements

The financial statements link closely to the Corporate Plan which enables delivery of the Council's goals and objectives. These Statements set out the financial position of the Council as well as the financial position of the Group which includes the Council's wholly owned subsidiary companies Elstree Film Studios Limited and Hertsmere Developments Limited.

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 which was approved by the Audit Committee is included later in these accounts.

The Audit Committee, which met five times during 2023/24, works to promote and safeguard financial probity throughout the Council. The Audit Committee is attended by and receives reports from the Council's External Auditors which for 2023/24 is KPMG. The Committee also receives regular reports from the Head of Finance in relation to the Statement of Accounts, Accounting Standards and Treasury Management, from the Shared Internal Audit Service (SIAS), from the Shared Anti-Fraud Service (SAFS) and from the Risk Manager.

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

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

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

### 3.1 Summary of Performance

#### Non-Financial Performance

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

#### ***Income maximisation***

The Council generates income from various sources including funding, project specific grants, fees and charges, investment income and also uses planned drawdowns from specific reserves to fund expenditure. This income is used to support the delivery of our services.

#### ***Apprenticeships***

We have looked at new ways to recruit and develop staff, particularly in hard to recruit professions, and currently there are 10 apprenticeships in place across seven different Council departments.

#### ***Leisure Service Improvements***

In partnership with InspireAll, £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.

#### ***Parking Partnership***

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

#### ***Elstree Studios***

The world renowned, council-owned Elstree Studios, continue to provide £3.8million in rental payments to the council in 2023/24. This includes income from the new Platinum Stages which completed in July 2022 and named in honour of Her Majesty's Platinum Jubilee.

However whilst the Studios remain a popular location for film and television productions, the discovery of asbestos in stages 7, 8 and 9 back in August 2022 which resulted in the immediate closure of these stages has resulted in significant cost for remediation works as well as an ongoing loss revenue as unfortunately these stages remain closed.

#### ***Hertsmere Developments Limited (HDL)***

Hertsmere established a wholly owned development company, Hertsmere Developments Limited (HDL), in February 2016 which became fully operational during the 2022/23 financial year. The Council provides loan funding facilities to HDL for both working capital and development loans and during 2023/24 HDL completed its first housing development of 15 two bedroom units. The completed units were sold to Hertsmere Living Limited (HLL) (see below) and the development loan was repaid in full. Part of the working capital loan was subsequently repaid in early 2024/25. A second development project of 11 two bedroom units is also near completion and a

sale of the completed units to HLL has already been agreed. All 26 of these units will be at affordable Local Housing Allowance rents.

HDL's latest business plan also includes a pipeline of Council owned sites proposed for development that will need to be transferred to HDL subject to appropriate individual business cases for development and planning permission.

### ***Hertsmere Living Limited (HLL)***

In February 2022 the Council approved the formation of a stockholding joint venture company with Clarendon Living Limited, a wholly owned subsidiary of Watford Community Housing Trust. The company was subsequently named as Hertsmere Living Limited (HLL). The main purpose of creating HLL was to retain ownership of housing developed by the Council and selected schemes from its development company, HDL, in perpetuity to provide social and affordable housing and a revenue income stream. As referred to above HLL have acquired 15 properties from HDL for affordable rent and have also acquired a further five properties on the open market which will also be at affordable rents as well as five market rent properties from Hertsmere Borough Council.

### **Planning for the Future**

A key role of the Council is to help shape the future of the borough. 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. During 2023/24 we have invested more than £25 million in capital projects.

#### ***Civic Offices***

We have invested in the refurbishment of the Council Offices which now supplement the Council's new flexible working policy supporting a more efficient workforce. The refurbishment has also created new space to let to our public sector partners generating an additional ongoing income stream.

#### ***Elstree Studios***

We have undertaken asbestos remediation works at the studios to ensure the site meets health and safety regulations and to bring the site back into use as soon as possible.

#### ***Housing***

We have invested in new social housing and have also acquired additional temporary accommodation, whilst also providing loan funding to HDL to develop new affordable homes.

#### ***Waste***

We have enhanced our waste fleet with the purchase of some new more efficient and environmentally friendly vehicles.

### **Supporting our Communities**

We have continued to support our residents as the rising cost of living impacts on communities, we recognise the need to develop and grow our local partnerships to deliver the best outcomes for our residents and we have been 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:

- We awarded almost £400,000 in community grants to local voluntary sector and community groups who have worked to support local residents, with a focus on celebrating our increasingly diverse community. These included almost 50 small grants to help our communities celebrate The King's Coronation weekend in May.
- We continue to fund Citizens Advice with around £317,000 which includes an additional £60,000 from unclaimed Council Tax rebate funding to provide support and advice to our residents such as access to benefits and debt management.
- We continue to support the foodbanks in the borough to ensure that residents are able to access emergency food aid and support from a range of agencies to help address the causes of food poverty.
- The community engagement team has been supporting over 120 community groups across the borough to access funding, improve their services and to support their communities better. The types of groups supported include voluntary groups, religious groups, community spaces, toddler groups, youth activities, foodbanks, libraries and many more.
- Our staff have helped to raise awareness of local health priorities, local support available, voter ID requirements, and local activities and have distributed 450 Small Acts of Kindness Warm in Winter bags to the most vulnerable members of our community.
- Our Healthy Hubs continue to run drop ins in Borehamwood, Potters Bar, Radlett and Bushey, providing help and support on a range of health and wellbeing matters. The team is now able to offer NHS Health Checks and Stop Smoking Support.
- The Hertsmere Community Lottery continues to offer a free fundraising platform for 41 local causes, which receive 50p from every £1 ticket sold.
- Our economic development work has continued with our government-funded Community Wealth Building programme in partnership with the Job Centre Plus and Clarion Housing Association providing training to more than 400 local people and resulting in more than 300 job offers.

## 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 2023/24, central government funding from retained business rates amounted to £4.579m which now represents just 35% of the funding required to meet the Council's budgeted net expenditure of £13.130m. Around 65%, almost two thirds of the Council's total funding now comes from local Council Tax with the remainder coming from other government grants, contributions from reserves and retained growth from business rates.

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.
- Establishing our own property development company to take forward housing developments on Council-owned land.
- Establishing a joint venture housing company with Clarendon Living Ltd, a subsidiary of Watford Community Housing Trust, to provide housing for rent across a range of tenures.

### Financial Management and Sustainability

The 2023/24 budget was set as the nation continued to face a tough economic climate with high inflation and high interest rates having a significant impact on households, businesses and the Council's own budgets. The budget process considered all risks to the Council's financial position and for 2023/24 the key risks were identified as follows:

- **Economy and Cost of Living** – the overall economic climate such as high levels of inflation and the potential impact on service costs and the ability to generate income through fees and charges;
- **Recruitment and Retention** – Recruitment and retention has already impacted on some services such as Waste Management and Civil Enforcement where recruitment has become extremely challenging.
- **Pay Award** – with the rising cost of living, staff expectations for a significant pay increase were high. The draft budget originally included a pay award of 4% however as a result of feedback from members and staff through the budget consultation process an increased staff pay award of 5% or £2,000, whichever is the greater was subsequently built into the 2023/24 budget.

As part of the budget process the Medium Term Financial Plan (MTFP) was also reviewed and updated and now shows a budgetary gap of £1.500m over the four year period to 2026/27. The revised MTFP was approved by the full Council in February 2024 who also acknowledged that this needs to be managed through the delivery of efficiencies and additional income and is an integral part of the annual budget process.

The Council's General Fund Reserves remain healthy and as at 31 March 2024 were £25.824 million. This is made up of £8.751 million in an un-ring-fenced general fund reserve which exists to cushion the impact of unforeseen events that would impact on the Council's resources and cannot be contained within existing budgets and would not be covered by normal insurance arrangements. The remaining £17.073 million is being held in specific ring-fenced reserves available for specific revenue and capital projects.

The Accounting Code of Practice requires that local authorities prepare their accounts on a going concern basis, as they can only be discontinued under statutory prescription. Whilst the Council has identified a funding gap over the medium term it is working to close this gap and also has a healthy level of reserves. 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 2023/24 the budget for the Council's cost of services was set at £13.130 million after funding from reserves. The budget was regularly monitored and reported to senior management and members throughout the year. There were various budgetary pressure to manage during the year and some service areas including Planning, Asset Management and Legal Services did post year-end overspends. These overspends were however more than offset by greater than anticipated investment returns due to high interest rates resulting in a year-end net spend of £12.868 million, within the approved budget and an overall favourable variance for 2023/24 of £0.262 million.

| FINANCIAL MONITORING POSITION              | REVISED<br>BUDGET | ACTUAL<br>SPEND<br>FOR THE<br>YEAR | SURPLUS<br>(DEFICIT) |
|--|-------------------|------------------------------------|----------------------|
| 31 Mar 2024                                |                   |                                    |                      |
| SUMMARY OF PERFORMANCE                     | £000              | £000                               | £000                 |
| Planning & Economic Development            | 1,222             | 2,038                              | (816)                |
| Housing Services                           | 1,259             | 1,200                              | 59                   |
| Partnership & Community Engagement         | 1,351             | 1,343                              | 8                    |
| Environmental Health                       | 1,206             | 1,162                              | 44                   |
| Street Scene Services                      | 6,029             | 5,831                              | 198                  |
| Engineering Services                       | 407               | 371                                | 36                   |
| Asset Management                           | (4,473)           | (4,328)                            | (145)                |
| Finance & Business Services                | 3,053             | 3,044                              | 9                    |
| Legal & Democratic Services                | 1,648             | 1,767                              | (119)                |
| Human Resources & Customer Services        | 1,423             | 1,349                              | 74                   |
| Executive Directors                        | 535               | 533                                | 2                    |
| Audit & Assurance                          | 201               | 198                                | 3                    |
| <b>Net Service Operational Expenditure</b> | <b>13,861</b>     | <b>14,508</b>                      | <b>(647)</b>         |
| General Expenses, Audit Fees, Bank Charges | 470               | 479                                | (9)                  |
| Apprenticeship Levy                        | 31                | 38                                 | (7)                  |
| Central Contingency                        | 9                 | -                                  | 9                    |
| Minimum Revenue Provision                  | 482               | 482                                | -                    |
| Investment Interest                        | (1,653)           | (3,011)                            | 1,358                |
| EFS pension Fund Surplus                   | -                 | 372                                | (372)                |
| Pay Award                                  | (70)              | -                                  | (70)                 |
| <b>Total Service Costs</b>                 | <b>13,130</b>     | <b>12,868</b>                      | <b>262</b>           |

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

| Table 1   | General Fund<br>£000 | Reserves<br>£000 | Total<br>£000   |
|---|----------------------|------------------|-----------------|
| <b>Financial Monitoring Surplus</b>                                   | 262                  | -                | <b>262</b>      |
| Movements post Financial Monitoring Report                            | (31)                 | -                | <b>(31)</b>     |
|   | <u>231</u>           |                  | <u>231</u>      |
| Surplus transferred to<br>Minor Revenue Grants<br>HR Strategy Reserve |                      |                  |                 |
| Budgeted and other transfers to reserves                              | -                    | 42               | <b>42</b>       |
| Capital expenditure funded from reserves                              | -                    | (7,678)          | <b>(7,678)</b>  |
| Hertsmere Borough Elections   | -                    | (197)            | <b>(197)</b>    |
| Recycling Processing Costs 23/24                                      | -                    | (126)            | <b>(126)</b>    |
| Unclaimed Ctax Refund   | -                    | 108              | <b>108</b>      |
| Migration Fund - Afghan Support                                       | -                    | 173              | <b>173</b>      |
| Housing Benefit Overpayments reserve                                  | -                    | (37)             | <b>(37)</b>     |
| LDS Funding 23/24   | -                    | (114)            | <b>(114)</b>    |
| Efs Pension Surplus   | -                    | 372              | <b>372</b>      |
| Funding additional pension cost                                       | -                    | (72)             | <b>(72)</b>     |
| Additional Inform Expense   | -                    | (127)            | <b>(127)</b>    |
| Afm Shortfall 22/23 & 23/24   | -                    | (250)            | <b>(250)</b>    |
| Other   | -                    | (6,036)          | <b>(6,036)</b>  |
| <b>Funding variances:</b>   |                      |                  |                 |
| Business Rate Equalisation  | -                    | (3,200)          | <b>(3,200)</b>  |
| <b>Movement in General Fund Balance</b>                               | <u>231</u>           | <u>(17,142)</u>  | <u>(16,911)</u> |

### 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<br>Outturn<br>£000 | Other<br>movements<br>post outturn<br>£000 | Trading<br>Account<br>Recharges<br>£000 | Contribution<br>to / from EMR<br>in outturn<br>£000 | Shown<br>below<br>NCS<br>£000 | EFA<br>Column 1<br>£000 |
|--|----------------------------|--|---|---|-------------------------------|-------------------------|
| Asset Management                         | (4,328)                    | (365)                                      | -                                       | 281   | 607                           | (3,805)                 |
| EFS                                      | -                          | 5,767                                      | -                                       | -5,767  | -                             | -                       |
| Audit & Assurance                        | 198                        | -  | -                                       | -   | -                             | 198                     |
| Executive Directors                      | 532                        | (5)  | (2)                                     | 2   | -                             | 527                     |
| Engineering Services                     | 371                        | 249  | -                                       | (5)   | -                             | 615                     |
| Environmental Health                     | 1,162                      | (12)                                       | -                                       | 30  | 3                             | 1,183                   |
| Finance & Business<br>Services           | 3,044                      | 122  | (31)                                    | 443   | 6                             | 3,584                   |
| General Expenses                         | 1,371                      | 3  | (2)                                     | (364)   | (482)                         | 526                     |
| Housing Services                         | 1,200                      | (96)                                       | -                                       | (79)  | (48)                          | 977                     |
| Human Resources &<br>Customer Services   | 1,349                      | 164  | (17)                                    | 48  | -                             | 1,544                   |
| Legal & Democratic<br>Services           | 1,767                      | (33)                                       | (1)                                     | 238   | 1                             | 1,972                   |
| Partnership &<br>Community<br>Engagement | 1,343                      | 209  | -                                       | (72)  | -                             | 1,480                   |
| Planning & Economic<br>Development       | 2,038                      | (73)                                       | -                                       | 307   | 50                            | 2,322                   |
| Street Scene Services                    | 5,831                      | (341)                                      | 53                                      | (122)   | (32)                          | 5,389                   |
| Investment Interest                      | (3,011)                    | -  | -                                       | -   | -                             | (3,011)                 |
|  | <b>12,867</b>              | <b>5,589</b>                               | <b>-</b>                                | <b>(5,060)</b>                                      | <b>105</b>                    | <b>13,501</b>           |

### 3.4 Capital outturn

The council spent £25.845m on capital expenditure during 2023/24 and is committed to spending a total of £38.117m over the remaining three year programme (see Note 5.17.1). The outstanding major capital commitments include investment in Elstree Film Studios, housing development and parks.

#### FINANCIAL MONITORING POSITION

31 March 2024

#### SUMMARY OF CAPITAL SPEND

|                                  | 2022-23       | 2023-24       |
|----------------------------------|---------------|---------------|
|                                  | £000          | £000          |
| Asset Management                 | 9,984         | 23,160        |
| Planning & Economic Development  | 862           | 58            |
| Environmental Health             | 1,462         | 1,544         |
| Street Scene Services            | 1,722         | 908           |
| Finance And Business Services    | 92            | 52            |
| Housing & Partnerships           | 24            | 93            |
| HR & Customer Services           | -             | 30            |
| <b>Total Capital Expenditure</b> | <b>14,146</b> | <b>25,845</b> |

#### FUNDING SOURCES

|                              | 2022-23       | 2023-24                   |
|------------------------------|---------------|---------------------------|
|                              | £000          | £000                      |
| Usable Capital Receipts      | 267           | 379                       |
| Reserves                     | 1,821         | 7,747                     |
| Grants                       | 5,328         | 3,515                     |
| Revenue                      | 156           | 59                        |
| Internal Borrowing           | 6,574         | 14,145                    |
| <b>Total Funding Sources</b> | <b>14,146</b> | <b>25,845<sup>1</sup></b> |

## **Economic climate**

The economic climate remained challenging during 2023/24. The high cost of living due to high inflation and high interest rates has impacted on household, business and the Council's own budgets.

Investment returns did however pick up throughout the course of 2023/24 as central banks, including the Bank of England, continued to respond to inflationary pressures that were not transitory, and realised that tighter monetary policy was called for.

Starting in April at 4.25%, Bank Rate moved up in stepped increases of either 0.25% or 0.5%, reaching 5.25% by August. By the end of the financial year, no further increases were anticipated and the markets were pricing in a first cut in Bank Rate in either June or August 2024.

The upward sloping yield curve that prevailed throughout 2023/24 meant that local authorities continued to be faced with the challenge of proactive investment of surplus cash, and this emphasised the need for a detailed working knowledge of cashflow projections so that the appropriate balance between maintaining cash for liquidity purposes, and "laddering" deposits on a rolling basis to lock in the increase in investment rates as duration was extended, became an on-going feature of the investment landscape.

## **Finance Strategy**

The Finance Strategy assists 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.

The Financial Strategy was last reviewed in July 2018 and is now due a full strategic review however this has been delayed so the strategy can be aligned with the new Corporate Plan which is expected to be brought forward in 2024/25.

Whilst the strategy is only reviewed every few years the core appendices including the Medium Term Financial Plan and Capital Strategy are updated annually as part of the budget process to take into account the national and regional context and link those with the Council's corporate goals and priorities.

## **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 2024 the balance on the General Fund was £25.824m (2022/23 £42.735m) - out of this, £8.751m was held as a contingency for unforeseen events and £17.073m has been earmarked for specific projects.

The Council's Net Budget Requirement (NBR), which is the net budget position after budgeting for gross expenditure on service provision less any income generated from fees and charges, rental income and specific funding including grants, contributions and reserves must be fully funded from Government Grant and local taxation in order to set a balanced budget, which the Council is legally required to do.

The Council has however seen reductions in core grant funding over a sustained period with the future of some funding streams such as the New Homes Bonus and Business Rates growth being uncertain due to long overdue funding reviews. Whilst the Council has continued to balance its budget through the delivery of efficiencies and increased income with challenging economic conditions and such funding uncertainty it is 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 £17.141m was transferred from earmarked reserves. Total funds earmarked for future use at 31 March 2024 were £17.073m. The breakdown of this sum is provided at note 5.30.2.

### Capital expenditure programme and associated financing

During the year the Council incurred expenditure of £25.845m 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 £9.856m spent on the development and refurbishment of the Elstree Film Studios, £5,995m on new housing developments including through the Council's development company, £1.495m on Disabled Facilities Grants for home adaptations, £0.779m on new Street Scene vehicles and £0.128m has been invested in our parks and open spaces.

At the balance sheet date the Council was committed to capital spending of £38.117m. Significant work will continue on a wide range of community facilities and green spaces as well as the refurbishment and development of Elstree Film Studios and housing development at Caishowe Road, Darkes Lane and Catterwick Way.

Funds have also been committed for further structural repairs and refurbishment of the Council's many properties and further investment in the Council's wholly owned

property development company, Hertsmere Developments Limited, for the purpose of housing provision and revenue generation, to promote mixed use development and utilisation of council owned surplus sites.

### **Pension fund liability**

The Council's net pension fund deficit has decreased by £3.174m over the last year, from £10.637m to £7.252m due mainly to re-measurement gains and (losses) detailed in the table below:

|  |               |
|--|---------------|
| Return on plan assets  | 4.443m        |
| Actuarial gain on changes in financial assumptions             | 4.999m        |
| Actuarial gain on changes in demographic assumptions           | 0.719m        |
| Other experience losses  | (3.599)m      |
| Ceiling Adjustment   | (3,388)m      |
| <b>Re-measurements of the net pension liability (decrease)</b> | <b>3.174m</b> |

The value of assets held within the scheme increased from £101.940m to £109.623m whilst the liabilities have increased from £112.577m to £113,487m. 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 2022 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 2023 the Council's share stood at £0.418m and after taking into account the sums utilised in 2023/24, the provision increased to £8.138m at 31 March 2024. The increase was mainly due to rateable value list amendments in relation to local film and television studios being charged against the provision due to their significant rateable value increase from April 2023.

### **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 2024 are set out following this narrative statement in pages 31 to 112. Where appropriate, figures for 2022/23 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 2023/24 will be made available for inspection on the Council's website, and at the Council offices from 12 September 2024.

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.

## **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 companies Elstree Studios Limited and Hertsmere Developments 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 are set out on pages 113 to 123.







## 4.3 Balance Sheet

| 31-Mar-23        |   | Note   | 31-Mar-24        |
|------------------|---|--------|------------------|
| £000             |   |        | £000             |
| 186,202          | Property Plant and Equipment                        | 5.16   | 189,268          |
| 1,199            | Heritage Assets                                     | 5.19   | 1,177            |
| 10,076           | Investment Properties                               | 5.20   | 9,054            |
| 372              | Intangible Assets                                   | 5.21   | 302              |
| 5,491            | Long Term Investments                               | 5.23   | 3,065            |
| 7,013            | Long Term Debtors                                   | 5.22   | 8,255            |
| <b>210,353</b>   | <b>Long Term Assets</b>                             |        | <b>211,121</b>   |
| 31,371           | Short Term Investments                              | 5.23   | 20,449           |
| 19,323           | Short Term Debtors                                  | 5.22   | 35,930           |
| 110              | Inventories   |        | 93               |
| 28,381           | Cash and Cash Equivalents                           | 5.24   | 29,111           |
| <b>79,185</b>    | <b>Current Assets</b>                               |        | <b>85,584</b>    |
| (28,162)         | Short Term Creditors                                | 5.25   | (45,081)         |
| (420)            | Provisions  | 5.26   | (8,196)          |
| <b>(28,582)</b>  | <b>Current Liabilities</b>                          |        | <b>(53,277)</b>  |
| (56)             | Provisions  | 5.26   | -                |
| (10,637)         | Liability related to Defined Benefit Pension Scheme | 5.29.3 | (7,252)          |
| (173)            | Other Long Term Liabilities                         | 5.25   | (100)            |
| (8,610)          | Capital Grants Received In Advance                  | 5.27   | (7,724)          |
| <b>(19,476)</b>  | <b>Long Term Liabilities</b>                        |        | <b>(15,075)</b>  |
| <b>241,480</b>   | <b>Net Assets</b>                                   |        | <b>228,353</b>   |
| (67,827)         | Usable Reserves                                     | 5.30   | (53,849)         |
| (173,653)        | Unusable Reserves                                   | 5.31   | (174,504)        |
| <b>(241,480)</b> | <b>Total Reserves</b>                               |        | <b>(228,353)</b> |

The accompanying notes form part of these statements.

**4.4 Cash Flow Statement**

| <b>2022-23</b> |  | <b>Note</b> | <b>2023-24</b> |
|----------------|--|-------------|----------------|
| <b>£000</b>    |  |             | <b>£000</b>    |
| (9,508)        | (Surplus) / Deficit on Provision of Services   | 4.2         | 17,045         |
| (697)          | Adjustments to net (Surplus) / Deficit on Provision of Services for non-cash movements   | 5.32        | (14,050)       |
| 7,717          | Adjustments for items included in the net (Surplus) / Deficit on Provision of Services that are investing and financing activities | 5.32        | 9,527          |
| <b>(2,488)</b> | <b>Net cash (inflow) / outflow from Operating Activities</b>   |             | <b>12,522</b>  |
| 166            | Investing Activities   | 5.33        | 1,121          |
| 2,325          | Financing Activities   | 5.34        | (14,373)       |
| <b>3</b>       | <b>Decrease / (increase) in cash and cash equivalents</b>  |             | <b>(730)</b>   |
| 28,384         | Cash and cash equivalents at the beginning of the reporting period   |             | 28,381         |
| <b>28,381</b>  | <b>Cash and cash equivalents at the end of the reporting period</b>  | 5.24        | <b>29,111</b>  |

The accompanying notes form part of these statements.

## 5.1 Accounting Policies

### Basis of Preparation

The Statement of Accounts summarises the Authority's transactions for the 2023/24 financial year and its position at the year-end of 31 March 2024. 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 2023/24, 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:

| Asset Category:                   | Depreciation Basis: |
|-----------------------------------|---------------------|
| 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:

- *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 Business Rates Baseline grant, 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 2023/24 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.

### **Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

### **Employee Benefits**

Termination benefits are amounts payable as a result of an authority to terminate an officers employment before the normal retirement date or an Officers decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate Service, or, where applicable to a Corporate Service segment at the earlier of when an Authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the Pension Fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement of Reserves

Statement appropriations are required to and from the pensions reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amount payable but unpaid at the year end.

## **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 including Elstree Studios Ltd and Hertsmere Developments Ltd (both 100% owned). In the Council's accounts the interests in companies are recorded as investments at cost or fair value.

### **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 His Majesty's Revenue and Customs. VAT receivable is excluded from income

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

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

### **Collection Fund**

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, showing the transactions of the billing authority in relation to business rates and council tax, and illustrates the way in which these have been distributed to preceptors and the General Fund, in accordance with relevant legislation. The Collection Fund is consolidated

with other accounts of the Council, is prepared on an accruals basis and provision is made for potential uncollectable amounts and Business Rates appeals.

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new accounting standard that has been issued but not yet adopted.

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

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

None of the matters covered in the annual improvements are dealt with in detail in the 2023/24 Code. During the consultation process on the 2023/24 Code CIPFA/LASAAC did not envisage them having a significant effect on local authority financial statements.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- For the 2024/25 financial year, the Council must implement IFRS 16 Leases, applying the provisions as they have been adopted in the 2024/25 Accounting Code.

The main impact of IFRS 16 will relate to equipment that the Council holds under operating leases, for which assets and liabilities are not recognised and lease payments are generally charged as revenue expenditure when they are payable. Under IFRS 16, the accounting treatment for all leases (except those with a term of less than 12 months and those involving low value items) will be to recognise a right-of-use asset in the balance sheet, measuring the value of the Council's right to use the equipment over the remaining term of the lease. The Balance Sheet will also include a liability for the rents payable before the lease expires.

When amounts are paid, they will be applied partly to write down the liability and partly charged as interest on the outstanding liability. The cost of the right-of-use asset will be reflected in depreciation charges in the Comprehensive Income and Expenditure Statement. However, statutory arrangements are in place that will allow the impact on the General Fund Balance to be unchanged – ie, that the overall charge for each year will be the rents payable in that year.

## 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, Elstree Film Studios Limited and Hertsmere Developments Limited.
- The Council has made provision in its Collection Fund of £20.344 million 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 (£8.138 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 2024 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>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p> <p>Assets are valued on a three-year rolling basis.</p> <p>Building indices are not applied to approximate for those assets that are not subject to the revaluation process in the year.</p> <p>The Council has Property, Plant and Equipment with a carrying value of £189.268 million on the Balance Sheet as at 31st March 2024, with £2.524 million charged as depreciation during the year.</p> | <p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>Based on the assets that were valued in the year as part of the three-year rolling revaluation programme, any 1% increase in valuation for assets last valued prior to 31/03/2024 would equate to the carrying value increasing by £0.335 million.</p> <p>The valuers have reported the 31/03/2024 valuation is not subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation Global Standards.</p> |

| Item  | Uncertainty   | Effect if actual results differ from assumptions  |
|---|---|---|
| <i>Pensions Liability</i>                   | Estimations of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in mortality rates and expected returns on pension fund assets. The Council concurs with the assumptions to be applied by the independent actuary to the Hertfordshire Local Government Pension Scheme.  | The effect on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the real discount rate assumption would result in an increase in the pension liability of £1.9 million. Note 5.29.5 sets out details of the assumptions made by the independent actuary to the Hertfordshire Local Government Pension Scheme together with further examples.   |
| <i>Non Domestic Rates Appeals provision</i> | The provision for NDR Appeals includes an assessment of the appeals lodged to 31st March 2024. The carrying amount of the provision is £20.344 million, of which the Council's 40% share of £8.138 million is reflected in the accounts. Rateable value list amendments of £1.044 million were charged against the carrying amount of the provision in 2023/24 and an additional provision of £20.344 million was made during the year.           | 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  |
| <i>Fair value estimations</i>               | The fair values of investment properties are principally based on the available market evidence for the sale and purchase of similar assets. Under IFRS 13 fair value hierarchy these have been shown as a level 2 input namely using quoted prices for similar assets or liabilities in active markets at the balance sheet date. If this information is not available estimates are undertaken in accordance with RICS professional guidelines. | <p>Most estimates are based on current market information therefore material changes are not expected.</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets.</p> <p>The council sought assurance from the valuer of the appropriateness of the valuations in light of the RICS related material uncertainty and the valuer reported the 31/03/2024 valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation Global Standards.</p> |

## 5.5 Events after the Balance Sheet Date

Adjustments have been made to the Statement of Accounts to reflect the gross costs of remediation and asbestos removal works at Elstree Film Studios including settlement costs. (See 5.36).

## 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.

| 2022/23 |   | Expenditure | Income | 2023/24 |
|---------|---|-------------|--------|---------|
| £000    |   | £000        | £000   | £000    |
|         | <b>Cemeteries / Burial Grounds</b>  |             |        |         |
| (7)     | 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. | 183         | (129)  | 54      |
|         | <b>Trade Refuse</b>   |             |        |         |
| (86)    | The Council has a duty under the Environmental Protection Act to provide, where requested, a commercial waste service for which a charge is made.   | 534         | (622)  | (88)    |
| (93)    | <b>Net (surplus) / deficit on trading accounts</b>  | 717         | (751)  | (34)    |

#### 5.7 Other Operating Expenditure

| 2022-23      |  | 2023-24      |
|--------------|--|--------------|
| £000         |  | £000         |
| 1,313        | Parish and town council precepts                       | 1,479        |
| (158)        | Losses / (gains) on the disposal of non-current assets | (282)        |
| <b>1,155</b> | <b>Total</b>   | <b>1,197</b> |

#### 5.8 Financing and Investment Income and Expenditure

| 2022-23        |  | 2023-24        |
|----------------|--|----------------|
| £000           |  | £000           |
| 192            | Interest payable and similar charges   | 345            |
| (1,345)        | Interest receivable and similar income   | (3,358)        |
| (93)           | Impairment of financial assets   | 54             |
| (815)          | (Increase) / decrease in the fair value of investment property                   | (502)          |
| (691)          | Income in relation to investment properties                                      | (631)          |
| (93)           | (Surplus) / deficit on trading undertakings not included in net cost of services | (34)           |
| 1,108          | Net interest cost on the defined benefit pension liability                       | 489            |
| <b>(1,737)</b> | <b>Total</b>   | <b>(3,637)</b> |

### 5.9 Taxation and non-specific grant income

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

| 2022-23<br>£000 |  | 2023-24<br>£000 |
|-----------------|--|-----------------|
|                 | <b>Council tax income and expenditure</b>                          |                 |
| (8,232)         | Amount collectable from council tax                                | (8,551)         |
| (1,313)         | Amount collectable on behalf of parishes                           | (1,479)         |
| 10              | Share of (surplus) / deficit on collection fund for the year       | 19              |
| <u>(9,535)</u>  |  | <u>(10,011)</u> |
|                 | <b>Non-domestic rates income and expenditure (see note below):</b> |                 |
| (15,325)        | Amount collectable from business rates                             | (22,333)        |
| 15,681          | Tariff payable   | 24,371          |
| (2,069)         | Share of (surplus) / deficit on collection fund for the year       | (234)           |
| 1,286           | Growth levy  | (1,091)         |
| (23)            | Levy Account Surplus Grant   | (23)            |
| (4,112)         | Grant in respect of small business and other rates reliefs         | (3,588)         |
| (1,702)         | Pooling Gains  | -               |
| <u>(6,264)</u>  |  | <u>(2,898)</u>  |
|                 | <b>General Government Grants:</b>                                  |                 |
| (876)           | New Homes Bonus  | (25)            |
| (124)           | Lower Tier Services Grant  | -               |
| (188)           | Services Grant   | (110)           |
|                 | Funding Guarantee  | (1,016)         |
| -               | Revenue Support Grant  | (122)           |
| <u>(1,188)</u>  |  | <u>(1,273)</u>  |
|                 | <b>Capital grants and contributions:</b>                           |                 |
|                 | <i>Recognised capital grants and contributions:</i>                |                 |
| (1,107)         | Disabled facilities grant  | (1,336)         |
| (2,779)         | Community Infrastructure Levy                                      | (1,250)         |
| (2,594)         | Section 106 monies utilised  | (1,242)         |
| (477)           | Other capital contributions  | (2,127)         |
| <u>(6,957)</u>  |  | <u>(5,955)</u>  |
| (159)           | Donated assets   | (50)            |
| <u>(24,103)</u> | <b>Total Taxation and Non-Specific Grant Income</b>                | <u>(20,187)</u> |

Note: The total amount of business rates collected by the Council, less certain reliefs and other deductions, has been allocated amongst the Council, Hertfordshire County Council as a

preceptor and DLUHC. The Council's share is subject to a tariff, being the amount by which the share exceeds the funding level determined by central government as being appropriate to the borough's needs.

The Council's Comprehensive Income and Expenditure Statement includes a share of any surplus or deficit arising for the year on the collection of business rates.

### 5.10 Members Allowances and Expenses

| 2022-23    |                                  | 2023-24    |
|------------|----------------------------------|------------|
| £000       |                                  | £000       |
|            | <b>Allowance / Expense:</b>      |            |
| 245        | Basic allowance                  | 256        |
| 158        | Special responsibility allowance | 160        |
| 1          | Travel and other allowance       | -          |
| <b>404</b> | <b>Total</b>                     | <b>416</b> |

**5.11 Employees Remuneration**

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

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

|   | £000       | £000     | £000       | £000       |
|---|------------|----------|------------|------------|
| Managing Director*                          | 157        | -        | 29         | 186        |
| Executive Director                          | 119        | -        | 22         | 141        |
| Head of Finance & Business Services         | 92         | -        | 17         | 109        |
| Head of Partnerships & Community Engagement | 92         | -        | 17         | 109        |
| Head of Legal & Democratic Services         | 92         | -        | 17         | 109        |
| Head of HR & Customer Services              | 57         | -        | 11         | 68         |
| <b>Total</b>                                | <b>609</b> | <b>-</b> | <b>113</b> | <b>722</b> |

\* Now Chief Executive

|   | Salary<br>£000 | Termination<br>Benefits<br>£000 | Pension -<br>employers<br>contribution<br>£000 | 2023-<br>24<br>Total<br>£000 |
|---|----------------|---------------------------------|--|------------------------------|
| Managing Director*                          | 165            | -                               | 32   | 197                          |
| Executive Director                          | 127            | -                               | 25   | 152                          |
| Head of Finance & Business Services         | 99             | -                               | 20   | 119                          |
| Head of Partnerships & Community Engagement | 101            | -                               | 19   | 120                          |
| Head of Legal & Democratic Services         | 96             | -                               | 19   | 115                          |
| Head of HR & Customer Services              | 87             | -                               | 14   | 101                          |
| <b>Total</b>                                | <b>675</b>     | <b>-</b>                        | <b>129</b>                                     | <b>804</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 money value of any other benefits. Pension contributions payable by the Council are excluded.

| 2022-23   | REMUNERATION BAND: | 2023-24   |
|-----------|--------------------|-----------|
| 8         | £50,000 - £54,999  | 9         |
| 5         | £55,000 - £59,999  | 3         |
| 8         | £60,000 - £64,999  | 8         |
| -         | £65,000 - £69,999  | 2         |
| -         | £70,000 - £74,999  | 1         |
| 2         | £75,000 - £79,999  | 2         |
| 2         | £80,000 - £84,999  | -         |
| -         | £85,000 - £89,999  | 2         |
| <b>25</b> |                    | <b>27</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 2023/24 incurring liabilities of 167k (2022/23: £105k).

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 |            |
|-------------------------|-----------------------------------|---------|-----------------------------------|----------|--|----------|--|------------|
|                         | 2022/23                           | 2023/24 | 2022/23                           | 2023/24  | 2022/23                                    | 2023/24  | 2022/23                                  | 2023/24    |
|                         |                                   |         |                                   |          |  |          | £000                                     | £000       |
| £0 - £20,000            | -                                 | -       | 4                                 | 3        | 4  | 3        | 20                                       | 29         |
| £20,001 - £40,000       | -                                 | -       | 3                                 | 2        | 3  | 2        | 85                                       | 52         |
| £40,001 - £60,000       | -                                 | -       | -                                 | 2        | -  | 2        | -  | 86         |
| <b>Total</b>            | -                                 | -       | <b>7</b>                          | <b>7</b> | <b>7</b>                                   | <b>7</b> | <b>105</b>                               | <b>167</b> |

### 5.13 Audit Fees

| 2022-23    |  | 2023-24    |
|------------|--|------------|
| £000       |  | £000       |
|            | <b>Audit Fees:</b>   |            |
| 139        | Fees payable with regard to external audit services carried out by the appointed auditor | 156        |
| 44         | Fees payable for the certification of grant claims and returns                           | 62         |
| -          | Fee Variation  | 22         |
| <b>183</b> | <b>Total</b>   | <b>240</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.



| 2022-23  | Usable Reserves              |                                  |                                  | Movement in Unusable Reserves<br>£000 | Relevant Unusable Reserve          |
|--|------------------------------|----------------------------------|----------------------------------|---------------------------------------|------------------------------------|
|  | General Fund Balance<br>£000 | Capital Receipts Reserve<br>£000 | Capital Grants Unapplied<br>£000 |                                       |                                    |
| <b>Reversal of items debited or credited to the CIES</b>                             |                              |                                  |                                  |                                       |                                    |
| Amortisation of intangible assets  | (110)                        | -                                | -                                | 110                                   |                                    |
| Depreciation   | (2,236)                      | -                                | -                                | 2,236                                 |                                    |
| Impairment / Revaluation charged to the CIES   | (3,465)                      | -                                | -                                | 3,465                                 |                                    |
| Movements in the market value of Investment Properties                               | 815                          | -                                | -                                | (815)                                 | Capital Adjustment Account         |
| Revenue expenditure funded from capital under statute                                | (2,072)                      | -                                | -                                | 2,072                                 |                                    |
| Non-current assets written out on disposal   | (601)                        | -                                | -                                | 601                                   |                                    |
| Accumulated gains on non-current assets disposed                                     | -                            | -                                | -                                | -                                     | Revaluation Reserve                |
| Donated Assets   | 159                          | -                                | -                                | (159)                                 | Deferred Capital Receipts          |
| Grant income transferred to Capital Grants Unapplied                                 | 3,112                        | -                                | (3,112)                          | -                                     |                                    |
| <b>Transfers between revenue and capital resources</b>                               |                              |                                  |                                  |                                       |                                    |
| Transfer of sale proceeds from revenue to the Capital Receipts Reserve               | 269                          | (319)                            | -                                | 50                                    |                                    |
| Transfer of sale proceeds from revenue to the Capital Adjustment Account             | 491                          | -                                | -                                | (491)                                 | Capital Adjustment Account         |
| Minimum Revenue Provision  | 482                          | -                                | -                                | (482)                                 | Capital Adjustment Account         |
| Capital expenditure charged against the General Fund                                 | 1,977                        | -                                | -                                | (1,977)                               |                                    |
| <b>Adjustments to capital resources</b>  |                              |                                  |                                  |                                       |                                    |
| Use of Capital Receipts to finance capital expenditure                               | -                            | 267                              | -                                | (267)                                 | Capital Adjustment Account         |
| Application of capital grants and other contributions to finance capital expenditure | 3,845                        | -                                | 1,483                            | (5,328)                               | Capital Adjustment Account         |
| <b>Adjustments between accounting and funding basis under regulations</b>            |                              |                                  |                                  |                                       |                                    |
| Pension costs  | (2,608)                      | -                                | -                                | 2,608                                 | Pensions Reserve                   |
| Council Tax and NNDR   | 6,969                        | -                                | -                                | (6,969)                               | Collection Fund Adjustment Account |
| Financial Instruments  | 28                           | -                                | -                                | (28)                                  | Capital Adjustment Account         |
| Holiday Pay  | (5)                          | -                                | -                                | 5                                     | Accumulated Absences Account       |
| <b>Total Adjustments</b>   | <b>7,050</b>                 | <b>(52)</b>                      | <b>(1,629)</b>                   | <b>(5,369)</b>                        |                                    |

| 2023-24  | Usable Reserves              |                                  |                           | Movement in Unusable Reserves<br>£000 | Relevant Unusable Reserve          |
|--|------------------------------|----------------------------------|---------------------------|---------------------------------------|------------------------------------|
|  | General Fund Balance<br>£000 | Capital Receipts Reserve<br>£000 | Relevant Unusable Reserve |                                       |                                    |
| <b>Reversal of items debited or credited to the CIES</b>                             |                              |                                  |                           |                                       |                                    |
| Amortisation of intangible assets  | (122)                        | -                                | -                         | 122                                   |                                    |
| Depreciation   | (2,524)                      | -                                | -                         | 2,524                                 |                                    |
| Impairment / Revaluation charged to the CIES   | (13,930)                     | -                                | -                         | 13,930                                |                                    |
| Movements in the market value of Investment Properties                               | 502                          | -                                | -                         | (502)                                 | Capital Adjustment Account         |
| Revenue expenditure funded from capital under statute                                | (1,508)                      | -                                | -                         | 1,508                                 |                                    |
| Non-current assets written out on disposal   | (3,290)                      | -                                | -                         | 3,290                                 |                                    |
| Accumulated gains on non-current assets disposed                                     | -                            | -                                | -                         | -                                     | Revaluation Reserve                |
| Donated Assets   | 50                           | -                                | -                         | (50)                                  | Deferred Capital Receipts          |
| Grant income transferred to Capital Grants Unapplied                                 | 2,713                        | -                                | (2,713)                   | -                                     |                                    |
| <b>Transfers between revenue and capital resources</b>                               |                              |                                  |                           |                                       |                                    |
| Transfer of sale proceeds from revenue to the Capital Receipts Reserve               | 998                          | (998)                            | -                         | -                                     |                                    |
| Transfer of sale proceeds from revenue to the Capital Adjustment Account             | 2,574                        | -                                | -                         | (2,574)                               | Capital Adjustment Account         |
| Minimum Revenue Provision  | 482                          | -                                | -                         | (482)                                 | Capital Adjustment Account         |
| Capital expenditure charged against the General Fund                                 | 7,679                        | -                                | -                         | (7,679)                               |                                    |
| <b>Adjustments to capital resources</b>  |                              |                                  |                           |                                       |                                    |
| Use of Capital Receipts to finance capital expenditure                               | -                            | 380                              | -                         | (380)                                 | Capital Adjustment Account         |
| Application of capital grants and other contributions to finance capital expenditure | 3,242                        | -                                | 399                       | (3,641)                               | Capital Adjustment Account         |
| <b>Adjustments between accounting and funding basis under regulations</b>            |                              |                                  |                           |                                       |                                    |
| Pension costs  | 212                          | -                                | -                         | (212)                                 | Pensions Reserve                   |
| Council Tax and NNDR   | 2,772                        | -                                | -                         | (2,772)                               | Collection Fund Adjustment Account |
| Financial Instruments  | 24                           | -                                | -                         | (24)                                  | Capital Adjustment Account         |
| Holiday Pay  | (8)                          | -                                | -                         | 8                                     | Accumulated Absences Account       |
| <b>Total Adjustments</b>   | <b>(134)</b>                 | <b>(618)</b>                     | <b>(2,314)</b>            | <b>3,066</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**

|   | <b>2022-23</b>                              |   |   |
|---|---|---|---|
|   | <b>Net General<br/>Fund<br/>Expenditure</b> | <b>Adjustments<br/>between<br/>funding and<br/>accounting<br/>basis</b> | <b>Amounts<br/>included in the<br/>Comprehensive<br/>Income and<br/>Expenditure<br/>Statement</b> |
| <b>SERVICE</b>  | <b>£000</b>                                 | <b>£000</b>   | <b>£000</b>   |
| Asset Management  | (10,397)                                    | 5,053   | <b>(5,344)</b>  |
| Audit & Assurance                                       | 195   | -   | <b>195</b>  |
| Executive Directors                                     | 506   | 52  | <b>558</b>  |
| Engineering Services                                    | 592   | 53  | <b>645</b>  |
| Environmental Health                                    | 1,118                                       | 125   | <b>1,243</b>  |
| Finance & Business Services                             | 2,722                                       | 395   | <b>3,117</b>  |
| General Expenses  | 267   | -   | <b>267</b>  |
| Housing Services  | 851   | 1,556   | <b>2,407</b>  |
| Human Resources & Customer Services                     | 1,461                                       | 167   | <b>1,628</b>  |
| Legal & Democratic Services                             | 1,615                                       | 92  | <b>1,707</b>  |
| Partnership & Community Engagement                      | 1,097                                       | -   | <b>1,097</b>  |
| Planning & Economic Development                         | 1,295                                       | 806   | <b>2,101</b>  |
| Street Scene Services                                   | 4,467                                       | 1,089   | <b>5,556</b>  |
| <b>Total</b>  | <b>5,789</b>                                | <b>9,388</b>  | <b>15,177</b>   |
| Other Income and Expenditure                            | (8,247)                                     | (16,438)  | <b>(24,685)</b>   |
| <b>(Surplus) / Deficit on Provision of<br/>Services</b> | <b>(2,458)</b>                              | <b>(7,050)</b>  | <b>(9,508)</b>  |
| <b>Opening Balance on the General Fund</b>              | <b>(40,277)</b>                             |   |   |
| Surplus / (Deficit) for the year                        | (2,458)                                     |   |   |
| <b>Closing Balance on the General Fund</b>              | <b>(42,735)</b>                             |   |   |

|   | 2023-24                            |  |   |
|---|------------------------------------|--|---|
|   | Net General<br>Fund<br>Expenditure | Adjustments<br>between<br>funding and<br>accounting<br>basis | Amounts<br>included in the<br>Comprehensive<br>Income and<br>Expenditure<br>Statement |
| SERVICE   | £000                               | £000   | £000  |
| Asset Management  | 1,963                              | 15,156   | 17,119  |
| Audit & Assurance                                       | 198                                | -  | 198   |
| Executive Directors                                     | 527                                | (24)   | 503   |
| Engineering Services                                    | 615                                | (12)   | 603   |
| Environmental Health                                    | 1,183                              | (57)   | 1,126   |
| Finance & Business Services                             | 3,584                              | 14   | 3,598   |
| General Expenses  | 526                                | -  | 526   |
| Housing Services  | 977                                | 1,450  | 2,427   |
| Human Resources & Customer Services                     | 1,544                              | (25)   | 1,519   |
| Legal & Democratic Services                             | 1,972                              | (42)   | 1,930   |
| Partnership & Community Engagement                      | 1,480                              | 604  | 2,084   |
| Planning & Economic Development                         | 2,322                              | (48)   | 2,274   |
| Street Scene Services                                   | 5,389                              | 375  | 5,764   |
| <b>Total</b>  | <b>22,280</b>                      | <b>17,391</b>  | <b>39,671</b>   |
| Other Income and Expenditure                            | (5,368)                            | (17,257)   | (22,625)  |
| <b>(Surplus) / Deficit on Provision of<br/>Services</b> | <b>16,910</b>                      | <b>134</b>   | <b>17,043</b>   |
| <b>Opening Balance on the General Fund</b>              | <b>42,735</b>                      |  |   |
| Surplus / (Deficit) for the year                        | (16,910)                           |  |   |
| <b>Closing Balance on the General Fund</b>              | <b>25,825</b>                      |  |   |

## 5.15.1 Note to the Expenditure and Funding Analysis

| Adjustments to General Fund to add expenditure or income not chargeable to taxation and remove items which are only chargeable under statute | 2022-23                                   |  |                            |                   |
|--|---|--|----------------------------|-------------------|
|  | 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   | 5,003                                     | 50   | -                          | 5,053             |
| Audit & Assurance  | -   | -  | -                          | -                 |
| Executive Directors  | -   | 52   | -                          | 52                |
| Engineering Services   | 7   | 46   | -                          | 53                |
| Environmental Health   | 3   | 121  | 1                          | 125               |
| Finance & Business Services  | 131                                       | 263  | 1                          | 395               |
| General Expenses   | -   | -  | -                          | -                 |
| Housing Services   | -   | 94   | 1,462                      | 1,556             |
| Human Resources & Customer Services  | 33  | 134  | -                          | 167               |
| Legal & Democratic Services  | -   | 92   | -                          | 92                |
| Partnership & Community Engagement   | (83)                                      | 82   | 1                          | -                 |
| Planning & Economic Development  | -   | 195  | 611                        | 806               |
| Street Scene Services  | 717                                       | 371  | 1                          | 1,089             |
| <b>Net Cost of Services</b>  | <b>5,811</b>                              | <b>1,500</b>                                 | <b>2,077</b>               | <b>9,388</b>      |
| Other Operating Expenditure  | (159)                                     | -  | -                          | (159)             |
| Financing and Investment Income and Expenditure  | (3,302)                                   | 1,108  | -                          | (2,194)           |
| Taxation and Non-Specific Grant Income   | (7,116)                                   | -  | (6,969)                    | (14,085)          |
| <b>Other Income and Expenditure from the Expenditure and Funding Analysis</b>  | <b>(10,577)</b>                           | <b>1,108</b>                                 | <b>(6,969)</b>             | <b>(16,438)</b>   |
| <b>Adjustments between funding and accounting basis</b>  | <b>(4,766)</b>                            | <b>2,608</b>                                 | <b>(4,892)</b>             | <b>(7,050)</b>    |

| 2023-24  |   |  |                            |                   |
|--|---|--|----------------------------|-------------------|
| 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 |
| <b>SERVICE</b>   |   |  |                            |                   |
| Asset Management   | 15,183                                    | (27)   | -                          | 15,156            |
| Audit & Assurance  | -   | -  | -                          | -                 |
| Executive Directors  | -   | (24)   | -                          | (24)              |
| Engineering Services   | 8   | (20)   | -                          | (12)              |
| Environmental Health   | 3   | (61)   | 1                          | (57)              |
| Finance & Business Services  | 131                                       | (118)  | 1                          | 14                |
| General Expenses   | -   | -  | -                          | -                 |
| Housing Services   | -   | (46)   | 1,496                      | 1,450             |
| Human Resources & Customer Services  | 33  | (59)   | 1                          | (25)              |
| Legal & Democratic Services  | -   | (43)   | 1                          | (42)              |
| Partnership & Community Engagement   | 641                                       | (38)   | 1                          | 604               |
| Planning & Economic Development  | 25  | (87)   | 14                         | (48)              |
| Street Scene Services  | 552                                       | (178)  | 1                          | 375               |
| <b>Net Cost of Services</b>  | <b>16,576</b>                             | <b>(701)</b>                                 | <b>1,516</b>               | <b>17,391</b>     |
| Other Operating Expenditure  | (282)                                     | -  | -                          | (282)             |
| Financing and Investment Income and Expenditure  | (8,686)                                   | 489  | -                          | (8,197)           |
| Taxation and Non-Specific Grant Income   | (6,006)                                   | -  | (2,772)                    | (8,778)           |
| <b>Other Income and Expenditure from the Expenditure and Funding Analysis</b>  | <b>(14,974)</b>                           | <b>489</b>                                   | <b>(2,772)</b>             | <b>(17,257)</b>   |
| <b>Adjustments between funding and accounting basis</b>  | <b>1,602</b>                              | <b>(212)</b>                                 | <b>(1,256)</b>             | <b>134</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.

#### YEAR ENDED 31 March 2023

| SERVICE                             | Employees<br>Related Costs<br>£000 | Premises<br>Related<br>Expenditure<br>£000 | Transport<br>Related Costs<br>£000 | Supplies and<br>Services<br>£000 | Third Party<br>Payments<br>£000 | Transfer<br>Payments<br>£000 | Depreciation,<br>Impairment<br>and REFFCUS<br>£000 | Income<br>£000  | TOTAL<br>£000 |
|-------------------------------------|------------------------------------|--|------------------------------------|----------------------------------|---------------------------------|------------------------------|--|-----------------|---------------|
| Asset Management                    | 941                                | 2,202                                      | 2                                  | 282                              | 49                              | -                            | 5,003  | (13,823)        | (5,344)       |
| Audit & Assurance                   | -                                  | -  | -                                  | 7                                | 188                             | -                            | -  | -               | 195           |
| Executive Directors                 | 547                                | -  | 1                                  | 10                               | -                               | -                            | -  | -               | 558           |
| Engineering Services                | 443                                | 43   | 39                                 | 21                               | 116                             | -                            | 7  | (24)            | 645           |
| Environmental Health                | 1,511                              | 3  | 8                                  | 158                              | 15                              | -                            | 3  | (455)           | 1,243         |
| Finance & Business Services         | 3,324                              | -  | 4                                  | 1,225                            | 127                             | 25,119                       | 131  | (26,813)        | 3,117         |
| General Expenses                    | 97                                 | -  | -                                  | 170                              | 99                              | -                            | -  | (99)            | 267           |
| Housing Services                    | 1,203                              | -  | 5                                  | 920                              | 52                              | 50                           | 1,462  | (1,285)         | 2,407         |
| Human Resources & Customer Services | 1,437                              | -  | -                                  | 128                              | 126                             | -                            | 33   | (96)            | 1,628         |
| Legal & Democratic Services         | 1,230                              | -  | 4                                  | 651                              | -                               | -                            | -  | (178)           | 1,707         |
| Partnership & Community Engagement  | 987                                | 22   | 1                                  | 419                              | 675                             | -                            | (84)   | (923)           | 1,097         |
| Planning & Economic Development     | 2,584                              | -  | 3                                  | 387                              | 220                             | -                            | 610  | (1,703)         | 2,101         |
| Street Scene Services               | 5,344                              | 1,217                                      | 881                                | 485                              | 432                             | -                            | 708  | (3,511)         | 5,556         |
| <b>Total</b>                        | <b>19,648</b>                      | <b>3,487</b>                               | <b>948</b>                         | <b>4,863</b>                     | <b>2,099</b>                    | <b>25,169</b>                | <b>7,873</b>                                       | <b>(48,910)</b> | <b>15,177</b> |

## YEAR ENDED 31 March 2024

| SERVICE                             | Employees Related Costs | Premises Related Expenditure | Transport Related Costs | Supplies and Services | Third Party Payments | Transfer Payments | Depreciation, Impairment and REFUSCUS | Income          | TOTAL         |
|-------------------------------------|-------------------------|------------------------------|-------------------------|-----------------------|----------------------|-------------------|---------------------------------------|-----------------|---------------|
|                                     | £000                    | £000                         | £000                    | £000                  | £000                 | £000              | £000                                  | £000            | £000          |
| Asset Management                    | 989                     | 1,736                        | 2                       | 8,377                 | 419                  |                   | 15,183                                | (7,998)         | 17,118        |
| Audit & Assurance                   |                         |                              |                         | 4                     | 194                  |                   |                                       |                 | 198           |
| Executive Directors                 | 490                     |                              |                         | 13                    |                      |                   |                                       |                 | 503           |
| Engineering Services                | 354                     | 35                           | 47                      | 21                    | 194                  |                   | 8                                     | (56)            | 603           |
| Environmental Health                | 1,309                   | 10                           | 8                       | 141                   | 26                   |                   | 3                                     | (371)           | 1,126         |
| Finance & Business Services         | 3,130                   |                              | 4                       | 927                   | 295                  | 25,454            | 130                                   | (26,342)        | 3,598         |
| General Expenses                    | 115                     | 1                            |                         | 449                   | 8                    |                   |                                       | (47)            | 526           |
| Housing Services                    | 1,150                   |                              | 7                       | 932                   | 173                  | 51                | 1,495                                 | (1,381)         | 2,427         |
| Human Resources & Customer Services | 1,282                   |                              | 0                       | 153                   | 112                  |                   | 33                                    | (61)            | 1,519         |
| Legal & Democratic Services         | 1,411                   | 35                           | 5                       | 762                   | 38                   |                   |                                       | (320)           | 1,931         |
| Partnership & Community Engagement  | 935                     | 12                           | 1                       | 874                   | 707                  |                   | 641                                   | (1,086)         | 2,084         |
| Planning & Economic Development     | 2,630                   | 17                           | 4                       | 724                   | 338                  |                   | 38                                    | (1,477)         | 2,274         |
| Street Scene Services               | 5,233                   | 1,288                        | 749                     | 638                   | 615                  |                   | 543                                   | (3,301)         | 5,765         |
| <b>Total</b>                        | <b>19,028</b>           | <b>3,134</b>                 | <b>827</b>              | <b>14,014</b>         | <b>3,119</b>         | <b>25,505</b>     | <b>18,074</b>                         | <b>(42,440)</b> | <b>39,671</b> |

## 5.16 Property, Plant &amp; Equipment

| 2022-23  | Other<br>Land &<br>Buildings<br>£000 | Vehicles,<br>Plant &<br>Equipment<br>£000 | Infrastructure<br>Assets<br>£000 | Community<br>Assets<br>£000 | Assets<br>Under<br>Construction<br>£000 | Surplus<br>Assets<br>£000 | Total<br>Property<br>Plant and<br>Equipment<br>£000 |
|--|--------------------------------------|---|----------------------------------|-----------------------------|---|---------------------------|---|
| <b>Cost or Valuation</b>   |                                      |   |                                  |                             |   |                           |   |
| <b>At 1 April 2022</b>   | 142,723                              | 6,706                                     | 524                              | 2,251                       | 15,235                                  | -                         | 167,439   |
| Additions  | 4,311                                | 1,981                                     | -                                | 41                          | 4,828                                   | -                         | 11,161  |
| Revaluation increases / (decreases)<br>recognised in the Revaluation Reserve                               | 18,708                               | -   | -                                | -                           | -                                       | -                         | 18,708  |
| Revaluation increases / (decreases)<br>recognised in the Surplus / Deficit on the<br>Provision of Services | (3,465)                              | -   | -                                | -                           | -                                       | -                         | (3,465)   |
| Disposals  | (172)                                | (652)                                     | -                                | -                           | -                                       | -                         | (824)   |
| Assets reclassified (to) / from Investment<br>Property   | -                                    | -   | -                                | -                           | -                                       | -                         | -   |
| Other movements  | 15,580                               | -   | -                                | -                           | (15,580)                                | -                         | -   |
| Accumulated depreciation and impairment<br>written to Cost or Valuation                                    | (1,568)                              | -   | -                                | -                           | -                                       | -                         | (1,568)   |
| <b>At 31 March 2023</b>  | <b>176,117</b>                       | <b>8,035</b>                              | <b>524</b>                       | <b>2,292</b>                | <b>4,483</b>                            | <b>-</b>                  | <b>191,451</b>                                      |

## 2022-23

|  | Other Land & Buildings<br>£000 | Vehicles, Plant & Equipment<br>£000 | Infrastructure Assets<br>£000 | Community Assets<br>£000 | Assets Under Construction<br>£000 | Surplus Assets<br>£000 | Total Property Plant and Equipment<br>£000 |
|--|--------------------------------|-------------------------------------|-------------------------------|--------------------------|-----------------------------------|------------------------|--|
| <b>Accumulated Depreciation</b>  |                                |                                     |                               |                          |                                   |                        |  |
| <b>At 1 April 2022</b>   | (739)                          | (3,949)                             | (187)                         | (383)                    | -                                 | -                      | (5,258)                                    |
| Depreciation   | (1,720)                        | (446)                               | (1)                           | (46)                     | -                                 | -                      | (2,213)                                    |
| Impairment Losses/(Reversals) recognised in the Revaluation Reserve                          | -                              | -                                   | -                             | -                        | -                                 | -                      | -  |
| Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services | -                              | -                                   | -                             | -                        | -                                 | -                      | -  |
| Disposals  | 2                              | 652                                 | -                             | -                        | -                                 | -                      | 654  |
| Assets reclassified to / (from) Investment Property  | -                              | -                                   | -                             | -                        | -                                 | -                      | -  |
| Other movements  | -                              | -                                   | -                             | -                        | -                                 | -                      | -  |
| Accumulated depreciation and impairment written to Cost or Valuation                         | 1,568                          | -                                   | -                             | -                        | -                                 | -                      | 1,568                                      |
| <b>At 31 March 2023</b>  | <b>(889)</b>                   | <b>(3,743)</b>                      | <b>(188)</b>                  | <b>(429)</b>             | <b>-</b>                          | <b>-</b>               | <b>(5,249)</b>                             |
| <b>Net Book Value</b>  |                                |                                     |                               |                          |                                   |                        |  |
| <b>As at 31 March 2022</b>   | <b>141,984</b>                 | <b>2,757</b>                        | <b>337</b>                    | <b>1,868</b>             | <b>15,235</b>                     | <b>-</b>               | <b>162,181</b>                             |
| <b>As at 31 March 2023</b>   | <b>175,228</b>                 | <b>4,292</b>                        | <b>336</b>                    | <b>1,863</b>             | <b>4,483</b>                      | <b>-</b>               | <b>186,202</b>                             |

## 2023-24

|  | Other<br>Land &<br>Buildings<br>£000 | Vehicles,<br>Plant &<br>Equipment<br>£000 | Infrastructure<br>Assets<br>£000 | Community<br>Assets<br>£000 | Assets<br>Under<br>Construction<br>£000 | Surplus<br>Assets<br>£000 | Total<br>Property<br>Plant and<br>Equipment<br>£000 |
|--|--------------------------------------|---|----------------------------------|-----------------------------|---|---------------------------|---|
| <b>Cost or Valuation</b>   |                                      |   |                                  |                             |   |                           |   |
| <b>At 1 April 2023</b>   | 176,117                              | 8,035                                     | 524                              | 2,292                       | 4,483                                   | -                         | 191,451   |
| Additions  | 17,619                               | 992                                       | 42                               | 85                          | 1,781                                   | -                         | 20,519  |
| Revaluation increases / (decreases)<br>recognised in the Revaluation Reserve                               | 967                                  | -   | -                                | (225)                       | -                                       | -                         | 742   |
| Revaluation increases / (decreases)<br>recognised in the Surplus / Deficit on the<br>Provision of Services | (13,930)                             | -   | -                                | -                           | -                                       | -                         | (13,930)  |
| Disposals  | (2129)                               | (248)                                     | -                                | -                           | -                                       | -                         | (2,377)   |
| Assets reclassified (to) / from Investment<br>Property   | -                                    | -   | -                                | -                           | 355                                     | -                         | 355   |
| Other movements  | 1,333                                | -   | -                                | -                           | (1,333)                                 | -                         | -   |
| Accumulated depreciation and impairment<br>written to Cost or Valuation                                    | (1,706)                              | -   | -                                | -                           | -                                       | -                         | (1,706)   |
| <b>At 31 March 2024</b>  | <b>178,271</b>                       | <b>8,779</b>                              | <b>566</b>                       | <b>2,152</b>                | <b>5,286</b>                            | <b>-</b>                  | <b>195,054</b>                                      |

## 2023-24

|  | 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 2023</b>   | (889)                       | (3,743)                          | (188)                      | (429)                 | -                              | -                   | (5,249)                                 |
| Depreciation   | (1,789)                     | (665)                            | (1)                        | (45)                  | -                              | -                   | (2,500)                                 |
| Impairment Losses/(Reversals) recognised in the Revaluation Reserve                          | -                           | -                                | -                          | -                     | -                              | -                   | -                                       |
| Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services | -                           | -                                | -                          | -                     | -                              | -                   | -                                       |
| Disposals  | 9                           | 248                              | -                          | -                     | -                              | -                   | 257                                     |
| Assets reclassified to / (from) Investment Property  | -                           | -                                | -                          | -                     | -                              | -                   | -                                       |
| Other movements  | -                           | -                                | -                          | -                     | -                              | -                   | -                                       |
| Accumulated depreciation and impairment written to Cost or Valuation                         | 1,706                       | -                                | -                          | -                     | -                              | -                   | 1,706                                   |
| <b>At 31 March 2024</b>  | <b>(963)</b>                | <b>(4,160)</b>                   | <b>(189)</b>               | <b>(474)</b>          | <b>-</b>                       | <b>-</b>            | <b>(5,786)</b>                          |
| <b>Net Book Value</b>  |                             |                                  |                            |                       |                                |                     |   |
| <b>As at 31 March 2023</b>   | <b>175,228</b>              | <b>4,292</b>                     | <b>336</b>                 | <b>1,863</b>          | <b>4,483</b>                   | <b>-</b>            | <b>186,202</b>                          |
| <b>As at 31 March 2024</b>   | <b>177,308</b>              | <b>4,619</b>                     | <b>377</b>                 | <b>1,678</b>          | <b>5,286</b>                   | <b>-</b>            | <b>189,268</b>                          |

Assets included in note 5.16 within 'Other Land and Buildings' with a carrying value of £177 million at 31 March 2024 were revalued in full at the dates shown in the table below. Valuations as at 31 March 2024 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>                   | -                      | 4,619                       | 377                   | 1,003            | 5,286                     | 11,285         | -                   |
| <i>Valued at Fair Value</i>                        |                        |                             |                       |                  |                           |                |                     |
| As at 31 March 2024                                | 144,659                | -                           | -                     | 675              | -                         | 145,334        | 9,054               |
| As at 31 March 2023                                | 12,856                 | -                           | -                     | -                | -                         | 12,856         | -                   |
| As at 31 January 2022                              | 19,793                 | -                           | -                     | -                | -                         | 19,793         | -                   |
| <b>Total cost or valuation as at 31 March 2024</b> | <b>177,308</b>         | <b>4,619</b>                | <b>377</b>            | <b>1,678</b>     | <b>5,286</b>              | <b>189,268</b> | <b>9,054</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.

| 2022-23       |  | 2023-24       |
|---------------|--|---------------|
| £000          |  | £000          |
| 17,544        | <b>Opening Capital Financing Requirement</b>   | 23,152        |
|               | <b>Capital Investment:</b>   |               |
| 11,161        | Property, plant and equipment  | 20,519        |
| 78            | Intangible assets  | 52            |
| 2,072         | Revenue expenditure funded from capital under statute  | 1,508         |
| 835           | Loan advanced for capital purposes   | 500           |
|               | <b>Sources of finance:</b>   |               |
| (5,328)       | Government grants and other contributions  | (3,672)       |
| (267)         | Capital receipts   | 380           |
| (1,977)       | Revenue contribution to capital  | (7,679)       |
|               | <b>Provision for repayment of debt:</b>  |               |
| (482)         | Minimum revenue provision  | (482)         |
| (484)         | InspireAll Loan Repayment  | (588)         |
| <u>23,152</u> | <b>Closing Capital Financing Requirement</b>   | <u>33,690</u> |
|               | <b>Explanation of movements in year:</b>   |               |
| <u>5,608</u>  | (Decrease) / Increase in the underlying need to borrow<br>(unsupported by government financial assistance) | <u>10,538</u> |



**5.17.1 Capital Commitments**

| <b>2022-23</b>       |                                       | <b>2023-24</b>       |
|----------------------|---------------------------------------|----------------------|
| <b>£000</b>          |                                       | <b>£000</b>          |
|                      | <b>Capital Commitments:</b>           |                      |
| 32,984               | Asset Management                      | 31,517               |
| -                    | Human Resources & Customer Services   | -                    |
| 601                  | Planning & Economic Development       | 588                  |
| 27                   | Environmental Health                  | 203                  |
| 2,248                | Housing & Partnerships                | -                    |
| 3,115                | Street Scene Services                 | 4,460                |
| 93                   | Finance And Business Services         | 1,119                |
| -                    | Loan to Hertsmere Development Company | 230                  |
| <b><u>39,068</u></b> | <b>Total</b>                          | <b><u>38,117</u></b> |

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

The Council entered into operating lease agreements to acquire the use of equipment. The future minimum payments are made up of the following amounts:

| <b>2022/23</b>  |  | <b>2023/24</b>   |
|-----------------|--|------------------|
| <b>£'000</b>    |  | <b>£'000</b>     |
| -               | Not later than one year                      | 8                |
| -               | Later than 1 year and not later than 5 years | 11               |
| -               | Later than 5 years                           | -                |
| <b><u>-</u></b> |  | <b><u>19</u></b> |

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year comprised:

| <b>2022/23</b>  |                        | <b>2023/24</b>  |
|-----------------|------------------------|-----------------|
| <b>£'000</b>    |                        | <b>£'000</b>    |
| <b><u>-</u></b> | Minimum lease payments | <b><u>4</u></b> |
| <b><u>-</u></b> |                        | <b><u>4</u></b> |

*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 2023/24 was £1,200k (2022/23: £1,700k).

**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:

**2023-24**

|                               | <b>Artwork</b> | <b>Rose<br/>Garden</b> | <b>War<br/>Memorial</b> | <b>Total<br/>Heritage<br/>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             | -              | 1                      | -                       | 1                                    |
| Valuation movements           | -              | -                      | -                       | -                                    |
| <b>At 31 March</b>            | <b>110</b>     | <b>1,354</b>           | <b>50</b>               | <b>1,514</b>                         |
| <b>Depreciation</b>           |                |                        |                         |                                      |
| <b>At 1 April</b>             | -              | (314)                  | -                       | (314)                                |
| Depreciation charged in year  | -              | (23)                   | -                       | (23)                                 |
| <b>At 31 March</b>            | <b>-</b>       | <b>(336)</b>           | <b>-</b>                | <b>(336)</b>                         |
| <b>Net Carrying Amounts</b>   |                |                        |                         |                                      |
| <b>31 March 2023</b>          | <b>110</b>     | <b>1,039</b>           | <b>50</b>               | <b>1,199</b>                         |
| <b>31 March 2024</b>          | <b>110</b>     | <b>1,017</b>           | <b>50</b>               | <b>1,177</b>                         |

**5.20 Investment Property**

Rental income from investment property of £691k (2022/23: £701k) 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:

| <b>2022-23</b>       |   | <b>2023-24</b>      |
|----------------------|---|---------------------|
| <b>£000</b>          |   | <b>£000</b>         |
| <b>9,692</b>         | <b>At 1 April</b>   | <b>10,076</b>       |
| -                    | Additions in year   |                     |
| 815                  | Net gains / (losses) from Fair Value adjustments            | 503                 |
| (431)                | Disposals   | (1,170)             |
| -                    | Other movements   |                     |
| -                    | Assets reclassified (to)/from Property, Plant and Equipment | (355)               |
| <u><b>10,076</b></u> | <b>Level 2 balances at 31 March</b>                         | <u><b>9,054</b></u> |
| <u><b>10,076</b></u> | <b>Total</b>  | <u><b>9,054</b></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>2022-23</b> |                              | <b>2023-24</b> |
|----------------|------------------------------|----------------|
| <b>£000</b>    |                              | <b>£000</b>    |
|                | <b>Gross Carrying Amount</b> |                |
| <b>1,831</b>   | <b>At 1 April</b>            | <b>1,909</b>   |
| 78             | Additions in year            | 52             |
| <b>1,909</b>   | <b>At 31 March</b>           | <b>1,961</b>   |
|                | <b>Amortisation</b>          |                |
| <b>(1,427)</b> | <b>At 1 April</b>            | <b>(1,537)</b> |
| (110)          | Charged in year              | (122)          |
| <b>(1,537)</b> | <b>At 31 March</b>           | <b>(1,659)</b> |
|                | <b>Net Carrying Amount</b>   |                |
| <b>372</b>     |                              | <b>302</b>     |

**5.22 Debtors**

| <b>31 March</b> |  | <b>31 March</b> |
|-----------------|--|-----------------|
| <b>2023</b>     |  | <b>2024</b>     |
| <b>£000</b>     |  | <b>£000</b>     |
|                 | <b>Amounts receivable within one year:</b>         |                 |
|                 | <i>Financial assets</i>                            |                 |
| 2,420           | Sundry debtors and accrued income                  | 2,506           |
| 9,816           | Due from group companies                           | 10,169          |
| 589             | Other loans  | 549             |
| 32              | Employee car loans                                 | 25              |
| <b>12,857</b>   | <b>Total</b>                                       | <b>13,249</b>   |
|                 | <i>Non-financial assets and statutory debt</i>     |                 |
| 889             | Council tax  | 957             |
| 366             | Business rates                                     | 751             |
| 268             | HM Revenue and Customs                             | 259             |
| 3,861           | Government departments and other local authorities | 18,252          |
| 390             | Housing Benefits overpaid                          | 264             |
| 692             | Prepayments  | 608             |
| <b>6,466</b>    | <b>Total</b>                                       | <b>21,091</b>   |
| <b>19,323</b>   | <b>Total amounts receivable within one year</b>    | <b>34,340</b>   |
|                 | <b>Amounts receivable after one year:</b>          |                 |
|                 | <i>Financial assets</i>                            |                 |
| 2,378           | Equity charge on properties                        | 2,429           |
| 30              | Employee car loans                                 | 32              |
| 835             | Loans to subsidiary undertakings                   | 500             |
| 3,756           | Other loans  | 5,282           |
| 14              | Other  | 12              |
| <b>7,013</b>    | <b>Total amounts receivable after one year</b>     | <b>8,255</b>    |

**5.23 Investments**

Investments were held as follows:

| <b>31 March<br/>2023<br/>£000</b> |                                     | <b>31 March<br/>2024<br/>£000</b> |
|-----------------------------------|-------------------------------------|-----------------------------------|
|                                   | <b>Long Term Investments:</b>       |                                   |
| 491                               | Investments in subsidiaries         | 491                               |
| -                                 | Other Investments                   | 2,574                             |
| 5,000                             | Local Authorities                   | 0                                 |
| <u><b>5,491</b></u>               | <b>Total Long Term Investments</b>  | <u><b>3,065</b></u>               |
|                                   | <b>Short Term Investments:</b>      |                                   |
| 6,056                             | Banks                               | -                                 |
| 25,315                            | Local Authorities                   | 20,449                            |
| <u><b>31,371</b></u>              | <b>Total Short Term Investments</b> | <u><b>20,449</b></u>              |

The Council's investment in subsidiaries comprises 491,100 ordinary shares of £1 each in Hertsmere Developments Limited and 1 ordinary share of £1 in Elstree Film Studios Limited. Both Hertsmere Developments Limited and Elstree Film Studios Limited are 100% owned by the Council.

Other long term investments comprise:

- Hertsmere Living Limited – equity share capital of £2.574m representing a 50% holding in this joint venture stock holding company
- One £1 (12.5%) share in Broste Rivers Ltd which is the holding company of Hertfordshire Building Control Ltd (2023: £1 – 12.5%) .
- 14% of the ordinary shares of £1 each issued by Hertfordshire CCTV Partnership Limited (2023: 14%).
- 20,000 shares of £0.01 each in UK Municipal Bonds Agency PLC (2023: £200).

The average interest rate received on core investments during the year was 4.57% (2022/23: 1.68%). 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<br/>2023<br/>£000</b> |                                     | <b>31 March<br/>2024<br/>£000</b> |
|-----------------------------------|-------------------------------------|-----------------------------------|
| 890                               | Bank current accounts               | 745                               |
| 27,491                            | Call deposit and money market funds | 23,366                            |
| 0                                 | Short Term deposits                 | 5,000                             |
| <u><b>28,381</b></u>              | <b>Total</b>                        | <u><b>29,111</b></u>              |

**5.25 Creditors**

| <b>31 March<br/>2023</b>                |   | <b>31 March<br/>2024</b> |
|---|---|--------------------------|
| <b>£000</b>                             |   | <b>£000</b>              |
| <b>Amounts payable within one year:</b> |   |                          |
|   | <i>Financial liabilities</i>                              |                          |
| 4,900                                   | Sundry creditors  | 4,737                    |
| 43                                      | Due to group companies                                    | 50                       |
| <u>4,943</u>                            | <b>Total</b>  | <u>4,787</u>             |
|   | <i>Non-financial liabilities and statutory debt</i>       |                          |
| 133                                     | Accrual for accumulated absences (note 5.31.6)            | 141                      |
| 455                                     | HM Revenue and Customs - payroll taxes                    | 298                      |
| 18,817                                  | Due to government departments and other local authorities | 29,019                   |
| 3,814                                   | Receipts in advance                                       | 3,479                    |
| <u>23,219</u>                           | <b>Total</b>  | <u>32,937</u>            |
| <u>28,162</u>                           | <b>Total included in current liabilities</b>              | <u>37,724</u>            |
| <b>Amounts payable after one year:</b>  |   |                          |
|   | <i>Financial liabilities</i>                              |                          |
| 173                                     | Other creditors   | 100                      |
| <u>173</u>                              | <b>Total included in non-current liabilities</b>          | <u>100</u>               |

**5.26 Provisions**

| <b>2022-23</b>                                  | <b>Municipal<br/>Mutual<br/>Insurance<br/>£000</b> | <b>Business<br/>Rates<br/>Appeals<br/>£000</b> | <b>Herts<br/>Building<br/>Control Ltd<br/>Losses<br/>£000</b> | <b>Total<br/>£000</b> |
|---|--|--|---|-----------------------|
| <b>Balance at 1 April<br/>2021</b>              | <b>58</b>  | <b>1,363</b>                                   | <b>134</b>  | <b>1,555</b>          |
| Increase/(decrease) in<br>provision during year | -  | 115  | (134)   | (19)                  |
| Amounts used                                    | -  | (1,060)  | -   | (1,060)               |
| Classified as Long Term                         | -  | (56)   | -   | (56)                  |
| <b>Balance as at 31<br/>March 2023</b>          | <u><b>58</b></u>                                   | <u><b>362</b></u>                              | <u><b>-</b></u>   | <u><b>420</b></u>     |

| <b>2023-24</b>                                  | <b>Municipal<br/>Mutual<br/>Insurance</b> | <b>Business<br/>Rates<br/>Appeals</b> | <b>Herts<br/>Building<br/>Control Ltd<br/>Losses</b> | <b>Total</b> |
|---|---|---------------------------------------|--|--------------|
|   | <b>£000</b>                               | <b>£000</b>                           | <b>£000</b>  | <b>£000</b>  |
| <b>Balance at 1 April<br/>2023</b>              | <b>58</b>                                 | <b>362</b>                            | -  | <b>420</b>   |
| Increase/(decrease) in<br>provision during year | -   | 8,138                                 | -  | <b>8,138</b> |
| Amounts used                                    | -   | (362)                                 | -  | <b>(362)</b> |
| Classified as Long Term                         | -   | -                                     | -  | -            |
| <b>Balance as at 31<br/>March 2024</b>          | <b>58</b>                                 | <b>8,138</b>                          |  | <b>8,196</b> |

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

### 5.27 Capital Grants Received in Advance

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

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

The balances at the year-end are as follows:

| <b>31 March<br/>2023<br/>£000</b> |                                    | <b>31 March<br/>2024<br/>£000</b> |
|-----------------------------------|------------------------------------|-----------------------------------|
| <b>11,516</b>                     | <b>Balance at 1 April</b>          | <b>8,610</b>                      |
| 216                               | New grants received in advance     | 102                               |
| 192                               | Receipt in lieu of interest        | 345                               |
| (3,211)                           | Application of grants used in year | (1,333)                           |
| (103)                             | Amounts repaid                     | -                                 |
| <b>8,610</b>                      | <b>Balance at 31 March</b>         | <b>7,724</b>                      |

Interest in lieu is allocated to S106 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 2024 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. These are not material and have 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 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% (2024: £151k, 2023: £175k) and this amount has been earmarked against the Council's usable capital receipts (£5.756m at 31 March 2024). |
| 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 2023</b>           | <b>Amortised<br/>Cost<br/>£000</b> | <b>Fair<br/>Value<br/>through<br/>profit or<br/>loss<br/>£000</b> | <b>Non-<br/>financial<br/>instrument<br/>balances<br/>£000</b> | <b>Balance<br/>Sheet<br/>carrying<br/>amount<br/>£000</b> | <b>Financial<br/>Instruments<br/>Impairment<br/>Allowance<br/>£000</b> |
|--------------------------------|------------------------------------|---|--|---|--|
| <b>Financial Assets</b>        |                                    |   |  |   |  |
| Long Term                      |                                    |   |  |   |  |
| Investments                    | 5,000                              | -   | 491  | 5,491   | (20)   |
| Long Term Debtors              | 4,635                              | 2,378   | -  | 7,013   | (151)  |
| Short Term                     |                                    |   |  |   |  |
| Investments                    | 31,371                             | -   | -  | 31,371  | -  |
| Short Term Debtors             | 12,856                             | -   | 6,467  | 19,323  | (617)  |
| Cash and Cash<br>Equivalents   | 28,381                             | -   | -  | 28,381  | -  |
|                                |                                    |   |  |   | <u>(788)</u>   |
| <b>Financial Liabilities</b>   |                                    |   |  |   |  |
| Short Term Creditors           | (5,546)                            | -   | (22,616)   | (28,162)  | -  |
| Other Long term<br>Liabilities | (173)                              | -   | -  | (173)   | -  |
|                                |                                    |   |  |   | <u>(788)</u>   |

| <b>31 March 2024</b>           | <b>Amortised<br/>Cost<br/>£000</b> | <b>Fair<br/>Value<br/>through<br/>profit or<br/>loss<br/>£000</b> | <b>Non-<br/>financial<br/>instrument<br/>balances<br/>£000</b> | <b>Balance<br/>Sheet<br/>carrying<br/>amount<br/>£000</b> | <b>Financial<br/>Instruments<br/>Impairment<br/>Allowance<br/>£000</b> |
|--------------------------------|------------------------------------|---|--|---|--|
| <b>Financial Assets</b>        |                                    |   |  |   |  |
| Long Term                      |                                    |   |  |   |  |
| Investments                    | -                                  | -   | 3,065  | 3,065   | (20)   |
| Long Term Debtors              | 5,826                              | 2,429   | -  | 8,255   | (128)  |
| Short Term                     |                                    |   |  |   |  |
| Investments                    | 20,449                             | -   | -  | 20,449  | -  |
| Short Term Debtors             | 13,250                             | -   | 21,090   | 34,340  | (624)  |
| Cash and Cash<br>Equivalents   | 29,111                             | -   | -  | 29,111  | -  |
|                                |                                    |   |  |   | <u>(772)</u>   |
| <b>Financial Liabilities</b>   |                                    |   |  |   |  |
| Short Term Creditors           | (4,824)                            | -   | (32,900)   | (37,724)  | -  |
| Other Long term<br>Liabilities | (100)                              | -   | -  | (100)   | -  |
|                                |                                    |   |  |   | <u>(772)</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 2023/24 in relation to financial instruments.

| <b>2022-23<br/>Financial<br/>Instruments<br/>measured at<br/>amortised<br/>cost<br/>£000</b> | <b>2023-24<br/>Financial<br/>Instruments<br/>measured at<br/>amortised<br/>cost<br/>£000</b> |
|--|--|
| <u>Financing and Investment Income and Expenditure</u>                                       |  |
| - Interest payable and similar charges   | -  |
| (1,345) Interest receivable and similar income   | (3,358)  |
| (93) Impairment of Financial Assets  | 54   |
| <u>(1,438)</u>   | <u>(3,304)</u>   |

**Changes in Expected Credit Losses**

|   | <b>Allowance<br/>at 1 April<br/>2023<br/>£000</b> | <b>Allowance<br/>for assets<br/>originated<br/>or<br/>acquired<br/>£000</b> | <b>Allowance<br/>for assets<br/>derecognised<br/>£000</b> | <b>Allowance<br/>at 31<br/>March<br/>2024<br/>£000</b> |
|---|---|---|---|--|
| <b>Long Term Investments</b>                          |   |   |   |  |
| - Lifetime credit losses                              | (20)  | -   | -   | (20)   |
| <b>Loans to businesses and<br/>group companies</b>    |   |   |   |  |
| - 12-month credit losses                              | (175)   | 24  | -   | (151)  |
| <b>Deposits with banks and<br/>building societies</b> |   |   |   |  |
| - 12-month credit losses                              | -   | -   | -   | -  |
| <b>Trade receivables</b>                              |   |   |   |  |
| - Grouped assets                                      | (593)   | (78)  | 70  | (601)  |
| <b>Total loss allowances</b>                          | <u>(788)</u>                                      | <u>(54)</u>   | <u>70</u>   | <u>(772)</u>   |

## Credit Risk Exposure

The Council had the following exposure to credit risk at 31 March 2024.

|   | Credit Risk Rating           |                |              | Gross Carrying Amount<br>£000 |
|---|------------------------------|----------------|--------------|-------------------------------|
|   | Low<br>£000                  | Medium<br>£000 | High<br>£000 |                               |
| <b>Deposits with banks and building societies</b> |                              |                |              |                               |
| - 12-month credit losses                          | 24,111                       | -              | -            | 24,111                        |
| <b>Loans to businesses and group companies</b>    |                              |                |              |                               |
| - 12-month credit losses                          | 8,599                        | -              | -            | 8,599                         |
| - Lifetime credit losses                          | 107                          |                |              | 107                           |
| <b>Trade receivables</b>                          |                              |                |              |                               |
| - Grouped assets                                  | Not subject to credit rating |                |              | 1,841                         |
| <b>Total amount exposed to credit risk</b>        |                              |                |              | <u>34,658</u>                 |

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

This risk is minimised through the Council's Treasury Management Strategy. The Council's investment policy has regard to the Department of Levelling Up, Housing and Communities' (DLUHC) Guidance on Local Government Investments ("the Guidance"), the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the CIPFA TM Code") and CIPFA Treasury Management Guidance Notes 2018.

The Council uses the creditworthiness service provided by its Treasury consultants; Link Asset Services. This service has been progressively enhanced over recent years and now uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries.

As well as using the Link Asset Services' matrix, the Council will limit its exposure to any one particular Institution or group of banks. The Council will adopt a tiered exposure using Fitch long term (or equivalent from other agencies if Fitch does not provide) to determine the amount of funds placed with each institution. The table below shows counterparty investment limits for 2023/24 and deposits placed at 31<sup>st</sup> March 2024.

| <b>Category</b>   | <b>Maximum Investment</b> | <b>Investment as at 31 March 2024</b> | <b>Call deposits at 31 March 2024 (included in cash and cash equivalents)</b> |
|---|---------------------------|---------------------------------------|---|
| <b>Higher Quality Rated Banks – rating AAA, AA+, AA and AA-</b>               | £10m                      |                                       |   |
| <b>UK Medium Quality Rated Banks and Building Societies - rating A+, A</b>    | £6m                       |                                       | 1 deposit not exceeding Council's banker limit                                |
| <b>Medium Quality Rated Non UK Banks – rating A+, A</b>                       | £4m                       |                                       |   |
| <b>Local Authorities</b>  | £10m                      | 4 deposits not exceeding £10m         |   |
| <b>Part nationalised banks</b>  | £10m                      |                                       |   |
| <b>Unrated Building Societies or with rating below A - min £3B Asset Size</b> | £3m                       |                                       |   |
| <b>Barclays Bank – Council's banker</b>                                       | £5m                       |                                       |   |
| <b>Money market funds – AAA</b>   | £10m                      |                                       | 2 deposits not exceeding £10m   |
| <b>Enhanced Money market funds – AAA</b>                                      | £8m                       |                                       |   |
| <b>Debt Management Account Deposit Facility</b>                               | Unlimited                 |                                       |   |

### 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.

|                  | Age (Days)  |            |            |                 |                  |                  | Allowance<br>at 31<br>March<br>2024<br>£000 |
|------------------|---|------------|------------|-----------------|------------------|------------------|---|
|                  | 0-30<br>%   | 31-60<br>% | 61-90<br>% | 90-<br>180<br>% | 180-<br>365<br>% | Over<br>365<br>% |   |
| Trade Receivable |   |            |            |                 |                  |                  |   |
| Other            | 0   | 15         | 30         | 50              | 80               | 100              | (490)                                       |
| Garage Rents     | 0   | 0          | 40         | 60              | 80               | 80               | (10)  |
| Parking          | Provision is made based on age of Penalty Charge Notices. |            |            |                 |                  |                  | (101)                                       |
|                  |   |            |            |                 |                  |                  | <b>(601)</b>                                |

### Liquidity Risk

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

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

### **Interest Rate Risk**

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

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

### **Price Risk**

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

### **Foreign Exchange Risk**

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

## **5.29 Defined Benefit Pension Scheme**

### **Participation in Pension Schemes**

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

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

### **Discretionary Post-retirement Benefits**

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

### **Transactions Relating to Post-employment Benefits**

The Council has recognised the cost of retirement benefits in the reported cost of services when earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been included within the Comprehensive Income and Expenditure Statement and the General Fund via the Movement in Reserves Statement during the year:



**5.29.1 Comprehensive Income and Expenditure Statement**

| <b>2022-23</b>  |  | <b>2023-24</b> |
|-----------------|--|----------------|
| <b>£000</b>     |  | <b>£000</b>    |
|                 | <b>Cost of Services:</b>   |                |
|                 | <i>Service cost comprising:</i>  |                |
| 4,346           | Current service cost   | 2,279          |
| -               | Past service cost  | -              |
|                 | <i>Finance and investment income and expenditure:</i>  |                |
| 1,108           | Net interest expense   | 489            |
| <b>5,454</b>    | <b>Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services</b>           | <b>2,768</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>   |                |
| 10,749          | Return on plan assets (excluding the amount included in the net interest expense)                              | (4,443)        |
| (50,714)        | Actuarial (gains) and losses arising on changes in financial assumptions                                       | (4,999)        |
| (1,044)         | Actuarial (gains) and losses arising on changes in demographic assumptions                                     | (719)          |
| 8,712           | Other experience (gains) and losses  | 3,599          |
|                 | Changes in the effect of the asset ceiling (3,388)   |                |
| <b>(32,297)</b> | <b>Total post-employment benefits charged/(credited) to the Comprehensive Income and Expenditure Statement</b> | <b>(3,174)</b> |

**5.29.2 Movement in Reserves Statement**

| <b>2022-23</b> |  | <b>2023-24</b> |
|----------------|--|----------------|
| <b>£000</b>    |  | <b>£000</b>    |
| (5,454)        | Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code | (2,768)        |
|                | <b>Actual amount charged against the General Fund for pensions for the year:</b>   |                |
| 2,846          | Employer's contributions payable to the scheme   | 2,979          |

### 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>2022-23</b>  |  | <b>2023-24</b> |
|-----------------|--|----------------|
| <b>£000</b>     |  | <b>£000</b>    |
| (112,577)       | Present value of defined benefit obligations                 | (113,487)      |
|                 | Fair value of scheme assets                                  |                |
| 101,940         |  | 109,623        |
|                 | Effect of the asset ceiling (£3,388)                         |                |
| <b>(10,637)</b> | <b>Net liability arising from defined benefit obligation</b> | <b>(7,252)</b> |

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

| <b>2022-23</b>   |   | <b>2023-24</b>   |
|------------------|---|------------------|
| <b>£000</b>      |   | <b>£000</b>      |
|                  | <b>Present Value of Defined Benefit Obligations:</b>                            |                  |
| <b>(150,887)</b> | <b>As at 1 April</b>  | <b>(112,577)</b> |
| (4,346)          | Current service cost  | (2,279)          |
| -                | Past service cost   | -                |
| (4,080)          | Interest cost   | (5,294)          |
| (664)            | Contributions by scheme members   | (693)            |
|                  | <i>Re-measurement gains and (losses):</i>                                       |                  |
| 1,044            | Actuarial gains and (losses) arising on changes in demographic assumptions      | 719              |
| 50,714           | Actuarial gains and (losses) arising on changes in financial assumptions        | 4,999            |
| (8,712)          | Other experience gains and (losses)   | (3,599)          |
| 4,354            | Benefits paid   | 5,237            |
| <b>(112,577)</b> | <b>As at 31 March</b>   | <b>(113,487)</b> |
|                  | <b>Fair Value of Scheme Assets:</b>   |                  |
| <b>110,561</b>   | <b>As at 1 April</b>  | <b>101,940</b>   |
| 2,972            | Interest Income   | 4,805            |
| 664              | Contributions by scheme members   | 693              |
| 2,846            | Contributions by employer   | 2,979            |
|                  | <i>Re-measurement gains and (losses):</i>                                       |                  |
| (10,749)         | Return on plan assets excluding the amount included in the net interest expense | 4,443            |
| -                | Other experience gains and (losses)   | -                |
| (4,354)          | Benefits paid   | (5,237)          |
| <b>101,940</b>   | <b>As at 31 March</b>   | <b>109,623</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 2023                 |  |                |            |
|---|--|--|----------------|------------|
|   | Quoted<br>Prices in<br>Active<br>Markets | Quoted<br>Prices not in<br>Active<br>Markets | Total          |            |
|   | £000                                     | £000   | £000           | %          |
| <b>Cash and cash equivalents</b>                  | <b>5,773</b>                             | -  | <b>5,773</b>   | <b>6</b>   |
| <b>Equity instruments:</b>                        |  |  |                |            |
| <i>By industry type:</i>                          |  |  |                |            |
| Consumer  | 1,350                                    | -  | <b>1,350</b>   | <b>1</b>   |
| Manufacturing                                     | 596                                      | -  | <b>596</b>     | <b>0.5</b> |
| Financial Institutions                            | 512                                      | -  | <b>512</b>     | <b>0.5</b> |
| Health & Care                                     | 802                                      | -  | <b>802</b>     | <b>1</b>   |
| Information Technology                            | 1,790                                    | -  | <b>1,790</b>   | <b>2</b>   |
| <b>Sub-total equity instruments</b>               | <b>5,050</b>                             | -  | <b>5,050</b>   | <b>5</b>   |
| <b>Debt Securities:</b>                           |  |  |                |            |
| UK Government                                     | 7,496                                    | -  | <b>7,496</b>   | <b>7</b>   |
| Other   | -  | 2,985  | <b>2,985</b>   | <b>3</b>   |
| <b>Sub-total debt securities</b>                  | <b>7,496</b>                             | <b>2,985</b>                                 | <b>10,481</b>  | <b>10</b>  |
| <b>Private Equity</b>                             | -  | <b>9,660</b>                                 | <b>9,660</b>   | <b>9</b>   |
| <b>Property:</b>                                  |  |  |                |            |
| UK Property                                       | -  | 8,615  | <b>8,615</b>   | <b>8</b>   |
| Overseas Property                                 | -  | 6,820  | <b>6,820</b>   | <b>7</b>   |
| <b>Sub-total property</b>                         | -  | <b>15,435</b>                                | <b>15,435</b>  | <b>15</b>  |
| <b>Investment Funds and Unit Trusts:</b>          |  |  |                |            |
| Equities  | 34,492                                   | -  | <b>34,492</b>  | <b>34</b>  |
| Bonds   | 13,396                                   | -  | <b>13,396</b>  | <b>13</b>  |
| Infrastructure                                    | -  | 106  | <b>106</b>     | -          |
| Other   | 953                                      | 6,901  | <b>7,854</b>   | <b>8</b>   |
| <b>Sub-total investment funds and unit trusts</b> | <b>48,841</b>                            | <b>7,007</b>                                 | <b>55,848</b>  | <b>55</b>  |
| <b>Derivatives: foreign exchange</b>              | -  | <b>(307)</b>                                 | <b>(307)</b>   | -          |
| <b>Total assets</b>                               | <b>67,160</b>                            | <b>34,780</b>                                | <b>101,940</b> | <b>100</b> |

|   | Year ended 31 March 2024                 |  |                |            |
|---|--|--|----------------|------------|
|   | Quoted<br>Prices in<br>Active<br>Markets | Quoted<br>Prices not in<br>Active<br>Markets | Total          |            |
|   | £000                                     | £000   | £000           | %          |
| <b>Cash and cash equivalents</b>                  | <b>6,887</b>                             | -  | <b>6887</b>    | <b>6</b>   |
| <b>Equity instruments:</b>                        |  |  |                |            |
| <i>By industry type:</i>                          |  |  |                |            |
| Consumer  | 1,483                                    | -  | <b>1,483</b>   | <b>1</b>   |
| Manufacturing                                     | 1,720                                    | -  | <b>1,720</b>   | <b>2</b>   |
| Financial Institutions                            | 975                                      | -  | <b>975</b>     | <b>1</b>   |
| Health & Care                                     | 929                                      | -  | <b>929</b>     | <b>1</b>   |
| Information Technology                            | 1,521                                    | -  | <b>1,521</b>   | <b>1</b>   |
| <b>Sub-total equity instruments</b>               | <b>6,628</b>                             | -  | <b>6,628</b>   | <b>6</b>   |
| <b>Debt Securities:</b>                           |  |  |                |            |
| UK Government                                     | 5,589                                    | -  | <b>5,589</b>   | <b>5</b>   |
| Other   | -  | 2,787  | <b>2,787</b>   | <b>3</b>   |
| <b>Sub-total debt securities</b>                  | <b>5,589</b>                             | <b>2,787</b>                                 | <b>8,376</b>   | <b>8</b>   |
| <b>Private Equity</b>                             | -  | <b>9,578</b>                                 | <b>9,578</b>   | <b>9</b>   |
| <b>Property:</b>                                  |  |  |                |            |
| UK Property                                       | -  | 7,554  | <b>7,554</b>   | <b>7</b>   |
| Overseas Property                                 | -  | 5,489  | <b>5,489</b>   | <b>5</b>   |
| <b>Sub-total property</b>                         | -  | <b>13,043</b>                                | <b>13,043</b>  | <b>12</b>  |
| <b>Investment Funds and Unit Trusts:</b>          |  |  |                |            |
| Equities  | 41,391                                   | -  | <b>41,391</b>  | <b>38</b>  |
| Bonds   | 15,706                                   | -  | <b>15,706</b>  | <b>14</b>  |
| Infrastructure                                    | -  | 166  | <b>166</b>     | -          |
| Other   | 823                                      | 6,706  | <b>7,529</b>   | <b>7</b>   |
| <b>Sub-total investment funds and unit trusts</b> | <b>57,920</b>                            | <b>6,872</b>                                 | <b>64,792</b>  | <b>59</b>  |
| <b>Derivatives: foreign exchange</b>              | -  | <b>319</b>                                   | <b>319</b>     | -          |
| <b>Total assets</b>                               | <b>77,024</b>                            | <b>32,599</b>                                | <b>109,623</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 2022 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:

| 31 March<br>2023                               |  | 31 March<br>2024 |
|--|--|------------------|
| <b>Financial assumptions:</b>                  |  |                  |
| 3.00%  | Rate of increase in inflation / pension cost   | 2.8%             |
| 3.50%  | Rate of increase in salaries   | 3.30%            |
| 4.75%  | Rate for discounting scheme obligations  | 4.8%             |
| 45%  | A commutation allowance is included for future retirements to elect to take 45% of the maximum additional tax-free cash up to HMRC limits. | 45%              |
| <b>Mortality assumptions:</b>                  |  |                  |
| Longevity at 65 for current pensioners (years) |  |                  |
| 22.0   | Men  | 21.9             |
| 24.4   | Women  | 24.2             |
| Longevity at 65 for future pensioners (years)  |  |                  |
| 22.4   | Men  | 22.3             |
| 26.0   | Women  | 25.8             |

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.

### Approximate Impact on the Defined Benefit Obligation in the Scheme

|  | Percentage Increase to Employer Liability<br>% | Monetary Increase to Employer Liability<br>£000 |
|--|--|---|
| 0.1% decrease in Real Discount Rate                  | 2%   | 1,928   |
| 1 year increase in member life expectancy            | 4%   | 4,539   |
| 0.1% increase in the Salary Increase Rate            | 0%   | 84  |
| 0.1% increase in the Pension Increase/Rev Rate (CPI) | 2%   | 1,877   |

### 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 2025. Meanwhile funding levels are monitored on an annual basis.

It is estimated that the Council will contribute approximately £3.009 million to the Local Government Pension Scheme during the year ending 31 March 2025.

| 2020<br>£000    | 2021<br>£000    | 2022<br>£000    | 2023<br>£000    | As at 31 March                               | 2024<br>£000   |
|-----------------|-----------------|-----------------|-----------------|--|----------------|
| (117,172)       | (147,583)       | (150,887)       | (112,577)       | Present value of defined benefit obligations | (113,487)      |
| 87,011          | 104,640         | 110,561         | 101,940         | Fair value of employer assets                | 109,623        |
| <b>(30,161)</b> | <b>(42,943)</b> | <b>(40,326)</b> | <b>(10,637)</b> | <b>Deficit in the scheme</b>                 | <b>(3,864)</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.

On 25 July 2024, the Court of Appeal dismissed the appeal in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others. The appeal was brought by Virgin Media Ltd against aspects of the High Court's ruling handed down in June 2023 relating to the validity of certain historical pension changes due to the lack of actuarial confirmation required by law. The Court of Appeal upheld the High Court's ruling. The ruling may have implications for other UK defined benefit plans. It is understood this would apply to the Local Government Pension Scheme and HM Treasury is currently assessing the implications for all public service pension schemes. No further information is available at this stage.

**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<br/>2023<br/>£000</b> |  | <b>Note</b> | <b>31 March<br/>2024<br/>£000</b> |
|-----------------------------------|--|-------------|-----------------------------------|
| (8,520)                           | General Fund                               | 5.30.1      | (8,750)                           |
| (34,215)                          | Earmarked Reserves (General Fund)          | 5.30.2      | (17,074)                          |
| (5,138)                           | Capital Receipts Reserve                   | 5.30.3      | (5,756)                           |
| (19,954)                          | Capital Grants and Contributions Unapplied | 5.30.4      | (22,268)                          |
| <b><u>(67,827)</u></b>            | <b>Total</b>                               |             | <b><u>(53,848)</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>2022-23</b>        |   | <b>Note</b> | <b>2023-24</b>        |
|-----------------------|---|-------------|-----------------------|
| <b>£000</b>           |   |             | <b>£000</b>           |
| <b>(8,435)</b>        | <b>Balance at 1 April</b>   |             | <b>(8,520)</b>        |
| (9,508)               | (Surplus) / deficit on provision of services                            | 4.2         | 17,043                |
| 7,050                 | Adjustments between accounting basis and funding basis under regulation | 5.14        | (134)                 |
| 2,373                 | Transfers to (from) earmarked reserves                                  | 5.30.2      | (17,141)              |
| <b><u>(8,520)</u></b> | <b>Total</b>  |             | <b><u>(8,751)</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>2022-23</b>         |  | <b>Note</b> | <b>2023-24</b>         |
|------------------------|--|-------------|------------------------|
| <b>£000</b>            |  |             | <b>£000</b>            |
| <b>(31,842)</b>        | <b>Balance at 1 April</b>              |             | <b>(34,215)</b>        |
| (2,373)                | Transfers (to) from earmarked reserves | 5.30.1      | 17,141                 |
| <b><u>(34,215)</u></b> | <b>Total</b>                           |             | <b><u>(17,074)</u></b> |



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

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

The table below shows the reserve balances held at 31 March 2024 and the amounts transferred from / to the General Fund in order to meet future / current expenditure.

|  | Balance at 31<br>Mar 2022<br>£000 | Movement<br>2022-23<br>£000 | Balance at 31<br>Mar 2023<br>£000 | Movement<br>2023-24<br>£000 | Balance at 31<br>Mar 2024<br>£000 |
|--|-----------------------------------|-----------------------------|-----------------------------------|-----------------------------|-----------------------------------|
| 3 Valleys Way Play Area                            | (201)                             | -                           | (201)                             | -                           | (201)                             |
| 3 Valleys Way Swale                                | (142)                             | 10                          | (132)                             | 2                           | (130)                             |
| Building Reserve                                   | -                                 | (200)                       | (200)                             | (114)                       | (314)                             |
| Business rates equalisation                        | (6,753)                           | (1,495)                     | (8,248)                           | 7,093                       | (1,155)                           |
| Collection fund deficit                            | (6,391)                           | 5,942                       | (449)                             | 449                         | -                                 |
| CCTV Reserve                                       | (129)                             | -                           | (129)                             | 49                          | (80)                              |
| Civic Offices Sinking Fund                         | (402)                             | 402                         | -                                 | -                           | -                                 |
| Corporate Consultation                             | (202)                             | -                           | (202)                             | 12                          | (190)                             |
| Council Contribution to Pension Fund               | (212)                             | 67                          | (145)                             | 72                          | (73)                              |
| Covid-19   | (467)                             | 467                         | -                                 | -                           | -                                 |
| EFS Sinking Fund                                   | -                                 | (200)                       | (200)                             | 102                         | (98)                              |
| Elections Reserve                                  | (109)                             | (43)                        | (152)                             | 152                         | -                                 |
| Emergency Funding                                  | (1,496)                           | -                           | (1,496)                           | 1,496                       | -                                 |
| EWC Housing Zone                                   | (155)                             | -                           | (155)                             | 42                          | (113)                             |
| Fishers Park Play Area                             | (103)                             | -                           | (103)                             | -                           | (103)                             |
| Flexible Homeless Support                          | (110)                             | (133)                       | (243)                             | (3)                         | (246)                             |
| Housing & Council Tax Benefit Equalisation Account | (1,803)                           | 54                          | (1,749)                           | 260                         | (1,489)                           |
| Human Resources strategy                           | (181)                             | (135)                       | (316)                             | 146                         | (170)                             |
| Information Services - Infrastructure Replacement  | (301)                             | 121                         | (180)                             | 110                         | (70)                              |
| Innovation and Investment fund                     | (1,721)                           | 206                         | (1,515)                           | 1,515                       | -                                 |
| Land Drainage                                      | (250)                             | 1                           | (249)                             | 21                          | (228)                             |
| LDS reserve  | -                                 | (455)                       | (455)                             | 114                         | (341)                             |
| Minor revenue grants                               | (1,878)                           | (409)                       | (2,287)                           | (799)                       | (3,086)                           |
| New Homes Bonus Equalisation Reserve               | (3,874)                           | 40                          | (3,834)                           | -                           | (3,834)                           |
| Non-recurring Items                                | (1,020)                           | (18)                        | (1,038)                           | 15                          | (1,023)                           |
| Parking Repairs & Renewals                         | (979)                             | (89)                        | (1,068)                           | (100)                       | (1,168)                           |
| Parks Play Equipment                               | (316)                             | 150                         | (166)                             | (9)                         | (175)                             |
| Recycling Initiatives                              | (741)                             | (153)                       | (894)                             | 400                         | (494)                             |
| Uninsured Losses Garages Reserve                   | -                                 | (189)                       | (189)                             | (73)                        | (262)                             |
| Uninsured Losses Reserve                           | (229)                             | (6,995)                     | (7,224)                           | (5,792)                     | (1,457)                           |
| Waste Services Vehicles Replacement                | (1,120)                           | 581                         | (539)                             | 429                         | (110)                             |
| Other < £100k                                      | (557)                             | 100                         | (457)                             | 19                          | (438)                             |
| <b>Total</b>                                       | <b>(31,842)</b>                   | <b>(2,373)</b>              | <b>(34,215)</b>                   | <b>17,141</b>               | <b>(17,073)</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:

| 2022-23<br>£000 |  | 2023-24<br>£000 |
|-----------------|--|-----------------|
| (5,086)         | <b>Balance as at 1 April</b>             | (5,138)         |
| (269)           | Receipts in year                         | (998)           |
| (50)            | Realisation of deferred capital receipts | -               |
| 267             | Applied during the year                  | 380             |
| <u>(5,138)</u>  | <b>Balance as at 31 March</b>            | <u>(5,756)</u>  |

### 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:

| 2022-23<br>£000 |   | 2023-24<br>£000 |
|-----------------|---|-----------------|
| (18,325)        | <b>Balance as at 1 April</b>  | (19,954)        |
| (3,112)         | Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account | (2,713)         |
| 1,483           | Application of grants to capital financing transferred to the Capital Adjustment Account                | 399             |
| <u>(19,954)</u> | <b>Balance as at 31 March</b>   | <u>(22,268)</u> |

The balance above includes Community Infrastructure Levy (CIL) funding of £20,568k (2022/23 £19,384k).

### 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<br/>2023</b> |                                    | <b>Note</b> | <b>31 March<br/>2024</b> |
|--------------------------|------------------------------------|-------------|--------------------------|
| <b>£000</b>              |                                    |             | <b>£000</b>              |
| (102,946)                | Revaluation Reserve                | 5.31.1      | (102,569)                |
| (77,265)                 | Capital Adjustment Account         | 5.31.2      | (72,292)                 |
| (2,378)                  | Deferred Capital Receipts          | 5.31.3      | (2,428)                  |
| (1,834)                  | Collection Fund Adjustment Account | 5.31.4      | (4,607)                  |
| 10,637                   | Pension Reserve                    | 5.31.5      | 7,252                    |
| 133                      | Accumulated Absence Account        | 5.31.6      | 141                      |
| <b>(173,653)</b>         | <b>Total</b>                       |             | <b>(174,503)</b>         |

#### 5.31.1 Revaluation Reserve

The revaluation reserve records the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

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

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account. A summary of the movement in the reserve during the year is as follows:

| <b>2022-23<br/>£000</b> |  | <b>2023-24<br/>£000</b> |
|-------------------------|--|-------------------------|
| <b>(86,214)</b>         | <b>Balance as at 1 April</b>   | <b>(102,946)</b>        |
| (18,708)                | Upward revaluation of non-current assets                                       | (742)                   |
| 1,004                   | Accumulated gains on non-current assets disposed                               | 112                     |
| 972                     | Difference between current value depreciation and historical cost depreciation | 1,007                   |
| <b>(102,946)</b>        | <b>Balance as at 31 March</b>  | <b>(102,569)</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 £482k (2022/23 £482k) 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:

| 2022/23<br>£000 |  | 2023/24<br>£000 |
|-----------------|--|-----------------|
| (74,385)        | <b>As at 1 April</b>   | (77,265)        |
|                 | <b>Reversal of items debited or credited to the CIES</b>                             |                 |
| 2,346           | Depreciation, impairment and amortisation  | 2,646           |
| 3,465           | Impairment / Revaluation charged to the CIES   | 13,930          |
| (815)           | Movements in the market value of Investment Properties                               | (502)           |
| 2,072           | Revenue expenditure funded from capital under statute                                | 1,508           |
| 601             | Non-current assets written out on disposal   | 3,290           |
| -               | Donated Assets   | -               |
| (28)            | Financial Instrument Impairment Allowance  | (24)            |
|                 | <b>Transfers between revenue and capital resources</b>                               |                 |
| (482)           | Minimum Revenue Provision  | (482)           |
| (1,977)         | Capital expenditure charged against the General Fund                                 | (7,679)         |
| (491)           | Investment proceeds recognition  | (2,574)         |
|                 | <b>Adjustments to capital resources</b>  |                 |
| (267)           | Use of Capital Receipts to finance capital expenditure                               | (380)           |
| (5,328)         | Application of capital grants and other contributions to finance capital expenditure | (3,641)         |
|                 | <b>Adjustments involving the Revaluation Reserve</b>                                 |                 |
| (1,004)         | Accumulated gains on non-current assets disposed                                     | (112)           |
| (972)           | Difference between current value depreciation over historic cost depreciation        | (1,007)         |
| <u>(77,265)</u> | <b>As at 31 March</b>  | <u>(72,292)</u> |

**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:

| <b>2022-23<br/>£000</b> |   | <b>2023-24<br/>£000</b> |
|-------------------------|---|-------------------------|
| (2,269)                 | <b>Balance as at 1 April</b>                            | (2,378)                 |
| (159)                   | Deferred receipts - recognition of PPE & donated assets | (50)                    |
| 50                      | Realised in year  | -                       |
| <u>(2,378)</u>          | <b>Balance as at 31 March</b>                           | <u>(2,428)</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.

| <b>2022-23<br/>£000</b> |  | <b>2023-24<br/>£000</b> |
|-------------------------|--|-------------------------|
|                         | <b>COUNCIL TAX</b>   |                         |
| (223)                   | <b>Balance as at 1 April</b>   | (42)                    |
| 181                     | 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               | 65                      |
| <u>(42)</u>             | <b>Balance as at 31 March</b>  | <u>23</u>               |
|                         | <b>NON-DOMESTIC RATES</b>  |                         |
| 5,358                   | <b>Balance as at 1 April</b>   | (1,792)                 |
| (7,150)                 | 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 | (2,838)                 |
| <u>(1,792)</u>          | <b>Balance as at 31 March</b>  | <u>(4,630)</u>          |
| <u>(1,834)</u>          | <b>Total</b>   | <u>(4,607)</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>2022-23</b> |  | <b>2023-24</b> |
|----------------|--|----------------|
| <b>£000</b>    |  | <b>£000</b>    |
| <b>40,326</b>  | <b>Balance as at 1 April</b>   | <b>10,637</b>  |
| (32,297)       | Re-measurement of the net defined pension liability (note 5.29.1)  | (6,562)        |
| 5,454          | 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) | 2,768          |
| (2,846)        | Employers contribution payable to scheme (note 5.14 / 5.29.2)  | (2,979)        |
|                | Asset Ceiling Adjustment   | 3,388          |
| <b>10,637</b>  | <b>Balance as at 31 March</b>  | <b>7,252</b>   |

**5.31.6 Accumulated Absences Account**

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

| <b>2022-23</b> |  | <b>2023-24</b> |
|----------------|--|----------------|
| <b>£000</b>    |  | <b>£000</b>    |
| <b>128</b>     | <b>Balance as at 1 April</b>   | <b>133</b>     |
| 5              | 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 | 8              |
| <b>133</b>     | <b>Balance as at 31 March</b>  | <b>141</b>     |

**5.32 Cash Flow Statement - Operating Activities**

| <b>2022-23</b><br><b>£000</b> |   | <b>2023-24</b><br><b>£000</b> |
|-------------------------------|---|-------------------------------|
|                               | <b>Adjustments for Non-cash movements:</b>  |                               |
|                               | <i>Charges for depreciation, impairment and amortisation of non-current assets:</i> |                               |
| (5,678)                       | Property, plant and equipment   | (16,431)                      |
| (23)                          | Heritage assets   | (23)                          |
| (110)                         | Intangible assets   | (122)                         |
| 815                           | Movements in the value of investment properties                                     | 502                           |
| 159                           | Donated assets  | 50                            |
|                               | <i>Carrying amount of non-current assets sold:</i>                                  |                               |
| (601)                         | Property, plant and equipment   | (3,290)                       |
| (2,608)                       | Non cash pension costs  | 212                           |
| (192)                         | Movement in respect of internal interest  | (345)                         |
| 5                             | Increase / (decrease) in inventories  | (17)                          |
| 11,737                        | Increase / (decrease) in revenue debtors  | 12,982                        |
| <u>(4,201)</u>                | (Increase) / decrease in revenue creditors & provisions                             | <u>(1,801)</u>                |
| <b><u>(697)</u></b>           |   | <b><u>(8,283)</u></b>         |
|                               | <b>Adjustments for items that are investing or financing activities:</b>            |                               |
| 6,957                         | Capital grants credited to deficit on the provision of services                     | 5,955                         |
| <u>760</u>                    | Proceeds from the sale of non-current assets:                                       | <u>3,572</u>                  |
| <b><u>7,717</u></b>           |   | <b><u>9,527</u></b>           |
|                               | <b>The cash flows for operating activities include the following:</b>               |                               |
| <u>(982)</u>                  | Interest received   | <u>(3,221)</u>                |



**5.33 Cash Flow Statement - Investing Activities**

| <b>2022-23<br/>£000</b> |   | <b>2023-24<br/>£000</b> |
|-------------------------|---|-------------------------|
|                         | <b>Investing activities</b>   |                         |
| 12,428                  | Purchase of property plant and equipment, investment property and intangible assets | 20,525                  |
| 15,000                  | Purchase of short-term investments  | 27,500                  |
| 1,559                   | Other payments for investing activities   | 6,149                   |
|                         | <b>Proceeds from the sale of non-current assets</b>                                 |                         |
| (269)                   | Property plant and equipment  | (998)                   |
| (24,000)                | Proceeds from the redemption of short-term investments                              | (43,500)                |
| (4,068)                 | Grants received towards the purchase of property plant and equipment                | (4,741)                 |
| (484)                   | Other receipts from investing activities  | (3,814)                 |
| <u>166</u>              | <b>Net cash (inflow) / outflow from investing activities</b>                        | <u>1,121</u>            |

**5.34 Cash Flow Statement - Financing Activities**

| <b>2022-23<br/>£000</b> |   | <b>2023-24<br/>£000</b> |
|-------------------------|---|-------------------------|
|                         | <b>Financing activities</b>   |                         |
| 2,325                   | Cash inflow from agency arrangements for the collection of NNDR and council tax | (14,373)                |
| <u>2,325</u>            | <b>Net cash (inflow) / outflow from financing activities</b>                    | <u>(14,373)</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.

#### 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 subsidiaries, Elstree Studios Limited and Hertsmere Developments Limited, if required.

#### Elstree Studios

Elstree Studios (the Studios) is owned by Hertsmere Borough Council (the Council) and is leased to Elstree Film Studios Ltd (EFS), a wholly owned subsidiary of the Council under a long 30 year lease.

In August 2022, during routine maintenance to replace the main stage doors in stages 7, 8 and 9 asbestos was discovered. These stages were closed immediately and extensive asbestos testing was carried out across the Elstree Studios estate and as a result of that testing the underground car park and the ancillary block were also closed and subsequently asbestos remediation works have been undertaken in all these areas.

Due to the closures customers were no longer able to use the stages and three claims from tenants were issued against EFS for loss of earnings.

Two claims have since been settled and were paid in October 2024. The Council's share of these claims have now been reflected in the 2023/24 financial statements as an adjusted post balance sheet event (refer to 5.5). These accounts also include a debtor for Elstree Film Studios of £8.085m which includes the company's share of all of the asbestos related works as at 31 March 2024.

The other claim is ongoing although falls below the level of materiality.

### 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

#### Central Government

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.

#### Other local authorities and other bodies

Details of the amounts precepted and demanded are set out in the council's Collection Fund Statement.

#### Members

Members of the council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2023/24 is shown in note 5.10.

Twenty-seven members represent the Council on the governing bodies of voluntary and community organisations. Grants totalling £436k (2022/23: £436k) were made to voluntary organisations by the council in the year. A further £102k of support has been distributed to foodbanks to support the community utilising the Household Support Fund and an additional £120k was distributed to foodbanks from the unclaimed Council Tax rebate.

Details of the interests of members in external organisations are maintained in the Register of Members' Interests. CIL payments to Parish Councils totalled £374k. (2022/23: £240k).

The following members hold Director positions on Hertsmere Developments Ltd, the Council's wholly owned subsidiary: Cllrs R Butler and PJ Hodgson-Jones. Details of relationship described below.

The following members hold positions of Director on Elstree Film Studios, the Council's 100% owned subsidiary: Cllrs M Bright, CS Clapper, C Myers and J Newmark. Details of relationship described below.

**Chief Officers**

Chief Officers are entitled to receive car loans from the Council. During the year no loans were made to chief officers (2022/23: £0), repayments of £10.2k (2022/23: £12k) were received and £9.3k was receivable at 31 March 2024 (2023: £19.3k).

The following Senior Officers of the Council hold positions of Director in Hertsmere Developments Ltd (HDL): P Geraghty, ML Bunyon, and HJ Shade. The Council's dormant company, Hertsmere Homes Ltd (HHL) is represented by ML Bunyon. RJH Patterson was appointed the Company Secretary of HDL and HHL. Details of relationship described below.

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 shared ownership of one-seventh of Broste Rivers Limited. Details of relationship described below.

The following Senior Officers of the Council hold positions of Director in Hertsmere Living Ltd: Sajida Bijle and Emily Dillon the latter with effect from 2<sup>nd</sup> May 2023. Details of relationship described below.

HJ Shade represents the Council on the CCTV partnership. Details of relationship described below.

**Pension Fund**

Transactions and balances with Hertfordshire Local Government Pension Scheme have been disclosed in note 5.29.

**Elstree Film Studios Limited**

Elstree Film Studios Limited (EFS) is a wholly owned subsidiary of the Council incorporated on 25 November 2003. The accounts for EFS are consolidated with the Council's accounts in the Group Accounts section.

Since August 2018 the company has operated the premises owned by the Council and included in the Council's balance sheet at a net book value of £50.4 million (2023: £50.2 million) under a 30 year lease. The company pays the Council an annual rental based on its turnover, with a minimum rent of £1,200k (clause 6.4.1). For 2023-24 the annual rent was agreed at £1,200k net of VAT in accordance with clause 6.4 (2022/23 £1,700k).

In August 2022, during planned maintenance, asbestos was discovered in three stages and some ancillary buildings, which were immediately closed to allow clean up and remediation works to be undertaken. During these remediation works it was discovered that some of the roof panels in these stages which are made of Reinforced Aerated Autoclaved Concrete (RAAC), had failed. As such various options for the future of these stages have been considered

As at the 31 March 2024 these stages and ancillary space remained closed and this is reflected in the asset value accordingly. All other areas of the site were unaffected and have continued to operate as normal.

The Council have initially funded the clean up and remediation works and have agreed to provide financial support to EFS whilst these works are undertaken. These accounts include a debtor for £8.085k.

**Hertsmere Developments Limited**

Hertsmere Developments Limited (HDL) 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 491,100 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. The Council provides working capital and development loan funding to HDL. During 2023/24 HDL were undertaking two developments one of which was completed by year end and that loan was repaid in full. The accounts for Hertsmere Developments Limited are consolidated with the Council's accounts in the Group Accounts section.

**Hertsmere Living Limited**

Hertsmere Living Limited (HLL), a joint venture stock holding company was incorporated on 21 December 2022 with the Council holding 50% of share capital and Clarendon Living (a subsidiary of Watford Community Housing Trust) owning the remaining 50%. During 2023/24 the Council transferred six properties with a market value of £2,574k in return for equity shares with Clarendon Living providing the equivalent equity in cash. During 2023/24 the joint venture acquired properties from the Council, on the open market and from HDL. Some of the acquisitions were part funded via the Local Authority Housing Fund which was passported to HLL by the Council.

**InspireAll (a company limited by guarantee)**

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.

The InspireAll contract was for an initial 10 years from 1 February 2012 and was subsequently extended to 2032. The contract stipulates that the Council should receive an annual management fee which amounted to £389k (£343k in 2022/23). 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 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.

In 2019 the Council provided a loan facility of £5 million to InspireAll to invest in the Council's assets, the loan to be repaid over the contract term. The loan balance at the end of 2023/24 is £3,775 million (2022/23 £4.363 million).

**West Herts Crematorium**

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 (2023: £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, there were no receipts as it was agreed to reinvest any surpluses in 2023/24 (2022/23: £50k).

|   |  |
|---|--|
| <b>Hertfordshire CCTV Partnership</b>                         | <p>The Council participates in the Hertfordshire CCTV Partnership in conjunction with three other boroughs. The lead partner is Stevenage Borough Council, on whose premises the control and monitoring room is located. A limited company (Hertfordshire CCTV Partnership Limited, registration number 09295528) was formed in November 2014; the Council holds 14% of the share capital (£14) and is represented on the board. The company commenced trading on 1 April 2015. Its purpose is to enable the partnership to pursue commercial trading by providing services to third parties.</p>                    |
| <b>Hertfordshire Building Control (Broste Rivers Limited)</b> | <p>The Council partnered with six local authorities across Hertfordshire to create a fully integrated Building Control service which was launched in August 2016. During 2019/20, an additional local authority joined the partnership to make a total of eight local authority partners. The Council holds 12.5% of the share capital (£8) and is represented on the board. Control is shared equally among the eight partners.</p> <p>In August 2016 the Council made a loan of £107k to the company which is held in Long Term Debtors on the balance sheet. Annual interest of £6.4k was received in 2023/24</p> |

## 6.0 The Collection Fund Statement

## COLLECTION FUND 2022-23

|   | Business<br>Rates<br>£000 | Council Tax<br>£000 | Total<br>£000    |
|---|---------------------------|---------------------|------------------|
| <b>INCOME</b>   |                           |                     |                  |
| Council Tax Receivable  | -                         | 85,924              | 85,924           |
| Business Rates Receivable   | 42,173                    | -                   | 42,173           |
| Transitional Protection Payments  | (175)                     | -                   | (175)            |
|   | <b>41,998</b>             | <b>85,924</b>       | <b>127,922</b>   |
| <b>EXPENDITURE</b>  |                           |                     |                  |
| <b>Precepts, Demands and Shares</b>   |                           |                     |                  |
| DLUHC   | (19,157)                  | -                   | (19,157)         |
| Hertsmere Borough Council   | (15,326)                  | (9,546)             | (24,872)         |
| Hertfordshire County Council  | (3,831)                   | (65,455)            | (69,286)         |
| Hertfordshire Police & Crime Commissioner                                   | -                         | (9,544)             | (9,544)          |
|   | <b>(38,314)</b>           | <b>(84,545)</b>     | <b>(122,859)</b> |
| <b>Charges to Collection Fund</b>   |                           |                     |                  |
| Write offs charged to collection fund                                       | -                         | (33)                | (33)             |
| Increase (-) / Decrease in Impairment Allowance                             | (730)                     | (1,441)             | (2,171)          |
| Increase (-) / Decrease in Provision for Appeals                            | 2,361                     | -                   | 2,361            |
| Cost of Collection  | (143)                     | -                   | (143)            |
|   | <b>1,488</b>              | <b>(1,474)</b>      | <b>14</b>        |
| <b>Surplus / Deficit (-) for the year</b>                                   | <b>5,172</b>              | <b>(95)</b>         | <b>5,077</b>     |
| <b>Apportionment of Previous Year Surplus</b>                               |                           |                     |                  |
| DLUHC   | 6,351                     | -                   | 6,351            |
| Hertsmere Borough Council   | 5,080                     | (169)               | 4,911            |
| Hertfordshire County Council  | 1,270                     | (1,152)             | 118              |
| Hertfordshire Police & Crime Commissioner                                   | -                         | (168)               | (168)            |
|   | <b>12,701</b>             | <b>(1,489)</b>      | <b>11,212</b>    |
| <b>Surplus / Deficit (-) arising during the year</b>                        | <b>17,873</b>             | <b>(1,584)</b>      | <b>16,289</b>    |
| <b>Surplus / Deficit (-) brought forward 1st April</b>                      | <b>(13,391)</b>           | <b>1,965</b>        | <b>(11,426)</b>  |
| <b>Surplus / Deficit (-) carried forward 31st March</b>                     | <b>4,482</b>              | <b>381</b>          | <b>4,863</b>     |
| Hertsmere Borough Council ( <i>included in reserves</i> )                   | 1,792                     | 42                  | 1,834            |
| Precepting authorities ( <i>included in current assets or liabilities</i> ) | 2,690                     | 339                 | 3,029            |
|   | <b>4,482</b>              | <b>381</b>          | <b>4,863</b>     |

**COLLECTION FUND 2023-24**

| <b>INCOME</b>   | <b>Business Rates<br/>£000</b> | <b>Council Tax<br/>£000</b> | <b>Total<br/>£000</b> |
|---|--------------------------------|-----------------------------|-----------------------|
| Council Tax Receivable  | -                              | 90,645                      | 90,645                |
| Business Rates Receivable   | 50,538                         | -                           | 50,538                |
| Transitional Protection Payments  | 26,629                         | -                           | 26,629                |
|   | <b>77,167</b>                  | <b>90,645</b>               | <b>167,812</b>        |
| <b>EXPENDITURE</b>  |                                |                             |                       |
| <b>Precepts, Demands and Shares</b>                                       |                                |                             |                       |
| DLUHC   | (27,916)                       | -                           | (27,916)              |
| Hertsmere Borough Council   | (22,333)                       | (10,030)                    | (32,363)              |
| Hertfordshire County Council  | (5,583)                        | (69,325)                    | (74,908)              |
| Hertfordshire Police & Crime Commissioner                                 | -                              | (10,276)                    | (10,276)              |
|   | <b>(55,832)</b>                | <b>(89,631)</b>             | <b>(145,463)</b>      |
| <b>Charges to Collection Fund</b>   |                                |                             |                       |
| Write offs charged to collection fund                                     | -                              | -                           | -                     |
| Increase (-) / Decrease in Impairment Allowance                           | (1,300)                        | (1,187)                     | (2,487)               |
| Increase (-) / Decrease in Provision for Appeals                          | (19,300)                       | -                           | (19,300)              |
| Cost of Collection  | (151)                          | -                           | (151)                 |
|   | <b>(20,751)</b>                | <b>(1,187)</b>              | <b>(21,938)</b>       |
| <b>Surplus / Deficit (-) for the year</b>                                 | <b>584</b>                     | <b>(173)</b>                | <b>411</b>            |
| <b>Apportionment of Previous Year Surplus</b>                             |                                |                             |                       |
| DLUHC   | 3,253                          | -                           | 3,253                 |
| Hertsmere Borough Council   | 2,603                          | (46)                        | 2,557                 |
| Hertfordshire County Council  | 651                            | (321)                       | 330                   |
| Hertfordshire Police & Crime Commissioner                                 | -                              | (48)                        | (48)                  |
|   | <b>6,507</b>                   | <b>(415)</b>                | <b>6,092</b>          |
| <b>Surplus / Deficit (-) arising during the year</b>                      | <b>7,091</b>                   | <b>(588)</b>                | <b>6,503</b>          |
| <b>Surplus / Deficit (-) brought forward 1st April</b>                    | <b>4,482</b>                   | <b>381</b>                  | <b>4,863</b>          |
| <b>Surplus / Deficit (-) carried forward 31st March</b>                   | <b>11,575</b>                  | <b>(206)</b>                | <b>11,369</b>         |
| Hertsmere Borough Council <i>(included in reserves)</i>                   | 4,630                          | (23)                        | 4,607                 |
| Precepting authorities <i>(included in current assets or liabilities)</i> | 6,945                          | (183)                       | 6,762                 |
|   | <b>11,575</b>                  | <b>(206)</b>                | <b>11,369</b>         |



## 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 £1,187k (2022/23: increase £1,441k). The provision for irrecoverable business rates was increased by 1,300k (2022/23: increase £730k).

### 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 (2022/23: 49.9p) and 51.2P (2022/23: 51.2p) with no relief. The total rateable value of properties for 2023/24 amounted to £154m (2022/23: £114m). The total amount, less certain reliefs and other deductions, is allocated amongst the Council, Hertfordshire County Council as a preceptor and DLUHC. The Council's share is paid into the General 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<br/>Rates<br/>£000</b> | <b>Council<br/>Tax<br/>£000</b> | <b>Total<br/>£000</b> |
|------------------------------------|------------------------------------|---------------------------------|-----------------------|
| DLUHC                              | 27,916                             | -                               | <b>27,916</b>         |
| Hertsmere Borough Council          | 22,333                             | 8,551                           | <b>30,884</b>         |
| Hertfordshire County Council       | 5,583                              | 69,325                          | <b>74,908</b>         |
| Hertfordshire PCC                  | -                                  | 10,276                          | <b>10,276</b>         |
| Aldenham Parish Council            | -                                  | 694                             | <b>694</b>            |
| Elstree & Borehamwood Town Council | -                                  | 664                             | <b>664</b>            |
| Shenley Parish Council             | -                                  | 97                              | <b>97</b>             |
| South Mimms                        | -                                  | 24                              | <b>24</b>             |
| <b>Total</b>                       | <b>55,832</b>                      | <b>89,631</b>                   | <b>145,463</b>        |

### 6.3 Council Tax

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

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

For 2023/24 the numbers as approved by full Council on 25 January 2023 (Ref: C/23/01) were as follows:

| <b>Band</b>  | <b>Valuation</b> |      | <b>Number of dwellings</b>       |        | <b>Total number of band D</b>    |
|--|------------------|------|----------------------------------|--------|----------------------------------|
|  | <b>£</b>         |      | <b>equivalents (after</b>        |        | <b>equivalents (after</b>        |
|  |                  |      | <b>applying discounts and</b>    |        | <b>allowance for council tax</b> |
|  |                  |      | <b>premiums to calculate tax</b> |        | <b>support)</b>                  |
|  |                  |      | <b>base)</b>                     |        | <b>No.</b>                       |
|  |                  |      | <b>No.</b>                       |        |                                  |
| A  | Up               | to   | 40,000                           | 539    | 359                              |
| B  | 40,001           | to   | 52,000                           | 1,861  | 1,447                            |
| C  | 52,001           | to   | 68,000                           | 5,162  | 4,588                            |
| D  | 68,001           | to   | 88,000                           | 12,095 | 12,095                           |
| E  | 88,001           | to   | 120,000                          | 7,966  | 9,736                            |
| F  | 120,001          | to   | 160,000                          | 4,090  | 5,908                            |
| G  | 160,001          | to   | 320,000                          | 4,435  | 7,392                            |
| H  |                  | Over | 320,000                          | 1,113  | 2,227                            |
| Removal of Empty Property Discount                 |                  |      |                                  |        |                                  |
| <b>Total number of equivalent band D dwellings</b> |                  |      |                                  |        | <b>43,752</b>                    |
| Assumption of 98.0% collection                     |                  |      |                                  |        | 42,877                           |
| Number of equivalent band D contribution in lieu   |                  |      |                                  |        | 299                              |
| <b>Total tax base</b>                              |                  |      |                                  |        | <b>43,176</b>                    |

## GROUP ACCOUNTS 2023-24

### 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 2023/24, consolidating any material subsidiary, associate or joint venture entities over which the Council exercises control or influence. Prior year comparative figures have been restated to reflect the inclusion of Hertsmere Developments Limited in the group accounts.

Group companies consolidated in these group accounts:-

- Elstree Film Studios Ltd (EFS), is a company formed in November 2003, since when the Council has owned 100% of shares purchased for a cash consideration of £1. Since August 2018 the arrangement with EFS consists of a 30 year lease with an annual rental, based on turnover, payable to the Council by the company for the use of the site. For 2023/24 this rental was £1.2 million.  
EFS provide film and television studio space and related production and back office units for hire within the media industry.
- Hertsmere Developments Limited (HDL) a wholly-owned local authority property development company (491,100 shares of £1 each). The principal activity of HDL is to explore property development opportunities and maximise its income stream. It was formed to assist the Council to deliver its regeneration, housing, financial and commercial objectives.

### Accounting Policies

Both subsidiaries have prepared their financial statements under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006. These draft accounts are subject to sign off by their auditors BKL Audit LLP. The Council has reviewed the accounting policies applied by both subsidiaries and has concluded that there are no material adjustments required to align accounting policies. All entities have a year end of 31 March.

The subsidiary accounts 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. Both subsidiary's expenditure and income, adjusted for transactions with the Council, are included as discrete service lines 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 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.

Much of the 2023/24 income was generated from already contracted major productions and new tenant licences. However in August 2022, during planned maintenance, asbestos was discovered in three stages and some ancillary buildings, which were immediately closed to allow clean up and remediation works to be undertaken. As at the 31 March 2024 these stages and ancillary space remained closed and this is reflected in the asset value accordingly.

Subsequently, in September 2023, the full Council received an options report in relation to the affected stages and ancillary space and the Council approved a demolition and rebuild project. The Council also agreed to provide a letter of financial support and a loan facility to EFS.

The Council initially funded the clean-up and remediation works and agreed to provide financial support to EFS whilst these works are undertaken. The Council also agreed a working capital loan facility to EFS of up to £10m. The asbestos related works have since been completed and as referred to in note 5.36 above two claims against EFS have also now been settled. The apportionment of the total costs were agreed by both the Council and the EFS Board in the ratio 60:40 on 1 October 2024. These accounts include a debtor for £8.085m which represents the EFS share of the total costs.

Following settlement of these two claims against EFS which included the termination of the sublease for these stages, the Council has now agreed not to continue the demolition and rebuild project and has agreed to undertake essential health and safety works to return these stages to use, albeit not as a multi camera studio as they had previously been configured. It is expected that these stages will be back in use during 2025/26.

Due to the Council's ongoing support 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 | Subsidiaries Usable Reserves | Total Usable Reserves (Group) | Total Usable Reserves HBC | Subsidiaries Usable Reserves | Total Usable Reserves (Group) | Total Usable Reserves HBC | Subsidiaries Usable Reserves | Total Usable Reserves (Group) | Total Usable Reserves HBC | Subsidiaries Usable Reserves | Total Usable Reserves (Group) | Total Unusable Reserves (Group) | Subsidiaries Unusable Reserves | Total Unusable Reserves (Group) | Total Authority Reserves (Group) |
|--|----------------------|--------------------------|--------------------------|---------------------------|------------------------------|-------------------------------|---------------------------|------------------------------|-------------------------------|---------------------------|------------------------------|-------------------------------|---------------------------|------------------------------|-------------------------------|---------------------------------|--------------------------------|---------------------------------|----------------------------------|
|  | £000                 | £000                     | £000                     | £000                      | £000                         | £000                          | £000                      | £000                         | £000                          | £000                      | £000                         | £000                          | £000                      | £000                         | £000                          | £000                            | £000                           | £000                            | £000                             |
| <b>Balance at 1 April 2022</b>                                   | (40,277)             | (5,086)                  | (18,325)                 | (63,688)                  | (175)                        | (63,863)                      | (117,279)                 | (97)                         | (117,376)                     | (181,239)                 |                              |                               |                           |                              |                               |                                 |                                |                                 |                                  |
| Total comprehensive income and expenditure                       | (9,508)              | -                        | -                        | (9,508)                   | 8,503                        | (1,005)                       | (51,005)                  | 97                           | (50,908)                      | (51,913)                  |                              |                               |                           |                              |                               |                                 |                                |                                 |                                  |
| Adjustments between accounting & funding basis under regulations | 7,050                | (52)                     | (1,629)                  | 5,369                     | -                            | 5,369                         | (5,369)                   | -                            | (5,369)                       | -                         |                              |                               |                           |                              |                               |                                 |                                |                                 |                                  |
| <b>Total (increase) / decrease during the year</b>               | (2,458)              | (52)                     | (1,629)                  | (4,139)                   | 8,503                        | 4,364                         | (56,374)                  | 97                           | (56,277)                      | (51,913)                  |                              |                               |                           |                              |                               |                                 |                                |                                 |                                  |
| <b>Balance at 31 March 2023</b>                                  | (42,735)             | (5,138)                  | (19,954)                 | (67,827)                  | 8,328                        | (59,499)                      | (173,653)                 | -                            | (173,653)                     | (233,152)                 |                              |                               |                           |                              |                               |                                 |                                |                                 |                                  |
| <b>Balance at 1 April 2023</b>                                   | (42,735)             | (5,138)                  | (19,954)                 | (67,827)                  | 8,328                        | (59,499)                      | (173,653)                 | -                            | (173,653)                     | (233,152)                 |                              |                               |                           |                              |                               |                                 |                                |                                 |                                  |
| Total comprehensive income and expenditure                       | 17,045               | -                        | -                        | 17,045                    | (472)                        | 16,573                        | (7,304)                   | -                            | (7,304)                       | 9,269                     |                              |                               |                           |                              |                               |                                 |                                |                                 |                                  |
| Adjustments between accounting & funding basis under regulations | (134)                | (618)                    | (2,314)                  | (3,066)                   | -                            | (3,066)                       | 7,252                     | -                            | 7,252                         | 4,186                     |                              |                               |                           |                              |                               |                                 |                                |                                 |                                  |
| <b>Total (increase) / decrease during the year</b>               | 16,911               | (618)                    | (2,314)                  | 13,979                    | (472)                        | 13,507                        | (52)                      | -                            | (52)                          | 13,455                    |                              |                               |                           |                              |                               |                                 |                                |                                 |                                  |
| <b>Balance at 31 March 2024</b>                                  | (25,824)             | (5,756)                  | (22,268)                 | (53,848)                  | 7,856                        | (45,992)                      | (173,705)                 | -                            | (173,705)                     | (219,697)                 |                              |                               |                           |                              |                               |                                 |                                |                                 |                                  |



## 7.3 Group Balance Sheet

| <b>31 March<br/>2023<br/>£000</b> |   | <b>31 March<br/>2024<br/>£000</b> |
|-----------------------------------|---|-----------------------------------|
| 186,724                           | Property Plant and Equipment                        | 189,805                           |
| 1,199                             | Heritage Assets                                     | 1,177                             |
| 10,076                            | Investment Properties                               | 9,054                             |
| 372                               | Intangible Assets                                   | 302                               |
| 5,000                             | Long Term Investments                               | 2,574                             |
| 6,178                             | Long Term Debtors                                   | 7,755                             |
| <b>209,549</b>                    | <b>Long Term Assets</b>                             | <b>210,668</b>                    |
| 31,371                            | Short Term Investments                              | 20,449                            |
| 10,878                            | Short Term Debtors                                  | 35,215                            |
| 2,072                             | Inventories   | 1,938                             |
| 30,816                            | Cash and Cash Equivalents                           | 31,393                            |
| <b>75,137</b>                     | <b>Current Assets</b>                               | <b>88,995</b>                     |
| (31,608)                          | Short Term Creditors                                | (55,807)                          |
| (420)                             | Provisions  | (8,196)                           |
| <b>(32,028)</b>                   | <b>Current Liabilities</b>                          | <b>(64,003)</b>                   |
| (56)                              | Provisions  | -                                 |
| (10,637)                          | Liability related to defined benefit pension scheme | (7,252)                           |
| (203)                             | Other Long Term Liabilities                         | (188)                             |
| (8,610)                           | Capital Grants Received In Advance                  | (7,724)                           |
| <b>(19,506)</b>                   | <b>Long Term Liabilities</b>                        | <b>(15,165)</b>                   |
| <b>233,152</b>                    | <b>Net Assets</b>                                   | <b>220,495</b>                    |
| (59,499)                          | Usable Reserves                                     | (45,993)                          |
| (173,653)                         | Unusable Reserves                                   | (174,502)                         |
| <b>(233,152)</b>                  | <b>Total Reserves</b>                               | <b>(220,495)</b>                  |



**7.4 Group Cash Flow Statement**

| <b>2022-23</b>       |  | <b>2023-24</b>       |
|----------------------|--|----------------------|
| <b>£000</b>          |  | <b>£000</b>          |
| <b>(1,005)</b>       | <b>(Surplus) / Deficit on Provision of Services</b>  | <b>16,573</b>        |
| (10,881)             | Adjustments to net (Surplus) / Deficit on Provision of Services for non-cash movements   | (13,641)             |
| <u>7,717</u>         | Adjustments for items included in the net (Surplus) / Deficit on Provision of Services that are investing and financing activities | <u>9,527</u>         |
| <b>(4,169)</b>       | <b>Net cash (inflow) / outflow from Operating Activities</b>   | <b>12,459</b>        |
| 575                  | Investing Activities   | 1,337                |
| 2,325                | Financing Activities   | (14,373)             |
| <b>(1,269)</b>       | <b>Decrease / (increase) in cash and cash equivalents</b>  | <b>(577)</b>         |
| 29,547               | Cash and cash equivalents at the beginning of the reporting period   | 30,816               |
| <b><u>30,816</u></b> | <b>Cash and cash equivalents at the end of the reporting period</b>  | <b><u>31,393</u></b> |





ANNUAL GOVERNANCE  
STATEMENT FOR THE  
FINANCIAL YEAR 2023/24

This Annual Governance Statement covers the 2023/24 financial year and up to the date of the approval of the audited accounts.

## **BACKGROUND**

1. 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).
  
2. 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.
  
3. 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.
  
4. 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 Council’s 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.
  
5. 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.

6. 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."
7. 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."
8. 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.
9. 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.
10. 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.
11. 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**

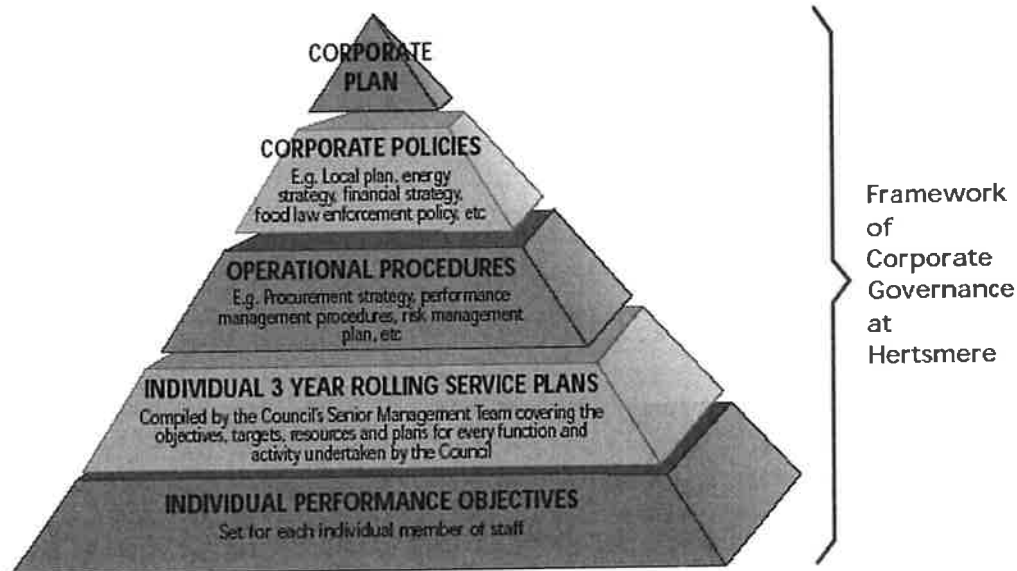
- 12. Hertsmere Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.
- 13. The Council also has a duty under the Local 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.
- 14. 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.
- 15. This Governance Statement explains how the Council has maintained sound governance during the financial year 2023/24 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**

- 16. The governance framework, which has been in place for the financial year 2023/24, 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.
- 17. 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.
- 18. 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.
- 19. 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**

- 20. 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:



21. 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**
22. 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.
23. 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.
24. The Council has an approved Local Code of Governance, which
- Defines good governance,
  - Establishes and describes the seven principles of good governance in the 2016 Framework,
  - States its commitment to the principles of good governance,
  - Sets out the Council's governance structure and framework specifically in terms of the seven principles within the 2016 Framework.
  - Establishes the arrangements and timing for ensuring that it operates effectively in practice.
25. The Local Code of Governance is included as an Appendix to the Annual Governance Statement, which is available on the Council's website and intranet and should be read together with the AGS.
26. 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.

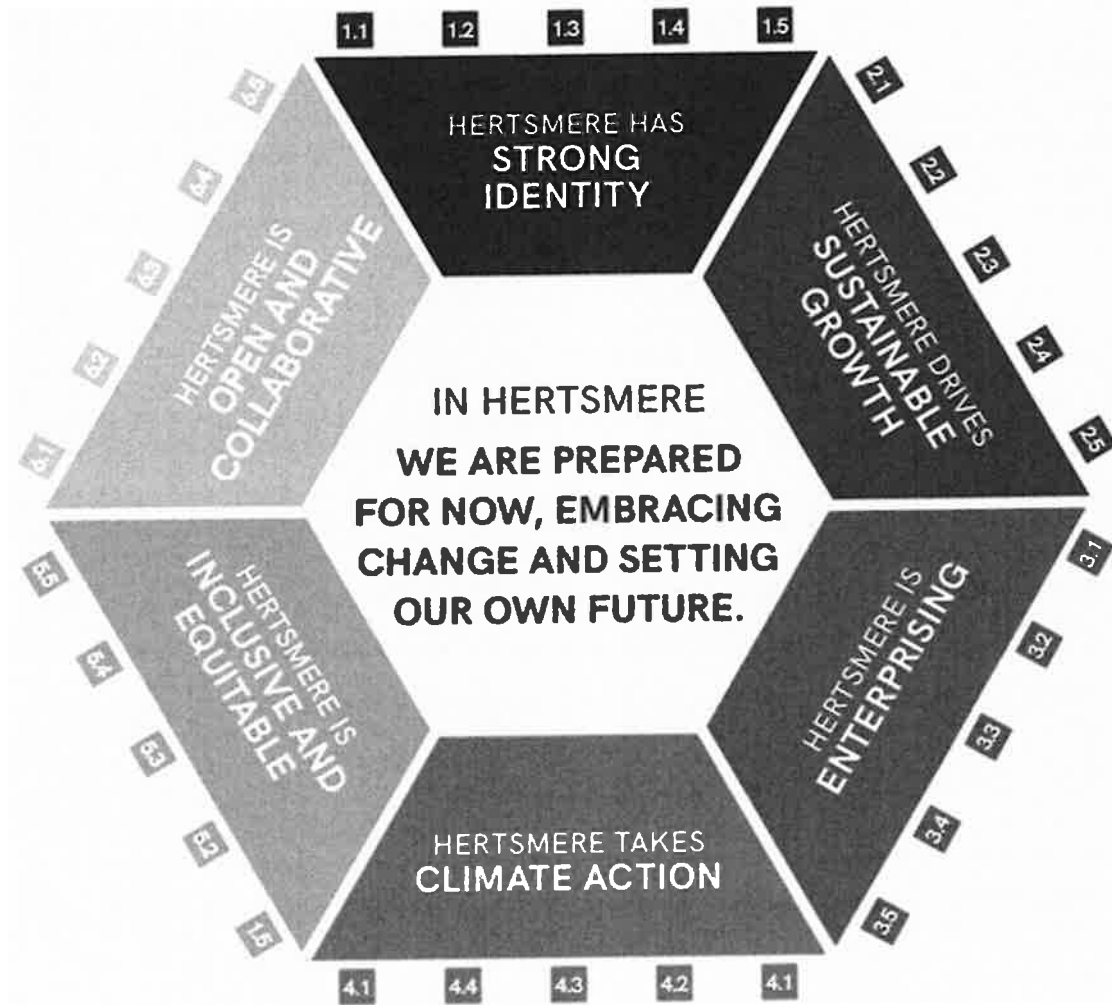
27. The Chief Officers' Board and the Senior Management Team are aware of the financial and other procedures and controls outlined in the Constitution, and the Managing Director and each Head of Service is required to sign a declaration of compliance, in the form of a Service Assurance Statement, at the end of each year – this evidences amongst other things, that their staff are aware of and consistently apply the requirements of the Constitution.
28. 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**

29. 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 2022 and the revised strategy will be launched at the LSP and be adopted by the Council in 2023.
30. The Community Strategy and Corporate Vision 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 2022. The high-level vision and priorities were agreed by the Council in November 2021 and contained in the Hertsmere Vision 2022-27 as below:





- 1.1 Maximise our location
- 1.2 Celebrate our heritage and identities
- 1.3 Know that our place is our people
- 1.4 Encourage vibrant and thriving town centres
- 1.5 Protect our precious natural environment

- 4.1 Increase biodiversity and ecology
- 4.2 Green our infrastructure
- 4.3 Recycle our resources
- 4.4 Accelerate towards net zero
- 4.5 Seek a cleaner and greener construction industry

- 2.1 Secure the right growth in the right place
- 2.2 Promote mixed use and efficient development
- 2.3 Make it easy to move
- 2.4 Create places for all
- 2.5 Value infrastructure first

- 5.1 Champion social justice
- 5.2 Keep residents safe
- 5.3 Improve mental and physical wellbeing
- 5.4 Support inclusive communities
- 5.5 Create affordable communities

- 3.1 Capitalise on our creative industries
- 3.2 Grow an innovative and resilient economy
- 3.3 Support big and small business
- 3.4 Help our future workforce match our economy
- 3.5 Target the investment we want

- 6.1 Lead with purpose
- 6.2 Maintain relationships
- 6.3 Act with integrity
- 6.4 Communicate regularly and honestly
- 6.5 Embrace and champion change

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

31. 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 2022. A new approach has been agreed with a high-level vision Hertsmere Vision 2022-27 – Driving Better Futures The Hertsmere Vision – Driving Better Futures 2022-27 is clearly structured with an overall Vision Statement, 6 Position Statements describing key areas of focus and then 30 Commitments which articulate how the council will deliver against the statements. The commitments set out how the council will work, both in terms of specific delivery, but also clearly reflect the council's organisational values.

32. The Vision was agreed at Council in November 2021. This is 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 Corporate Plan is reviewed annually.
33. The Corporate Plan for 2023/24 was agreed at Executive in March 2023.
34. The Hertsmere Vision and 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.
35. 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**

36. 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.
37. 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.
38. 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) through the approved Customer Feedback Procedure.
39. The Council aims to use its resources efficiently, effectively and economically – the Constitution provides specific guidance in this.
40. 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**

41. 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.
42. There are regular meetings of the Council, the Executive, the Management Board and the Senior Management Team.
43. 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 conduct.

44. There is a realistic level of delegation in place, which permits the Council's business to be conducted as effectively as possible.
45. 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.
46. 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.
47. 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.
48. 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.
49. 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**

50. The Council's Constitution sets out:
- a) Code of Conduct for Members:  
The Council has adopted the LGA Model Code of Conduct for Councillors. 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,
  - b) 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,
  - c) 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, and
  - d) Protocol on Member Officer Relations:  
This includes the Principle's 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.

51. 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.
52. 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**

53. 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 consideration of the Association of Electoral Administrators health check and a Periodic Governance Review which was approved by the Council on 21 September 2023.
54. 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
  - Homelessness and Rough Sleeping 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
55. 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
56. 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**

57. 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. The Audit Committee is 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.
58. 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.
59. At the beginning of each financial year, the Committee establishes a Work Program and at each Committee, it receives reports from officers setting out performance against listed items.
60. 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**

61. 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:**

- a) The Constitution and other policies and procedures are available on the Council's website, intranet and as hard copy,
- b) 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,
- c) Standard report formats require officers to consider the implications of Corporate Policy, Finance, Health and Safety, Legal, Personnel and Risk Management,
- d) The Governance Group meets quarterly to review policy and track changes in legislation, and
- e) 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**

62. 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:
- a) Any Member of the Council,
  - b) Any employee of the Council, and

- c) Any contractor, supplier, consultant or partner of the Council in the course of their work for the Council.

The Policy is currently under review and any updates or amendments will be reported to the Personnel, Audit and Standards Committees in 2023/24.

63. 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**

64. 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".
65. 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."
66. 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 Studios Limited, Hertsmere Developments Limited and Hertsmere Homes Limited.
67. 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**

68. 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 with the next resident's survey scheduled for autumn 2023. 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).



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

69. The Council's official magazine "Hertsmere News" is published three times a year and delivered throughout the Borough.
70. 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.
71. Residents and property / business owners in the Borough are able to submit relevant questions in writing for consideration and response at Council meetings.
72. 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.
73. Some Committee meetings of the Council, including the Executive and Planning Committee are webcast.
74. Members of the public (by prior arrangement only) are also able to speak at a Planning Committee on any application being considered at that meeting.
75. 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.
76. 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 and a regular Hertsmere in Focus publication for staff and Councillors.

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

77. 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**

78. 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.
79. 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 and by the Policy Review Committee. 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.

80. 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 Managing Director and senior managers.

### **REVIEW OF EFFECTIVENESS**

81. 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.
82. 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 Service Assurance Statements prepared by the Directors and Heads of Service 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**

83. 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 by-laws and making a Scheme of Allowances for Members.
84. At the Annual Meeting in May 2022 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. At its meetings in November 2022 and January 2023 and following a change in the composition of the political groups, the Council reviewed and agreed appointments in line with the requirements of political balance
85. The Council met eight times during the last financial year comprising of an annual meeting, six ordinary meetings and one extraordinary meeting. Agendas, Open Reports and Minutes are permanently available on the Council's website.

#### **The Executive**

86. 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.

87. 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.
88. 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 years after the date of the decision.
89. 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.
90. The Executive met 9 times during the 2023/24 financial year. Agendas, Open Reports and Minutes are permanently available on the Council's website.

#### The Review Committees

91. At the Annual Meeting in 2022, 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.
92. The Operations Review Committee has responsibility for reviewing all aspects of the Council's operational business and met seven times in 2023/24. 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 and InspireAll Leisure Limited.
93. 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 nine times during 2023/24 and its work plan included Adoption of an Anti-Fraud and Corruption Strategy and Anti-Money Laundering Policy and consultation on the setting of the capital and revenue budgets.
94. If a councillor refused to attend a review meeting after first being required to attend, it would be dealt with as a potential breach of the Members Code of Conduct for bringing his or her office into disrepute. An officer in the same position would be dealt with under the Disciplinary Policy.
95. Shareholder & Investment Committee

At the Annual Meeting in 2023 the Council appointed the Shareholder & Investment Committee (SIC) whose role is to secure the efficient and effective discharge of the Council's functions as a

shareholder and investor in all Council owned or controlled trading companies, including Elstree Film Studios Limited (EFS) and Hertsmere Developments Limited (HDL) or any other trading company or holding company of a trading company in which the Council is a shareholder and/or an investor and to make recommendations to the Executive and the Council thereon. The SIC met four times in 2023/24 and received regular updates from HDL, EFS and Hertsmere Living Limited (HLL) as well as scrutinising reports for loan funding prior to consideration by the Executive.

### Member Panels

96. 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, Grants Panel, Leisure Contract Panel, the Members Planning Panel and the Performance Management Panel.

### The Standards Committee

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

The Standards Committee met once during 2023/24 The Standards Assessment Panel which considers whether a complaint against an elected or co-opted member warrants investigation or other action, met on 3 occasions and considered 7 complaints and an investigation report. The Panel resolved to take 'No Further Action' in relation to 4 complaints and requested apologies in relation to 3 complaints. When one of the subject members refused to apologise, the complaint was referred to the Monitoring Officer to procure an investigation.

### Members' and Officers' Allowances and Expenses

98. **Members' Allowances:**  
Member Allowances increased by 4% in 2023/24 due to the link recommended by the Independent Remuneration Panel to the annual pay award given to the majority of Council Officers. The actual allowances and expenses received by members in 2023/24, including those received by members appointed by the Council as directors of Council owned and controlled companies, will be reported to full Council in June 2024 and thereafter published on the Council's website.

99. **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.

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

### Senior Management

101. 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.
102. The Chief Officers' Board (Managing Director and Executive Director), together with the Heads of Partnerships, Community Engagement and Housing, Finance and Business Services, HR & Customer Services, Street Scene, Planning and Economic Development, Asset Management and Engineering Services, Environmental Health and Legal and Democratic Services comprise the Senior Management Team, which met formally on a monthly basis during 2023/24 with additional informal meetings as required. The SIAS Client Audit Manager also attends Senior Management

Team.

103. 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.

#### Corporate Governance Group

104. The Corporate Governance Group is chaired by the Managing Director, in their capacity as the Council's Head of Corporate Governance.
105. 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, Internal Audit, Counter-fraud and Corruption, Health and Safety, Partnerships and Performance Management and Risk Management and other current governance matters.

#### Performance Management

106. The Performance Strategy remains a key link between the Hertsmere Vision, Community Strategy, the Corporate Plan, Service Plans and individual Key Result Areas – “the golden thread”.
107. 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, Pentana.
108. 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.
109. The Financial Monitoring Panel has met on a monthly basis, since the end of quarter 1, to scrutinise the Council's financial performance (April through to March). The financial performance is scrutinised in detail by the Panel and reported back to the Operations Review Committee quarterly. The Panel were informed of the ongoing impact from the pandemic and of the impact of the cost of living on the Council's services and budgets both in terms of additional cost pressures, the loss of income from fees and charges and the impact on debt collection and collection rates. The Panel were also advised how the Covid-19 reserve would be utilised in 2022/23.

#### Procurement

110. The Council aims to use its resources efficiently, effectively and economically.
111. 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. The Procurement Strategy 2020 to 2023 was approved by the Council in September 2020 and is due to be reviewed during 2023/24. Both the Contract Procedure Rules and Procurement Handbook were updated and approved during 2022/23.
112. 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.

113. 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

114. 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".
115. The Audit Committee has comprised five non-Executive Members (as required) and met five times during the financial year – Agendas, Open Reports and Minutes are available on the Council's website.
116. 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

117. 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.
118. 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.
119. 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).
120. 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.

121. The SIAS Annual Assurance Statement and Internal Audit Annual Report is a key source document for the Council's Annual Governance Statement. For 2023/24 this report includes the following statements:
- A reasonable assurance opinion is given on the adequacy and effectiveness of both financial and non-financial systems in the internal control environment. There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited. 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 audit of Risk Management was carried out by SIAS during the year, these arrangements are considered during annual audit planning and delivery of all individual audit assignments.
122. Individual SIAS Reports also state whether or not there are any implications for the Annual Governance Statement. All 2023/24 final reports issued have stated that there are no implications for the Annual Governance Statement.
123. 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, Corporate Governance Group and Chief Officers Board to ensure that they are implemented in a timely manner.

#### The Council's External Auditors

124. 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.
125. The transitional arrangements only extended to the 2017/18 financial year and 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.
126. Ernst & Young LLP presented their Annual Report for the year ended 31 March 2021 to the Audit Committee in October 2022 having previously issued their Audit Results Report for 2020/21 to the Audit Committee in March 2022. The annual report confirmed the external auditor opinion as unqualified and that the financial statements gave a true and fair view of the financial position and were prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
127. In September 2022 the External Auditor wrote to the Chair of Audit Committee to advise of a delay in 2022/23 audit and subsequently presented their "*Indicative Audit Planning Report*" for the "*Year ended 31 March 2022*" to the Audit Committee in January 2023. At the time of writing the 2022/23 audit is ongoing. *[The 2022/23 audit has now concluded and the External Auditor, Ernst & Young LLP issued their disclaimed audit opinion 12<sup>th</sup> December 2024].*
128. 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. Ernst & Young are currently concluding the 2020/21 Housing Benefit Subsidy claim.

129. In February 2022 the Council again agreed to opt in to the PSAA national collective scheme and following their procurement process and a consultation period, Hertsmere were formally notified in December 2022 of the appointment of KPMG LLP as the Councils External Auditor for five years from 2023/24 to 2027/28.

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

#### Anti-Fraud and Anti-Corruption

130. 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. Since 2015 the partnership has been strengthened with Luton Council and Welwyn Hatfield Council also joining. The SAFS officially commenced at the Council on 1 April 2015.
131. The service provides a full range of fraud risk assessments, 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.
132. The Council has in place a suite of anti-fraud and corruption policies that SAFS helps to develop and review and includes the latest best practice from CIPFA, LGA and the Fighting Fraud and Corruption Locally Board. These policies are reviewed annually.
133. SAFS is part of national network for organisations, including CIFAS / London Fraud Forum / London Borough Fraud Investigators Group / National Anti-Fraud Network / Fraud Advisory Panel, these provide horizon scanning and alerts of new and emerging fraud threats.
134. 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.
135. 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 / DLUHC / 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

136. 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. An internal audit on risk management was undertaken in 2022/23 and a reasonable level of assurance was provided. The identified actions to improve the processes were commenced and completed in 2022/23. The Audit Committee have requested in depth reports on two of the Council's Strategic risks to be presented by risk owners at each meeting where risk is discussed.
137. 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

138. 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.
139. 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 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.
140. 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:
- 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 SIAS Client Audit Manager has reported the matter as significant in the SIAS Annual Assurance Statement and Annual Internal Audit Report,
  - f) The Head of Partnerships, Community Engagement and Housing 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 Section 151 Officer and / or the Monitoring Officer.



141. 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 Annual Assurance and Internal Audit Report.
142. 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.
143. 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.
144. 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

145. A key part of the AGS is the AGS Action Plan. No significant governance issues were identified for 2023/24 and none were brought forward from 2022/23, therefore there is no Action Plan with this year's AGS. Although not considered to be a significant governance issues, the following areas are noted.
146. Cyber and information security continues to be an area of high risk. Whilst the IDS team do their utmost to protect the Council from various types of cyber-attack, these are a common, everyday occurrence with attacks becoming more and more sophisticated. Staff and members continue to receive mandatory training to maintain their awareness of the risks. The 2023/24 annual Cyber internal audit concluded a 'Reasonable' level of assurance with agreed actions to mitigate the issues identified. In addition, the Cyber insurance renewal requires the Council to further review its cyber arrangements and make any necessary changes to meet their requirements. As a result, whilst this remains an area of high risk it is not considered to constitute a significant governance issue.
147. The Council continues to manage the risks faced in its preparation and delivery of its Development Plan. This is being managed with regular member reporting and a periodic review of the risk register to ensure relevant actions are identified to mitigate and manage risk. The Council continues to monitor the expected publication of a revised NPPF in Spring / Summer 2023, along with resourcing to ensure it is able to prepare and deliver an up-to-date Development Plan. As a result, it is not considered to constitute a significant governance issue.
148. Elstree Studios (the Studios) is owned by Hertsmere Borough Council (the Council) and is leased to Elstree Film Studios Ltd (EFS), a wholly owned subsidiary of the Council under a long 30 year lease.
149. In August 2022, during routine maintenance to replace the main stage doors in stages 7, 8 and 9 asbestos was discovered. These stages were closed immediately and extensive asbestos testing was carried out across the Elstree Studios estate and as a result of that testing the underground car park and the ancillary block were also closed and subsequently asbestos remediation works have been undertaken in all these areas.
150. Due to the closures customers were no longer able to use the stages and three claims from tenants were issued against EFS for loss of earnings.

151. Two claims have since been settled and were paid in October 2024. The Council's share of these claims have now been reflected in the 2023/24 financial statements as an adjusted post balance sheet event (refer to 5.5). These accounts also include a debtor for Elstree Film Studios of £8.085m which includes the company's share of all of the asbestos related works as at 31 March 2024.
152. The other claim is ongoing although falls below the level of materiality.

### CERTIFICATION

153. 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.
154. 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.

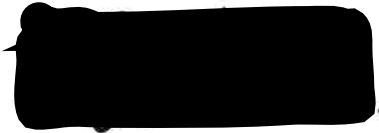
**Signed:** Leader of the Council  
Cllr  
Jeremy Newmark



27 February 2025

Date

**Signed:** Chief Executive  
Sajida Bijle



27/2/2025

Date

## 9. GLOSSARY OF TERMS

| <b>Term</b>                            | <b>Definition</b>   |
|--|---|
| <b>12 month expected credit losses</b> | 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.  |
| <b>Accruals</b>                        | The concept that Income & Expenditure are recognised as they are earned or incurred, not as money is received or paid.  |
| <b>Actuarial Gains and Losses</b>      | For a defined benefit pension scheme the changes in actuarial deficits or surpluses that arise because: <ul style="list-style-type: none"><li>• Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses).</li><li>• The actuarial assumptions have changed.</li></ul> |
| <b>Agency Arrangements</b>             | Arrangements under which the Council provides goods or services to third parties on behalf of another organisation.   |
| <b>Amortised cost</b>                  | 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>   |

| <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.  |

| <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>Curtailment</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.   |

| <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>DLUHC</b>                       | Department for Levelling Up, Housing & Communities.   |
| <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.   |



|                                       | <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 used to produce goods or provide services or be sold as part of the Council's normal activities.   |
| <b>Investments (Non-Pension Fund)</b> |             | 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.<br>Investments, other than those in relation to the pension fund, that do not meet the above criteria are classified as current assets. |

| <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>Minimum Revenue Provision</b>       | The method by which capital expenditure is financed by setting aside amounts from revenue over the useful life of the relevant asset (or in accordance with some other methodology that prudently approximates this).   |
| <b>Net Book Value</b>                  | The amount at which non-current assets are included in the Balance Sheet, i.e. their historical or current value less the cumulative amounts provided for depreciation.   |

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

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

| <b>Term</b>                      | <b>Definition</b>  |
|----------------------------------|--|
| <b>Related Party Transaction</b> | <p>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:</p> <ul style="list-style-type: none"> <li>• The purchase, sale lease, rental or hire of assets.</li> <li>• The provision of a guarantee to a third party in relation to a liability or obligation of a related party.</li> <li>• The provision of services to a related party.</li> <li>• 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.</li> </ul> <p>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.</p> |
| <b>Rent Allowances</b>           | <p>Subsidies payable by local authorities to tenants in private rented accommodation (either furnished or unfurnished) whose incomes fall below prescribed amounts.</p>  |
| <b>Rent Rebates</b>              | <p>Subsidies payable by local authorities to their own housing tenants whose incomes fall below prescribed amounts.</p>  |
| <b>Reserves</b>                  | <p>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.</p>  |

| <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>                 | The right acquired by tenants of Council dwellings to buy their homes at a discounted price.<br><br>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. |
| <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.   |

**Term**

**Subsidiary Company**

**Definition**

A company is a subsidiary of the Council if any of the following apply:

- The Council holds a majority of the voting rights in the company.
- 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.
- The Council has the right to exercise a dominant influence over the company.
- The Council is a member of the company and controls alone a majority of the voting rights in the company.
- The Council has a participating interest in the company and it actually exercises a dominant influence on the company or it and the company are managed on a unified basis.

**Transfer Payments**

Payments to other parties that do not involve the provision of goods or services to the Council.

**Usable Capital Receipts**

This balance is available to either finance capital expenditure or repay debt.

**Vested Rights**

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.

