Three Rivers House
Northway
Rickmansworth
Herts WD3 1RL

AUDIT COMMITTEE

Thursday, 28 November 2024 at 7.30 pm

SUPPLEMENTARY PAPERS

The following papers have been added to the agenda of the above meeting. They were not available when the agenda was originally published.

Joanne Wagstaffe, Chief Executive

10. OTHER BUSINESS - if approved under item 3 above (Pages 3 - 436)

Statement of Accounts Update November 2024

This report sets out the latest position for external audit of the Statement of Accounts for 2020/21, 2021/22, 2022/23.

Recommendation

The Audit Committee is recommended to:

i. Approve the Statement of Accounts 2020/21
ii. Approve the Statement of Accounts 2021/22
iii. Approve the Statement of Accounts 2022/23
iv. Approve the Letter of Representation 2020/21
v. Approve the Letter of Representation 2021/22
vi. Approve the Letter of Representation 2022/23

General Enquiries: Please contact the Committee Team at
committeeteam@threerivers.gov.uk

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Audit Committee
Thursday, 28 November 2024

PART I

Statement of Accounts Update
(DoF)

1 Summary

1.1 This report sets out the latest position for external audit of the Statement of Accounts for 2020/21, 2021/22, 2022/23.

2 Details

2.1 Statement of accounts 2020/21, 2021/22 and 2022/23

2.1.1 The draft accounts for 2020/21, 2021/22 and 2022/23 were reissued on 31 October 2024 and a new period of public inspection was advertised from 1 November to 12 December 2024. The updated drafts incorporated audit adjustments from the 2019/20 audit which had not been agreed when the original draft accounts were issued. This ensures that closing and opening balances are consistent from one year to the next.

2.1.2 As previously reported, a backstop date has been introduced for all audits up to and including 2022/23 of 13 December 2024. Due to delays in concluding the 2019/20 audit, it has not been possible to progress the audits for 2020/21, 2021/22 and 2022/23. Therefore, at the backstop date, the Council's accounts for 2020/21, 2021/22 and 2022/23 will be disclaimed.

2.1.3 The draft Audit Results Report for 2020/21, 2021/22 and 2022/23 is elsewhere on the agenda. EY are unable to conclude their work until the period of public inspection concludes. The delegations requested in this report will enable to audits to conclude before the backstop date of 13 December 2024.

3 Policy/Budget Reference and Implications

3.1 The recommendations in this report are within the Council's agreed policy and budgets.

Financial, Legal, Equal Opportunities, Staffing, Environmental, Community Safety, Public Health, Customer Services Centre, Communications & Website, Risk Management and Health & Safety Implications

None specific.

4 Recommendation

The audit committee is recommended to:

- Approve the Statement of Accounts 2020/21

- Approve the Statement of Accounts 2021/22
- Approve the Statement of Accounts 2022/23
- Approve the Letter of Representation 2020/21
- Approve the Letter of Representation 2021/22
- Approve the Letter of Representation 2022/23

Report prepared by: Robert Thurlow, Chief Accountant

Data Quality

Data sources:

None used in the preparation of the report

Background Papers

Statement of Accounts Update to Audit Committee September 2024

APPENDICES / ATTACHMENTS

Appendix 1: Draft Statement of Accounts 2020/21
Appendix 2: Draft Statement of Accounts 2021/22
Appendix 3: Draft Statement of Accounts 2022/23
Appendix 4: Letter of Representation 2020/21
Appendix 5: Letter of Representation 2021/22
Appendix 6: Letter of Representation 2022/23

Three Rivers District Council

Draft Statement of Accounts 2020/21

Reissued 31 October 2024

The Council's Responsibilities

The Council is required to:

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

The Chief Financial Officer's Responsibilities

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

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

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

The Director of Finance has also:

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

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

Signed Date

Alison Scott CPFA
Director of Finance

Signed Date

Councillor Tony Humphries
Chairman of Audit Committee

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

The following Statement of Accounts give an overview of the Council's finances for 2020/21. I am pleased to be able to report that during the year the Council continued to maintain its strong financial position, which shows that there is a high standard of financial management and stewardship of the Council's resources.

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

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

The Accounts and Audit Regulations 2015, as amended required draft accounts to be published by 31 July 2021. A first draft of the 2020/21 was authorised for issue on this date and a period of public inspection took place for a period of 30 working days from 1 August 2021. However, as the audit of the 2019/20 statement of accounts had not been concluded by that date, adjustments to opening balances arsing form that audit were not incorporated in that draft. It has therefore been necessary to revise the draft accounts and these accounts are now presented for audit and public inspection.

These draft accounts were authorised for reissue by the Section 151 Officer on 31 October 2024.

Signed Date: 31 October 2024

Alison Scott, CPFA
Director of Finance

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

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

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

Housing and Thriving Communities

- We will work on a local plan to deliver sufficient housing and adopt that plan by 2021
- Through our joint ventures and partnerships we will take all available practicable action to increase the supply of affordable homes in the district
- We will complete the delivery of the main and learner pools and refurbishment to the leisure venue at South Oxhey
- We will seek to increase the number of Green Flag accredited parks and open spaces
- We will work towards reducing inequalities, prevent homelessness and encourage healthy lifestyles
- We will continue to work with partners to tackle crime and anti-social behaviour and secure investment in priority interventions.

Sustainable Environment

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

Successful Economy

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

High Performing, Financially Independent Council

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

ORGANISATIONAL LEADERSHIP AND GOVERNANCE

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

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

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

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

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

FINANCIAL OUTLOOK INCLUDING THE IMPACT OF COVID-19

This section covers the 2020/21 outturn and looks forward to 2021/22 and its related Medium Term Financial Plan (MTFP) for 2021-24.

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

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

The effect of the all variances on the Council's (surplus)/deficit for 2021/22 and the General Fund balance over the medium term is shown in the table below.

Movement on General Fund Balance	**2020/21** **Outturn**	**2021/22** **Proposed**	**2022/2023** **Draft**	**2023/24** **Draft**
	£	£	£	£
Balance Brought Forward at 1 April	(5,048,779)	(5,210,222)	(4,230,024)	(3,668,263)
Revenue Budget (Surplus)/Deficit for Year	(161,443)	980,198	561,761	119,724
General Fund Closing Balance at 31 March	(5,210,222)	(4,230,024)	(3,668,263)	(3,548,539)

The overall MTFP indicates a budget requirement (net expenditure) for 2021/22 of **£12.758 million**. Funding for this will come from a number of sources, as set out below.

Government Grant

The Local Government Finance Settlement in February 2021 provided details of the funding available to the Council for 2021/22.

Business rates

Business rates are collected by the Council, and the proceeds are shared between the District and County Council, and also with central Government to fund services. There is an element of risk and reward involved in the Business Rates scheme, which is designed to incentivise Councils to promote business growth within their areas. The Council expects its share of business rates to be **£1.995 million** in 2021/22. The business rates retention scheme is volatile and estimating the outturn is complex due to factors such as appeals, demolitions, new builds, occupation and reliefs.

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

Business Rates Pooling

In 2019/20 a new business rate pool consisting of the County Council, this Council and other Hertfordshire districts/borough councils has been established. This is to continue in 2021/22 with membership of this pool expecting to contribute £0.400 million to the Council’s business rate income. This is already included in the base budget.

New Homes Bonus

New Homes Bonus is a non-ring-fenced grant relating to the number of new homes delivered in a local authority area that may be used at the discretion of the Council for either capital expenditure or to support the revenue account (or combination). For 2021/22, based on the provisional settlement, the Council expects to receive £0.190 million which will be split equally between revenue and capital funding. This funding stream will be part of the fair funding review, therefore estimates for future years are hard to predict, and therefore a prudent estimate has been included in the MTFP.

Council Tax for 2021/22

The Council needs to set a budget that gives an acceptable level of council tax, and is balanced in the medium to long term using the resources at its disposal. A council tax increase of £5 per Band D equivalent has been assumed for 2021/22 and subsequent years. The Council expects to collect £7.130 million of council tax income in 2021/22.

Council Tax Base

The Council Tax base for 2021/22 was set at the Council meeting on the 08 December 2020 and totalled 38,774.3 assuming a collection rate of 99%. The base shows a decrease of 1.1% over 2020/21. This is largely due to an increase in the Council Tax Reduction Scheme and single person discounts.

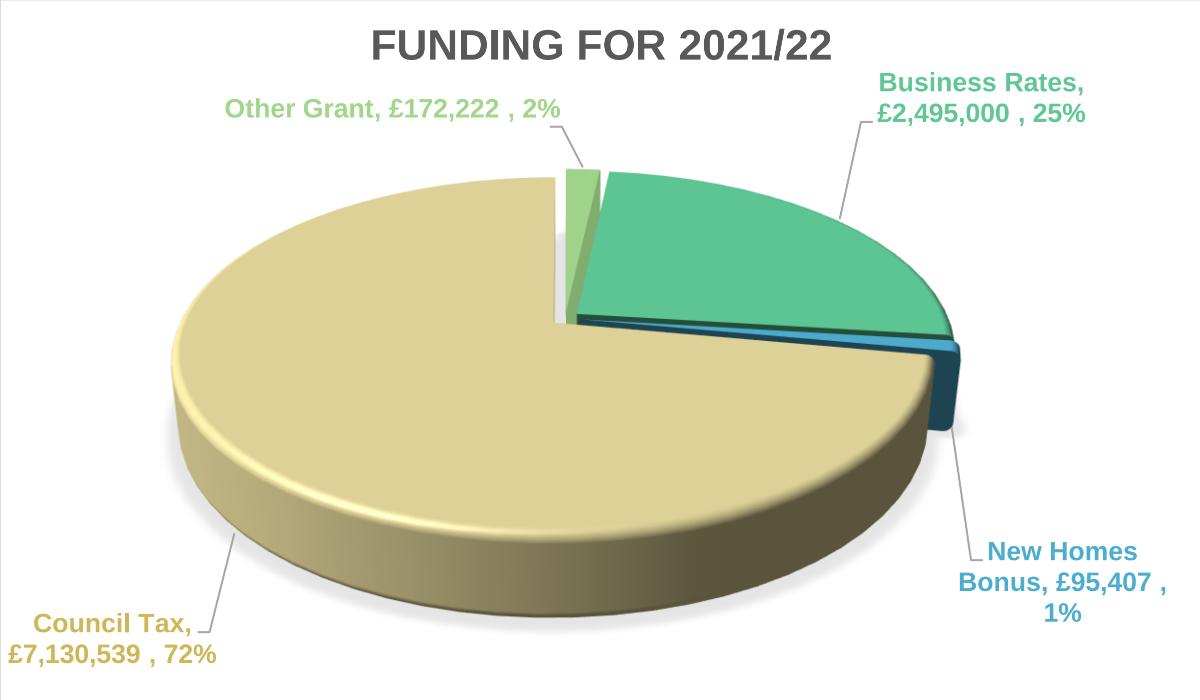
Local Council Tax Reduction Scheme

At the Council meeting on 08 December 2020, it was resolved to continue to apply the agreed Local Council Tax Reduction Scheme for 2021/22.

Collection Fund

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

balance on this fund at 31 March is to be distributed to the Council as the Billing Authority, the major preceptors and Central Government.
The chart below show the value and proportion of each funding stream that supports the Council's revenue account for 2021/22.



COVID-19

The Covid-19 Pandemic has had, and will continue to have, a notable impact on the public's and businesses' behaviour and consequently has had a considerable impact on the Council.

The Government's national lockdowns and restrictions has meant that many businesses have been forced to close – significantly impacting on the local economy, which in turn impacts on the Council's income. Furthermore, the Council has incurred additional expense ensuring that the homeless are safe during this period and that the most vulnerable in our community are cared for through our shielding hub.

These additional costs and reductions in income have had a dramatic impact on the financial outturn for 2020/21. The Council experienced substantial losses across many of its largest income streams, most notably Car Parks and Leisure Centres which were closed for large parts of the year. However, collection levels of Council Tax did not see a significant drop. Similarly, planning applications and building control notices remained buoyant, while the Garden Waste service increased its customer base and income generated.

Helping to offset this impact, the Council has received £1,180k emergency Covid-19 funding and is projecting £600k from the Government's loss of Income Guarantee Scheme. The Council has a prudent General Fund balance and has a separate Economic Impact reserve which it has utilised during the pandemic to maintain financial resilience.

Throughout 2020/21, the Council adopted a pro-active approach to ensure that it responded to the emerging needs of residents and businesses. Regular financial monitoring will continue to ensure the Council takes all necessary remedial action, where practicable, with a continued focus on delivering key services against the backdrop of considerably reduced available resources.

Capital Programme

The capital programme for 2020/21 totals £9.623 million. The services capital programme included in MTFP shows schemes totalling £4.40 million in 2021/22, £4.44 million in 2022/23 and £2.8 million in 2023/24.

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

- Disabled Facility Grants (£1.672 million)
- Waste and Recycling Vehicles (£2.287 million)
- Waste Services Depot – (£0.670 million)
- Garage Improvements (£0.625 million)

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

Government Grants & Other Contributions:

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

Section 106 Contributions:

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

Capital Receipts Reserve:

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

Revenue Contributions:

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

Future Capital Expenditure Reserve:

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

New Homes Bonus Reserve:

New Homes Bonus is a grant relating to the number of new homes delivered in a local authority area. There are no government restrictions on whether this is capital or revenue, nor is there any ring-fence imposed. It is anticipated that there would be a reduction in the amount received from 2021/22 onwards.

Borrowing:

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

Future Investment

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

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

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

FINANCIAL PERFORMANCE

Revenue Activity

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

The net cost of revenue activities is met by central government grant, a share of non-domestic rates (business rates) and by the council tax charge made to residents. This is set each February prior to the start of the financial year and takes into account the General Fund Balance and detailed estimates of income and expenditure. A comparison of outturn figures to budgets, therefore, often provides a better indication of financial stewardship than comparison to the prior year. The actual outturn showed a deficit of £0.139m compared to the latest estimated deficit of £0.720m.

	2020/21	
Income and Expenditure Account	**Net Approved Budget**	**Net Outturn**
	£'000	**£'000**
Committee- Net Cost of Services		
Leisure, Environment & Community	6,185	5,704
Infrastructure, Housing & Economic Development	1,888	1,701
Policy & Resources*	4,708	4,908
Net Cost of Service	**12,781**	**12,313**
Parish Precepts	2,063	2,063
Net Interest	(55)	(169)
Net Operating Expenditure	**14,789**	**14,207**
Contribution to/(from) reserves	(60)	(60)
Amount to be met from Government Grants and Local Taxpayers	**14,729**	**14,147**
Demanded From Collection Fund	(9,078)	(9,078)
Collection Fund Transfer of (surplus)/deficit		
Business Rates	(2,895)	(2,895)
Non- Specific Grants	(310)	(310)
Covid 19- Emergency Funding	(1,180)	(1,180)
Covid 19- Income Guarantee	(496)	(496)
Other Income	(50)	(50)
Total	**(14,009)**	**(14,009)**
Balance in Hand on General Fund at 1 April	(5,048)	(5,049)
(Surplus)/Deficit For Year	720	(161)
Balance in Hand General Fund at 31 March	**(4,328)**	**(5,210)**
Balance in Hand on Economic Impact Reserve at 1 April	(2,103)	(2,103)
(Surplus)/Deficit For Year	0	300
Balance in Hand Economic Impact at 31 March	**(2,103)**	**(1,803)**
Total Balance in Hand on General Fund at 1 April	(7,151)	(7,152)
(Surplus)/Deficit For Year	720	139
Balance in Hand at 31 March	**(6,431)**	**(7,013)**

Capital Activity

Capital expenditure is incurred on assets that benefit the community over a number of years. Capital expenditure for 2020/21 is shown below:

Capital Programme	Latest Approved Budget	2020/21 Net Outturn	Variance
	£'000	£'000	£'000
Services			
Infrastructure, Housing & Economic Developmen	747	349	(398)
Leisure, Environment & Community	1,203	956	(247)
Policy & Resources	959	546	(413)
Service Capital Programme	**2,909**	**1,851**	**(1,058)**
Major Projects			
Leisure Facility South Oxhey	2,877	2,835	(42)
South Oxhey Initiative	1,255	1,243	(12)
Property Investment Board	312	0	(312)
Temporary Accomodation	1,120	1,028	(92)
Housing Stock Transfer	2,200	2,200	0
Total Capital Programme	**10,673**	**9,157**	**(1,516)**

The Council planned to complete capital schemes valued at £10,673m in 2020/21. The Council completed and funded £9,157m worth of capital work, £1.449m of which was funded from capital receipts. The remainder was funded from government grants, contributions from third parties and borrowing.

The variance mainly relates to schemes that have been re-phased to future years including;

Property Investment Board

Garage Improvements

Disabled Facility Grants

The Council externally borrowed £8.0m in 2018/19 to fund the development of the South Oxhey leisure centre. The Centre reopened in June 2021 with only outstanding retention monies to be paid on 2021/22.

FUTURE CHALLENGES

General

The future for local government funding remains very uncertain. Further delays to the reviews of Fair Funding, Business Rates and New Homes Bonus have been announced. This uncertainty makes medium term financial planning far more challenging, coupled with the ongoing effects associated with the Covid-19 Pandemic and how the District then plans for the recovery phase. However, proactive financial stewardship has seen the Council make provision to manage the outcome of the reviews and to ensure we are in a strong financial position to enable us to move forward and react to all of these challenges that we will be facing.

Basis of Preparation and Presentation

The Accounts are presented on an International Financial Reporting Standards (IFRS) basis having been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. References to material and materiality relates to the significance of transactions, balances and errors. Financial information is material if its omission or misstatement could influence the users of the accounts.

Three Rivers District Council

Annual Governance Statement 2020/21

SCOPE OF RESPONSIBILITY

1. Three Rivers District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

3. Three Rivers District Council has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/Solace Framework ‘Delivering Good Governance in Local Government’. It is also in accordance with the requirements of the Accounts and Audit (England &Wales) Regulations 2015.

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

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

5. The governance framework has been in place at the Council for the year ended 31 March 2021 and up to the date of approval of the annual report and statement of accounts. It comprises the systems and processes as well as the culture and values, by which the Council is directed and controlled and through which accounts to, engages with and leads the community.

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

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

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

THE GOVERNANCE FRAMEWORK

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

General

10. Three Rivers District Council operates a Committee model form of governance under the Localism Act 2011 (‘’the Act’’) and has done so since June 2014. In 2018 there were some further changes made to reduce the numbers of service Committees from 3 to 2. This has ensured that there is a more democratic approach to decision making in the organisation with no elected members having any individual executive power to make decisions and requiring Committees to be politically proportionate.

11. The Council’s written Constitution sets out how the Council operates, how decisions are made including which decisions are delegated to the various Committees or to Officers under the scheme of delegation and the terms of reference for the various Committees. The procedures that are followed to ensure that these are efficient, transparent and accountable to the local community. Some of these procedures are required by law as set out in the Act and regulations made thereunder, whilst others are adopted locally by the Council. The Constitution is reviewed at least annually and is available on the Council’s website and intranet. Changes to the Constitution are reported to Full Council and where beyond a minor change delegated to the Chief Executive to authorise, are authorised by Council itself.

12. The Council has an approved Local Code of Governance, a copy of which is included in Part 5 of the written Constitution. This sets out and describes its commitment to good governance and identifies the arrangements that have been and will continue to be made to ensure its ongoing effective implementation and application in all aspects of the Council’s work. The Local Code of Governance is available on the Council’s website and intranet.

13. The Council acknowledges its responsibility for internal control, and for ensuring that its systems maintain the integrity of accounting records and safeguard its assets. These systems provide reasonable assurance as to the reliability of financial information and 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.

14. The Corporate Management Team is aware of the financial and other procedures and controls outlined in the Constitution, and senior officers are required to sign a declaration of compliance, in the form of a Management Assurance Statement, at the end of each year. This evidences amongst other things, that their staff are aware of and consistently apply the requirements of the Constitution.

15. Elected Members as decision-makers have to declare pecuniary and non-pecuniary interests as defined under the Act as and when they occur as well as formally recording this information in the Register of Members Interests which is available online. Each Councillor is personally responsible for keeping their entry in the Register up to date and are reminded of this obligation on an annual basis. Members have access to the Committee team and the Monitoring Officer for advice on declaration of interests at meetings.

Strategic Aims and Objectives

16. The Council and the Policy and Resources Committee met regularly to set the strategic direction of the Council and together with the Audit Committee and the Service Committees, monitor service delivery.

17. The Council updates and formally adopts its Strategic Plan annually each February, and this sets out key service improvement priorities for the medium term, with targets for performance and deadlines for achievement. This has been informed by public consultation on a range of topics, particularly around priority setting, and a detailed analysis of the local context. Progress on the Plan is reported to the public. The Strategic Plan reflects the priorities and vision set out in the 2020/21 Corporate Framework.

Vision

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

Aims and Priorities

Housing and Thriving Communities: We will:

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

Sustainable Environments: We will

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

Successful Economy: We will

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

- Continue to support Visit Herts and promote Three Rivers as the home of the internationally significant Warner Bros Studios.

High Performing Financially Independent Council: We will

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

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

Decision Making Structures

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

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

Constitution

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

23. Copies of the Council's Constitution are available to all on the Council's website.

24. There are regular meetings of the Full Council, Policy and Resources Committee and the other Service and Regulatory Committees. Meetings are open to the public and written reports are available to the public through the Council's website. Information is only treated

as confidential when it is necessary to do so for legal / commercial reasons in accordance with the provisions of the Local Government Act 1972 as amended. During 2020/21 meetings were held virtually with access to the public maintained through a combination of direct access to the virtual meeting platform and live streaming.

25. Councillors are assisted in their policy and decision-making roles by the advice of staff with suitable qualifications and experience, under the leadership of the Chief Executive. All reports requiring a decision from members include comments on financial, legal, equalities, sustainability, community safety (as relevant) and other appropriate issues such as potential risks to non-achievement, all of which ensures that comprehensive advice is provided prior to decisions being taken.

26. Local Authorities operating a committee system do not have to have or appoint separate overview and scrutiny committees. The scrutiny function for health and community safety is undertaken by the Leisure Environment and Community Committee. At Three Rivers District Council the review and scrutiny of policy is co-ordinated through the Policy and Resources Committee.

27. The Council’s protocols and procedures are reviewed and updated on a regular basis for standing orders, financial regulations, a scheme of delegation and supporting procedure notes/ manuals clearly defining how decisions are taken and the process and controls required to manage risks. Compliance with established policies, procedures, laws and regulations is achieved through a combination of training events, written policy and procedural documentation, authorisation procedures, managerial supervision, review by internal and external audit and use of the disciplinary procedure where appropriate.

28. Codes of Conduct defining the standards of behaviour for members, staff, our partners and the community have been developed and communicated and are available on the Council’s website. A new Code of Conduct for Members was approved at Annual Council on 25th May 2021 and is now in force. All Members are required to undergo training on the Code and that process is almost complete, with a final session scheduled for September 2021.

29. The Solicitor to the Council is the Council’s Monitoring Officer and duties include: maintaining the council’s Constitution; reporting on any potential or actual illegality or maladministration; and giving advice to the Leader and councillors on the Constitution or issues of maladministration, financial impropriety or probity.

30. The Shared Director of Finance is the statutory Chief Finance Officer. Duties include: overall responsibility for financial administration, reporting on any actual or potential instances of illegality in expenditure, including unlawful loss or deficiency or illegal items of account, and giving advice to the Council on financial planning.

Data Quality and Risk Management

31. The Council has a performance management framework linked to the Council's Corporate Framework. The framework is based on the collection and interpretation of data in the form of performance indicators. The Council is committed to using accurate data to inform its decisions and has prepared a Data Quality Strategy to achieve this. The Council's committees review the Council's achievements against targets set for service delivery.

32. The governance framework is dependent upon the underlying system of internal control which is designed to manage risk to a reasonable level. The Council’s approach to risk management is governed by its Risk Management Strategy which is updated annually. All of the Council's key objectives, including those in the Strategic Plan have been cascaded into service plans, and the barriers to their achievement (i.e. the risks) have been identified, assessed and managed through service plans. Risks have been identified and assessed for their impact and likelihood. Where they require managing, a risk treatment plan has been prepared which identifies the controls that exist to minimise the risk together with any further action that is required. Risks associated with the Council's partners are considered and risk management is embedded throughout the Council.

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

Shared Services with Watford Borough Council

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

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

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

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

REVIEW OF EFFECTIVENESS

37. The Council has responsibility for conducting at least annually a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of councillors, the officers who have responsibility for the development and maintenance of the governance environment, the Annual Report of the Head of Assurance for the Shared Internal Audit Service and also by comments made by the external auditors and other review agencies and inspectorates. Members receive half-yearly reports and corrective action has been detailed and monitored where necessary. The

monthly budget monitoring system incorporated an update on financial and budgetary risks, a quantitative evaluation of fee income and the position on reserves and balances.

The Council

38. All Councillors meet together as the Full Council. These meetings are chaired by the Chairman of the Council appointed in May for the municipal year. At these ordinary meetings, Councillors decide the Council's overall policies and set the budget each year. Certain decisions can only be made by the Council as a whole and these are clearly set out in the written Constitution. The Council also hold debates on issues which affect the district generally. The Leader of the Council can make an oral report on relevant district matters. Members of the public may, on notice, put written questions to the Council.

39. The Full Council comprises all 39 Members. They met four times during 2020/21. In addition, there was a meeting of Annual Council. In cases of urgency an extraordinary meeting of the Council can be called by the Chairman and / or the Monitoring Officer under Part 4, Rule 1 of the Constitution and two such meetings were held in the year.

The Policy and Resources Committee

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

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

41. Policy and Resources Committee met ten times during 2020/21.

The Service Committees

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

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

43. The functions of the Service Committees are to:

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

- consider any submitted Community or Councillor Calls for Action.

Regulatory Committees

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

Member Allowances

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

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

Senior Management

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

48. Senior Leadership Team (SLT) comprises the Chief Executive, the Director of Community and Environmental Services, the Shared Director of Finance and the Solicitor to the Council. Corporate Management Team comprises SLT and Heads of Service.

49. The Council keeps residents and stakeholders informed of its progress through the website and via social media platforms.

Procurement

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

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

The Audit Committee

52. Audit Committee comprised seven members and met five times during 2020/21.

53. The role of Audit Committee is to:

- Approve (but not direct) internal audit's strategy, plan and performance;
- Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary;

- Consider the reports of external audit and inspection agencies;
- Consider the effectiveness of the authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements. Seek assurances that action is being taken on risk related issues identified by auditors and inspectors;
- Be satisfied that the authority's assurance statements, including the Statement on Internal Control, properly reflect the risk environment and any actions required to improve it;
- Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted;
- Review the external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit;
- Approve the statutory Statement of Accounts.

Internal Audit

54. 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.

55. The internal audit function is carried out, by the Shared Internal Audit Service (SIAS), a local internal audit partnership hosted by Hertfordshire County Council. This provides greater independence and resilience and a positive step in improving governance. Internal Audit carry out a programme of reviews during the year which are based upon a risk assessment including fraud risk. The audit plan is approved by Audit Committee in March of the preceding year. As part of these audits, any failures to comply with legislation, council policy and practice or best practice guidance issued by a relevant body is identified and reported. Circulation of reports to senior officers, reports to the Audit Committee and follow-up procedures ensure action is taken on priority improvements. Progress on implementing internal audit recommendations is reported in quarterly reviews to Audit Committee.

56. In line with Public Sector Internal Audit Standards, an Annual Assurance Statement and Internal Audit Report was compiled and presented to the Audit Committee (at its meeting on 7 July 2020), which:

- included an opinion on the overall adequacy and effectiveness of the Council's internal control environment;
- disclosed any qualifications to that opinion, together with any reasons for the qualification;
- drew attention to any issues which are judged particularly relevant to the preparation of the annual Governance Statement.

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

- In our opinion the corporate governance and risk management framework substantially complies with the best practice guidance on corporate governance issued by CIPFA/SOLACE. This conclusion is based on the work undertaken by the Council and reported in its Annual Governance Statement for 2020/21.

- A satisfactory assurance opinion is given on the adequacy and effectiveness of both financial systems and non-financial systems in the internal control environment. The internal control framework is largely working well in managing the key risks in scope, with some audit findings related to the current arrangements. There are no qualifications to this assurance.

The Council's External Auditors

58. External auditors, Ernst & Young LLP, provide an external review function through the audit of the annual accounts, assessment of value for money, and certification of grant claims. The Annual Audit and Inspection Letter is circulated to all Members and formally reported to Cabinet and the Audit Committee.

59. The Independent Auditor's Report to Members of Three Rivers District Council 2019/20 was signed on 5 March 2024. A qualified opinion was given in relation to the value of surplus assets. It concluded that:

60. In our opinion, except for the possible effects of the matters described in the basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the financial position of Three Rivers District Council and the Group as at 31 March 2020 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

61. The Local Government contract for the Council was awarded to EY (Ernst and Young LLP) following re-tendering by the Audit Commission ahead of its abolition in March 2015. In December 2017, EY were appointed by PSAA as auditor for Three Rivers for 2020/21.

SIGNIFICANT GOVERNANCE ISSUES

62. The 'normal' running of Council business has and can be controlled through the governance framework detailed in this report. No significant governance issues have been identified for 2020/21 and no outstanding matters were brought forward from 2019/20.

63. During 2020/21 COVID-19 has had a significant impact on the Council. Staff having been working largely from home relying on IT systems for remote working that were in place before the start of the pandemic. In addition the Council has been responsible for administering significant grant systems and Council Tax and Non Domestic Rate reliefs. The range of responses to the pandemic has placed considerable strain on the Council's resources. Incident management arrangements were put in place to oversee the Council's response, with regular incident management meetings and briefings for Members and a specially constituted sub-committee of its Policy and Resources Committee. Existing arrangements within the constitution for urgent decisions to be taken by the Chief Executive or Directors in consultation with Group Leaders were used to authorise urgent decisions arising from the pandemic.

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

64. We propose to take steps over the coming financial year to address the above matters to further enhance our governance arrangements. We will also monitor the implementation of any audit recommendations that arise during the course of the year.

Signed ______________________________ Date _______________

Leader of the Council – Sarah Nelmes

Signed ______________________________ Date _______________

Chief Executive – Joanne Wagstaffe

Movement in Reserves Statement (MIRS)

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

Comprehensive Income and Expenditure Statement (CIES)

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

Balance Sheet

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

Cash Flow Statement

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

Movement in Reserves Statement

	Notes	General Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Unapplied £'000	Capital Grants and Contbns Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2019		**4,822**	**12,144**	**0**	**6,401**	**23,257**	**46,572**	**69,829**
Movement in reserves during 2019/20								
Total Comprehensive Income and Expenditure		-1,500	0	0	0	**-1,500**	**14,097**	**12,597**
Adjustments between accounting basis and funding basis under statutory provisions	9	3,109	0	0	-1,364	**1,746**	**-1,746**	**0**
Transfers to / from earmarked reserves	39	-1,413	1,413	0	0	**0**	**0**	**0**
Increase (+) or Decrease (-) In Year		**196**	**1,413**	**0**	**-1,364**	**246**	**12,351**	**12,597**
Balance at 31 March 2020		**5,015**	**13,557**	**0**	**5,037**	**23,610**	**58,923**	**82,533**
Movement in reserves during 2020/21								
Total Comprehensive Income and Expenditure		2,620	0	0	0	**2,620**	**-11,054**	**-8,435**
Adjustments between accounting basis and funding basis under statutory provisions	9	5,063	0	195	1,675	**6,933**	**-6,933**	**0**
Transfers to / from earmarked reserves	39	-7,521	7,521	0	0	**0**	**0**	**0**
Increase (+) or Decrease (-) In Year		**161**	**7,521**	**195**	**1,675**	**9,552**	**-17,987**	**-8,435**
Balance at 31 March 2021		**5,177**	**21,078**	**195**	**6,712**	**33,162**	**40,936**	**74,098**

Comprehensive Income and Expenditure Statement

2019/20 Gross Expenditure £'000	2019/20 Income £'000	2019/20 Net Expenditure £'000		Notes	2020/21 Gross Expenditure £'000	2020/21 Income £'000	2020/21 Net Expenditure £'000
3,641	-1,852	1,789	Infrastructure Housing and Economic Development		4,058	-2,142	1,916
11,108	-4,691	6,417	Leisure, Environment and Communities		12,082	-3,721	8,361
29,468	-20,929	8,539	Policy and Resources		34,661	-26,084	8,577
0	0	0	Other Corporate Costs		1,795	-2,350	-555
44,217	**-27,472**	**16,745**	**Cost of Services**		**52,596**	**-34,296**	**18,299**
		-2,191	Other Operating Income	11	-4,552	0	-4,552
		1,082	Financing and Investment Income and Expenditure	12	2,235	-1,840	394
		-14,136	Taxation and Non-Specific Grant Income	13	0	-16,762	-16,762
		1,500	**Surplus (-) or Deficit (+) on Provision of Services**	5	**50,279**	**-52,898**	**-2,620**
			Items that will not be reclassified to the Surplus (-) or Deficit (+) on the Provision of Services				
		-1,168	Surplus or Deficit on revaluation of non-current assets	44			372
		0	Impairment losses on non-current assets charges to the revaluation reserve	44			0
		-12,929	Remeasurements of the net defined benefit liability (asset)	19			10,682
		-14,097					11,054
			Items that may be reclassified to the Surplus (-) or Deficit (+) on the Provision of Services				
		0	Surplus or deficit on revaluation of available for sale financial assets				0
		0	Other gains or losses				0
		0					0
0	**0**	**-14,097**	**Other Comprehensive Income and Expenditure**				**11,054**
		-12,597					**8,435**

Balance Sheet

At 31 March 2020 £'000		Notes	At 31 March 2021 £'000	£'000
	Long Term Assets			
74,915	Property, Plant and Equipment	23	75,503	
11,941	Investment Property	25	10,495	
13,922	Surplus Assets	23	0	
145	Heritage Assets	24	146	
0	Intangible Assets	26	0	
510	Long Term Investments	29	511	
2,036	Finance Lease Asset	28	17,660	
15,054	Long Term Debtors	29	13,263	
118,523	**Total Long Term Assets**			**117,578**
	Current Assets			
6,164	Debtors	30	5,106	
47	Stock		28	
0	Short Term Investments	33	2,353	
9,851	Cash and Cash Equivalents	32	7,445	
16,062	**Total Current Assets**			**14,931**
	Current Liabilities			
-8,000	Short Term Borrowing	31	-8,009	
-10,636	Short Term Creditors and Revenue Receipts in Advance	31	-12,392	
-953	Provisions	36	-1,344	
-19,589	**Total Current Liabilities**			**-21,745**
	Long Term Liabilities			
-16,000	Long Term Borrowing		-8,000	
-16,319	Pension Liability	19	-28,559	
-147	Long Term Capital Grants Receipts in Advance		-107	
-32,466	**Total Long Term Liabilities**			**-36,666**
82,530	**Net Assets (+) / Net Liabilities (-)**			**74,098**
	Financed from:			
23,609	**Usable Reserves**	37-41		**33,162**
58,920	**Unusable Reserves**	42-49		**40,936**
82,530	**Total Reserves**			**74,098**

Alison Scott, Director of Finance

Date: 31 October 2024

Cash Flow Statement

2019/20 £'000		Notes	2020/21 £'000
-1,500	**Net (surplus) or deficit on the provision of services**		**-2,620**
5,717	Adjust net surplus or deficit on the provision of services for non-cash movements	50	-9,448
-2,617	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	50	3,297
1,600	Net cash flows from Operating Activities		**-8,770**
-6,921	Investing activities	50	899
9,981	Financing activities	50	10,277
4,660	Net increase (-) or decrease (+) in cash and cash equivalents		**2,406**
5,191	Cash and cash equivalents at the beginning of the reporting period		9,851
9,851	**Cash and cash equivalents at the end of the reporting period**		**7,445**

1. Expenditure and Funding Analysis

2019/20 Expenditure chargeable to the General Fund £'000	Adjustments between funding and accounting basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000		2020/21 Expenditure chargeable to the General Fund £'000	Adjustments between funding and accounting basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
1,102	687	1,789	Infrastructure Housing and Economic Development	1,701	215	1,916
4,396	2,021	6,417	Leisure, Environment and Communities	5,705	2,656	8,361
5,793	2,746	8,539	Policy and Resources	3,231	5,346	8,577
0	0	0	Other Corporate Costs	0	-555	-555
11,291	**5,454**	**16,745**	**Service Costs**	**10,638**	**7,662**	**18,299**
-11,486	-3,759	-15,245	Other Income and Expenditure not charged to services	-10,799	-10,120	-20,919
-195	**1,695**	**1,500**	**Surplus (-) or Deficit (+) on Provision of Services**	**-161**	**-2,458**	**-2,620**
4,822			Opening General Fund Balance at 1 April	5,015		
195			Add surplus (+) or deficit (-) on the General Fund for the year	161		
5,015			**Closing General Fund Balance at 31 March**	**5,176**		

2. Accounting Policies

2.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year end of 31 March 2021. The Council is required to prepare an annual Statement of Accounts by The Accounts and Audit (England) Regulations 2015, which require these to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code). The Code prescribes guidance on the preparation of the Statement of Accounts, supported by International Financial Reporting Standards (IFRS) (and statutory guidance issued under section 12 of the 2003 Act). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Statement of Accounts has been prepared on a 'going concern' basis.

2.2 Accruals of Income and Expenditure

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

- revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council
- revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council
- supplies are recorded as expenditure when they are consumed — where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet
- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made
- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract
- Where revenue and expenditure have been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

2.3 Cash and Cash Equivalents

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

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

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

2.5 Charges to Revenue for Long Term Assets

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

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

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

2.6 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the MIRS so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

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

Post-Employment Benefits

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

The Local Government Pension Scheme

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

- the liabilities of Hertfordshire County Council Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees;
- liabilities are discounted to their value at current prices, using a discount rate of 3.6%-3.8% (based on the indicative rate of return on high quality corporate bonds); and
- the assets of Hertfordshire County Council (HCC) Pension Fund attributable to the Council are included in the Balance Sheet at their bid value as required by International Accounting Standard (IAS) 19. Full details of the assets held by the Fund are disclosed as part of the Pension scheme disclosure.

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

- current service cost — the increase in liabilities as a result of years of service earned this year — allocated in the CIES to the services for which the employees worked;
- past service cost — the increase in liabilities arising from current year decisions which relate to years of service earned in earlier years — debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non-Distributed Costs;
- interest cost — the expected increase in the present value of liabilities during the year as they move one year closer to being paid — debited to the Financing and Investment Income and Expenditure line in the CIES;
- expected return on assets — the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return credited to the Financing and Investment Income and Expenditure line in the CIES;
- gains or losses on settlements and curtailments — the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees — debited or credited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non-Distributed Costs
- actuarial gains and losses — changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions — credited to the Comprehensive income and expenditure - Other Comprehensive Income and Expenditure line and reversed through the Movement in Reserves to the Pensions Reserve; and
- contributions paid to the HCC pension fund — cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense in the CIES.

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

Discretionary Benefits

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

2.7 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

Financial Assets - Loans and Receivables

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

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

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

Expected Credit Loss Model

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

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

The Expected Credit Loss Model is not applied to debts related to Council Tax and Non Domestic Rates.

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

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices –the market price; and
- other instruments with fixed and determinable payments –discounted cash flow analysis.

2.8 Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the CIES until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the MIRS. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

2.9 Intangible Assets

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

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

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CIES.

An asset is tested for impairment whenever there is an indication that the asset might be impaired — any losses recognised are posted to the relevant service line(s) in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the MIRS and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

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

2.10 Inventories and Long Term Contracts

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

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

2.11 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services, for the provision of community benefit, for the purpose of economic development and regeneration, production of goods, or is held for sale.

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the MIRS and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

2.12 Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:-

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

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

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the MIRS.

Operating Leases

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

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment, or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

2.13 Overheads and Support Services

The costs of overheads and support services are not charged to those service segments that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2016/17 (SERCOP).

However, the costs of overheads and support services are accounted for as separate headings in the CIES.

2.14 Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the CIES, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account.

Where gains are credited to the CIES, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the MIRS.

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

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

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

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

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

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

When decreases in value are identified:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); or
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

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

Impairment

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

When impairment losses are identified:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains), or
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Deprecation is calculated on the following bases:-

- Buildings — straight-line allocation over the useful life of the asset as estimated by the valuer - up to 70 years;
- Vehicles — straight-line over the estimated life of the asset - up to 20 years;
- Plant, furniture and equipment — straight-line over the estimated life of the asset - up to 20 years;
- Infrastructure — straight-line over the estimated life of the asset - up to 25 years; and
- Finance leases — over the life on the underlying asset or over the life of the lease where there is no option to acquire the asset at the end of the lease.

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

Depreciation commences in the year following acquisition.

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

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

Disposals of Non-current Assets

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

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

Construction Contracts

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

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

2.15 Heritage Assets

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

The Heritage Assets are relatively static and acquisitions, donations and disposals are rare. Where acquisitions do occur, they are initially recognised at cost and donations are recognised at valuation ascertained by insurance officers, museum curators or external valuers. Proceeds from the disposal of Heritage Assets are accounted for in accordance with the Council's general policies relating to the disposals of property, plant and equipment. The Council has a rolling programme of major repair and restoration of its heritage assets and therefore the assets are deemed to have indefinite lives and the Council does not consider it necessary to charge depreciation.

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

2.16 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

The level of provisions is reviewed annually by the Council.

Contingent Liabilities

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

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

Contingent Assets

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

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

2.17 Reserves

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

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

2.18 Revenue Expenditure Funded from Capital under Statute

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

2.19 Value Added Tax (VAT)

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

2.20 Jointly Controlled Operations and Jointly Controlled Assets

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

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

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

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

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

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

2.21 Single Entity Financial Statements

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

2.22 Group Accounts are the financial statements of an entity together with:-

- its subsidiary undertakings,
- its investments in associates, and
- its interests in joint ventures (jointly controlled entities); presented as a single economic entity.

Subsidiary undertakings are accounted for in accordance with the implementation of IAS27 (International Accounting Standard 27) in the 2019/20 Code. The 2019/20 Code requires consolidation of subsidiaries. Consolidation is a method of accounting whereby an entity combines the financial statements of the parent and its subsidiaries line by line by adding together like items of assets, liabilities, reserves, income and expenses. In order that the consolidated financial statements present financial information about the group as that of a single economic entity, the following steps are then taken:-

- the carrying amount of the parent's investment in each subsidiary and the parent's portion of reserves of each subsidiary are eliminated;
- any non-controlling interest is identified and separately disclosed;
- intragroup balances and transactions, including income, expenses and dividends, are eliminated in full.

Investments in associates are accounted for in accordance with the implementation of IAS28 in the Code. The Code requires the consolidation of an entity's interest in associates. Joint ventures are accounted for in accordance with the implementation of IFRS 11 in the Code. The Code requires use of the "equity method" of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post acquisition change in the investor's share of the net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

Turnover (for Group Accounts)

Turnover in respect of property development is recognised on unconditional exchange of contracts on disposals of finished developments.

Where construction of pre-sold developments is under-taken, the revenue and profits are recognised in accordance with IFRIC 15. Revenue is determined by independently certified milestones.

Taxation (for Group Accounts)

Taxation on all profits is solely the personal liability of individual members. Consequently, neither taxation nor related deferred taxation arising in respect of Three Rivers Homes LLP or Three Rivers Homes Ltd are accounted for in these financial statements.

Subscription and Repayment of Members’ Capital (for Group Accounts)

The capital requirements of the LLP are reviewed from time to time by the Board and further capital contributions may be made at the discretion of the members. No interest is charged on capital except pursuant to a dissolution, no capital can be withdrawn by a member unless agreed by all members.

Allocation of Profits and Drawings (for Group Accounts)

The allocation of profits to those who were members during the financial period occurs following the finalisation of the annual financial statements.

The allocation of profits between members is determined by entitlements outlined in the Members' Agreement and is dependent on certain profit criteria being achieved. In accordance with the SORP as a consequence of the LLPs profits being automatically divided in line with the entitlements outlined in the Members' Agreement these profits are treated as an expense in the profit and loss account.

Work in progress (for Group Accounts)

Development land and work in progress is included at cost less any losses foreseen in completing and disposing of the development less any amounts received or receivable as progress payments or part disposals. Where a property is being developed, cost includes cost of acquisition and development to date, including directly attributable fees, expenses and finance charges net of rental or other income attributable to the development. Where development property is not being actively developed, net rental income and finance costs are taken to the profit and loss account.

2.23 Fair Value

The Council measures some of its non-financial assets, such as surplus assets and investment properties, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

3. Accounting Standards that have been issued but have not yet been adopted

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

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

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

4. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 2, the Council has to make certain judgements about complex transactions or those involving uncertainty about future events.

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

a) Estimates for accrued expenditure/income - based on service managers' and accountants' calculations at year end.

b) Bad debt provision - based on historic trends and adjusted for any material movements during 2020/21.

c) Asset lives for the calculation of depreciation charges - based on service managers' experience of previously used assets.

d) The Council has also placed reliance on technical estimates supplied by third parties for the following:

- Property valuations made by the Avison Young
- Pension valuations supplied by Hymans Robertson - Actuary engaged by Hertfordshire County Council.

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

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

5. Prior Period Adjustments

A prior period adjustment has been made to recognise the carrying amount of a loan of £107k advanced to Herts Building Control. Due to an administrative error this loan balance was not recognised in the balance sheet.

The Correction has resulted in an adjustment to Long Term Debtors and the earmarked reserve for Herts Building Control, as follows:

	As At 31 March 2020 Original £'000	As At 31 March 2021 Restated £'000	Difference £'000
Long-Term Debtors	16,983	17090	107
Earmarked Reserves - Herts Building Control	-178	-285	-107

6. Events after the Balance Sheet date

There are no known events that would have material impact on the Council's position as at 31 March 2021.

The draft Statement of Accounts was authorised for reissue by the Section 151 Officer on 31 May 2024.

Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. Assumptions Made About the Future and Other Major Sources of Uncertainty

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

The Items in the Council's Balance Sheet at 31 March 2021 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Impact
Property, Plant and Equipment (PPE)	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to the individual assets. The current economic climate makes it possible that the Council will be unable to sustain its current spending on repairs and maintenance, bringing in to doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
Investment Properties	Due to the effects of Covid-19 on the property market the Council's valuer Avison Young have provided valuations reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, they advise that less certainty and a higher degree of caution should be attached to the valuation than would normally be the case.	The impact of different valuations would have an impact on the value of non-current assets and reserves on the Balance Sheet changing both by the same amount.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to: the discount rate used; the rate at which salaries are projected to increase; changes in the retirement ages; mortality rates; and expected returns on pension assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The value of pension assets is based upon information available at the Balance Sheet date, but these valuations may be earlier that the Balance Sheet date. The actual valuations at the Balance Sheet date, which may not be available until sometime later, may give a different value of pension assets, but this is not generally considered to be material.	The effects on the closing defined benefit obligation of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in an increase in the closing defined benefit obligation of £2.543m. A 1 year increase in life expectancy assumptions would increase the closing defined benefit obligation by 4%.

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

8. Adjustments in the Expenditure and Funding Analysis

2019/20 Adjustments for Capital Purposes £'000	2019/20 Net Charge for the Pensions Adjustments £'000	2019/20 Other Differences £'000	2019/20 Total Adjustments £'000		2020/21 Adjustments for Capital Purposes £'000	2020/21 Net Charge for the Pensions Adjustments £'000	2020/21 Other Differences £'000	2020/21 Total Adjustments £'000
0	0	-55	-55	Infrastructure Housing and Economic Development	-592	201	606	215
0	0	51	51	Leisure, Environment and Communities	2,038	563	54	2,656
-168	0	3,209	3,041	Policy and Resources	1,645	684	3,017	5,346
0	0	2,115	2,115	Other Corporate Costs	0	0	-555	-555
-168	**0**	**5,319**	**5,152**	**Service Costs**	**3,091**	**1,449**	**3,122**	**7,662**
-1,719	0	-2,595	-4,315	**Other Income and expenditure not charged to services**	-4,939	109	-5,290	-10,120
-1,887	**0**	**2,724**	**837**	**Surplus (-) or Deficit (+)**	**-1,849**	**1,558**	**-2,168**	**-2,458**

9. Adjustments between accounting basis and funding basis under regulations

2019/20					2020/21			
General Fund Balance	Capital Receipts Unapplied	Capital Grants & Contbns Unapplied	Unusable Reserves		General Fund Balance	Capital Receipts Unapplied	Capital Grants & Contbns Unapplied	Unusable Reserves
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
				Adjustments to Revenue Resources				
2,576			-2,576	Pension Costs transferred to (or from) the Pensions Reserve	1,558			-1,558
0			0	Gain or Loss on the valuation of pooled investment funds	-3			3
-1,638			1,638	Council Tax and Business Rates transferred to the Collection Fund Adjustment Account	5,137			-5,137
34			-34	Holiday pay transferred to the Accumulated Balances Account	219			-219
4,923			-4,923	Reversal of entries included in the Surplus of Deficit on the Provision of Services in relation to capital expenditure to the Capital Adjustment Account	23,310			-23,310
				Adjustments between Revenue and Capital Resources				
-1,109	1,109			Transfer of non-current asset sale proceeds to the Capital Receipts Unapplied Reserve	-19,872	1,479		18,392
	-4,056		4,056	Useable Capital Receipts applied to finance capital expenditure		-4,122		4,122
-33			33	Statutory provision for the repayment of debt transferred to the Capital Adjustment Account	-134			134
-135			135	Capital expenditure financed from revenue balances transferred to the Capital Adjustment Account	-3,319			3,319
		-2,873	2,873	Capital grants and contributions applied	0		-158	158
23		-23		Capital Grants and Contributions Released to Revenue	24		-24	
-1,532		1,532		Capital gains and contributions receivable not applied to finance capital expenditure	-1,858		1,858	
				Adjustments to Capital Resources				
	2,947		-2,947	Release of Deferred Capital Receipt to Capital Receipt Reserve		2,838		-2,838
3,109	**0**	**-1,364**	**-1,745**	**Total**	**5,062**	**205**	**1,676**	**-6,934**

10. Analysis of Income and Expenditure by Nature

2019/20 £'000	Income and Expenditure	2020/21 £'000
-11,782	Fees, charges and other service income	-10,296
-23,883	Government grants and contributions	-34,054
-580	Interest and investment income	-1,225
-9,913	Income from council tax and non-domestic rates	-7,323
0	Proceeds from the disposal of non-current assets	0
-46,158	**Total Income**	**-52,898**
15,190	Employee benefits expenses	15,876
31,377	Other service expenses	34,048
0	Depreciation, amortisation, impairments and revaluations	4,117
277	Interest payable and similar charges	411
0	Net interest expense on the pension defined liability	378
0	Costs from the disposal of non-current assets	-4,552
46,844	**Total Expenditure**	**50,279**
686	**Surplus (-) or Deficit (+) on the Provision of Services**	**-2,620**

2019/20 £'000	Fees and Charges by Committee	2020/21 £'000
-1,768	Infrastructure Housing and Economic Development	-1,656
-3,815	Leisure, Environment and Communities	-2,955
-6,199	Policy and Resources	-5,685
-11,782	**Total Fees and Charges**	**-10,296**

11. Other Operating Expenditure

Other Operating Expenditure	2019/20 £'000	2020/21 £'000
Capital Receipts	-1,109	-19,872
Disposal costs charged against capital receipts	0	0
Net Capital Receipts	-1,109	-19,872
Other Receipts	-1,082	0
Total Receipts	-2,191	-19,872
Carrying value of non-current assets derecognised	0	15,320
Disposal costs charged to the General Fund	0	0
Total Disposal costs	0	15,320
Other Operating Expenditure	**-2,191**	**-4,552**
Adjustments between accounting basis and funding basis	1,109	4,552
Net Charge to the General Fund	**-1,082**	**0**

12. Financing and Investment Income and Expenditure

Financing and Investment Income and Expenditure	2019/20 £'000	2020/21 £'000
Interest payable and similar charges	341	411
Gain or Loss on the valuation of pooled investment funds		-50
Interest receivable and similar income	-496	-1,173
Income and Expenditure in relation to investment properties	-1,007	-615
Change in fair value of investment properties	1,630	1,446
Net pensions interest expense	664	378
Net fire-fighters Pension Fund Top-Up Grant	-50	-50
Financing and Investment Income and Expenditure	**1,082**	**394**
Adjustments between accounting basis and funding basis	-2,294	-1,821
Net Charge to the General Fund	**-1,212**	**-1,427**

13. Taxation and Non Specific Grant Income

Taxation & Non Specific Grant Income	2019/20 £'000	2020/21 £'000
Council Tax Income	-8,693	-8,947
Non Domestic Rates	-5,020	1,623
Non Ringfenced Government Grants	-358	-7,580
Capital Grants and Contributions	-65	-1,858
Total	**-14,136**	**-16,762**

14. Members Allowances

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

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

Members' Allowances	2019/20 £'000	2020/21 £'000
Allowances	258	269
Expenses (Travel & Subsistence)	3	1
Total	**261**	**270**

15. Audit Fee

Audit and Inspection Fees	2019/20 £'000	2020/21 £'000
Code of Practice Audit Work	35	35
Other Fees for Prior Years	0	40
Fees payable for other services provided during the year	12	0
Total	**47**	**75**

16. Senior Officer Remuneration

Table 12a:

Band £	Number of Employees 2019/20	2020/21
50,000-54,999	10	7
55,000-59,999	6	7
60,000-64,999	5	5
65,000-69,999	2	4
70,000-74,999	3	1
75,000-79,999	1	2
80,000-84,999	0	1
85,000-89,999	1	0
90,000-94,999	0	1
95,000-99,999	1	1
100,000-104,999	1	1
105,000-109,999	1	0
125,000-129,999	0	1

The Council is required to disclose the number of employees in the accounting period whose remuneration fell in each bracket of a scale in multiples of £5,000, starting with £50,000.

For completeness, the Council has included the senior officers' remuneration (excluding pensions), disclosed in table 12b in table 12a.

The Director of Finance is the statutory Chief Finance Officer (S151) and is a shared post with Watford Borough Council and is recharged to Watford Borough Council on a 50:50 basis. Three Rivers District Council is the lead authority for the arrangement and as such the full cost is shown in the Three Rivers District Council accounts.

Total	**31**	**31**

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

Table 12b:

2020/21 Post Holder Information	Salary (Including Fees & Allowances) £	Compensation for Loss of Office £	Employers Pension Contribution	Total £
Chief Executive - Joanne Wagstaffe	129,677		23,376	153,053
Deputy Chief Executive	103,438		18,600	122,038
Director of Finance (Section 151 Officer)	84,228		15,104	99,332
Solicitor to the Council (Monitoring Officer)	68,865		10,774	79,639
Total	**386,208**	**-**	**67,854**	**454,062**

2019/20 Post Holder Information	Salary (Including Fees & Allowances) £	Compensation for Loss of Office £	Employers Pension Contribution	Total £
Chief Executive (April to August 2019)	87,375	63,514	5,780	156,669
Interim Chief Executive (September 2019 to January 2020)	110,658		0	110,658
Chief Executive (February to March 2020)	20,869		3,761	24,630
Director of Finance (Section 151 Officer) (April 2019 to January 2020)	80,425		14,449	94,874
Interim Director of Finance (February to March 2020)	13,612		2,441	16,053
Director of Community & Environmental Services	109,387		19,752	129,139
Solicitor to the Council (Monitoring Officer)	55,480		10,074	65,554
Total	**477,806**	**63,514**	**56,257**	**597,577**

17. Exit Packages

Exit packages	2019/20						2020/21					
	Compulsory		Other		Total		Compulsory		Other		Total	
Band (£)	No.	£'000	No.	£'000	No.	£'000	No.	£'000	No.	£'000	No.	£'000
0 - 19,999	3	20	0	0	**3**	**20**	1	16	0	0	**1**	**16**
20,000 - 39,999	1	28	0	0	**1**	**28**	2	61	0	0	**2**	**61**
60,000 - 79,999	1	64	0	0	**1**	**64**	0	0	0	0	**0**	**0**
Total	**5**	**111**	**0**	**0**	**5**	**111**	**3**	**77**	**0**	**0**	**3**	**77**
Add new provisions created						**0**						**0**
Less amounts provided for in previous year						**0**						**0**
Add unused amount of previous year's provision						**0**						**0**
Adjust for differences between payments and accruals						**-9**						**9**
Total cost of exit packages in the Comprehensive Income and Expenditure Statement						**102**						**86**

18. **Grants**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020/21:

Grant issuing body	Credited to Taxation and Non Specific Grant Income	2019/20 £'000	2020/21 £'000	Credited to Services	2019/20 £'000	2020/21 £'000
Department for Levelling Up, Housing and Communities	Business Rate - Section 31 Grant	952	2,492	Local Council Tax Scheme Admin Grant	73	73
	New Homes Bonus	358	621	Homelessness		450
	COVID 19 Business Rate Reliefs Grant		2,060	Parliamentary Elections	175	
	Taxation Income Guarantee Scheme		130	Referendum and European Elections	143	
	Council Tax Hardship Fund		498			
	COVID-19 Income Guarantee Scheme		600			
	COVID-19 Emergency Funding		1,180			
Department for Business, Energy & Industrial Strategy				COVID-19 Discretionary Business Grant		567
				Additional Restrictions Grant		2,695
				Other COVID-19 Grants		137
Department for Work and Pensions				Housing Benefit Grant	17,745	16,519
				Rent Rebate Subsidy		437
				Benefit Admin Grant	190	187
Various	Other Revenue Grants	65	-	Other Revenue Grants	830	964
Various	Capital Grants		1,711	Capital Grants		
Various	Developer Contributions		147			
All Grants	**Total**	**1,375**	**9,439**	**Total**	**19,156**	**22,026**

19. Defined Benefit Pension Scheme

Participation in Pension Scheme

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

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

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

Transactions relating to Retirement Benefits

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

Pension Fund Comprehensive Income and Expenditure Statement	Local Government Pension Scheme 2019/20 £'000	2020/21 £'000
Cost of Services		
Current Service Cost	3,516	3,174
Past Service Costs	0	0
(Gain) / Loss from settlements	0	0
Administration Expenses	0	0
Financing and Investment Income & Expenditure		
Net Interest Expense	664	378
Surplus / Deficit on the Provision of Services	**4,180**	**3,552**
Other Comprehensive Income and Expenditure		
Return on plan assets	-3,267	16,937
Actuarial gains (-) and losses (+) from demographic assumptions	0	-27,180
Actuarial gains (-) and losses (+) from financial assumptions	16,489	-1,598
Experience gains (-) and losses (+)	0	0
Other actuarial gains (-) and losses (+)	0	1,159
Total retirement benefits charged to the Comprehensive Income and Expenditure Statement	**17,402**	**-7,130**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus/Deficit on the Provision of Services for retirement benefits in accordance with the code	-2,417	-1,558
Actual amount charged against the General Fund Balance for pensions in the year	**1,763**	**1,994**

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

Pension Liability	2019/20 £'000	2020/21 £'000
Present value of the defined benefit pension obligation	-103,949	-134,596
Fair value of the plan assets	87,630	106,037
Total Net Liabilities	**-16,319**	**-28,559**

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

Assets at Fair Value	Local Government Pension Scheme	
	2019/20 £'000	2020/21 £'000
Opening Balance at 1 April	**90,405**	**87,630**
Interest Income	2,160	2,018
Return on plan assets	-3,719	16,937
Other actuarial gains and losses	0	0
Employer Contributions	1,763	1,994
Contributions by scheme participants	611	648
Benefits Paid	-3,590	-3,190
Settlements received / (paid)	0	0
Closing balance at 31 March	**87,630**	**106,037**

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

Liabilities	Local Government Pension Scheme	
	2019/20 £'000	2020/21 £'000
Opening Balance at 1 April	**-117,077**	**-103,949**
Current Service Cost	-3,675	-3,174
Interest Expense	-2,824	-2,396
Contributions by scheme participants	-611	-648
Actuarial gains and losses - demographic assumptions	0	-1,598
Actuarial gains and losses - financial assumptions	16,648	-27,180
Experience gains and losses	0	1,159
Other actuarial gains and losses	0	0
Benefits Paid	3,590	3,190
Past Service Costs	0	0
(Gain) / Loss from settlements	0	0
Closing balance at 31 March	**-103,949**	**-134,596**

Local Government Pension Scheme assets comprised:

	At 31 March 2020			At 31 March 2021		
Assets	**£'000**	**£'000**	**%**	**£'000**	**£'000**	**%**
Equities						
Consumer	1,682			946		
Manufacturing	1,343			835		
Energy and Utilities	0			0		
Financial Institutions	1,291			682		
Health and Care	793			422		
Information and Technology	3,018			2,428		
Other	144			95		
		8,269	9%		5,408	5%
Debt Securities						
UK Government	0			5,456		
Other	2,283			2,430		
		2,283	3%		7,886	7%
Property						
UK Property	2,663			5,893		
Overseas Property	5,256			4,907		
		7,920	9%		10,800	10%
Derivatives (quoted in an active market)						
Foreign exchange	-93			-42		
		-93	0%		-42	0%
Cash and cash equivalents						
Cash	1,902			2,998		
		1,902	2%		2,998	3%
Private Equity						
All	4,712			6,401		
		4,712	5%		6,401	6%
Investment Funds and Unit Trusts						
Equities	27,401			48,989		
Infrastructure	81			44		
Bonds	28,878			17,220		
Other	6,277			6,333		
		62,637	71%		72,586	68%
Total		**87,630**	**100%**		**106,037**	**100%**

Basis for Estimating Assets and Liabilities

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

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

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme 2019/20	Local Government Pension Scheme 2020/21
Longevity Assumptions:		
Men:		
Longevity from 65 (currently aged 65) (yrs)	21.9	22.1
Longevity from 65 (currently aged 45) (yrs)	22.8	23.2
Women:		
Longevity from 65 (currently aged 65) (yrs)	24.1	24.5
Longevity from 65 (currently aged 45) (yrs)	25.5	26.2
Financial Assumptions:		
Consumer Price Index (CPI) increases	1.90%	2.85%
Rate of increases in salaries	2.30%	3.25%
Rate of increases in pensions and deferred pensions	1.90%	2.85%
Rate for discounting scheme liabilities	2.30%	2.00%

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

Impact on the Defined Benefit Obligation in the Scheme

	Local Government Pension Scheme (funded)	
	Approximate % increase to Employer Liability	Approximate monetary amount (£'000)
0.1% decrease in Real Discount Rate	2%	2,543
0.1% increase in Pension Increase Rate	2%	2,301
0.1% increase in Salary Increase Rate	0%	214
1 year increase in member life expectancy	4%	5,384

Information about the Defined benefit obligation

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

20. Joint Operations

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

21. Partnership Working

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

The table below shows the net expenditure of the 5 shared services (4 when Tax and Benefits are considered as one) and the charge to each authority of which Three Rivers District Council's share was £2.701m in 2020/21 (£2.479m 2019/20).

2019/20		2020/21		
Total Cost £'000		Provided by TRDC £'000	Provided by WBC £'000	Total Shared Services £'000
	Services			
1,474	Local Tax Collection	1,679		**1,679**
1,486	Housing Benefits	1,632		**1,632**
1,397	Finance	1,375		**1,375**
668	Human Resources		888	**888**
1,201	ICT		1,280	**1,280**
6,226	**Total Expenditure**	**4,686**	**2,168**	**6,854**
2,479	**Paid by Three Rivers District Council**	**1,905**	**796**	**2,701**
3,747	**Paid by Watford Borough Council**	**2,781**	**1,372**	**4,153**

22. Related Parties

The authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the authority.

Central Government

Central government has significant influence over the general operations of the authority – it is responsible for providing the statutory framework within which the authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the authority has with other parties (eg council tax bills, housing benefits).

Senior Officers

No Senior Officers have had material transactions with a third party.

Elected Members

No Elected Members have had material transactions with a third party.

Entities controlled or significantly influenced by the authority

Three Rivers Commercial Services is a wholly owned subsidiary of the Council. This entity holds a 50% share of Three Rivers Housing Developments LLP.

The Chief Executive and Director of Finance are both Directors for Three Rivers Commercial Services Ltd. The Chief Executive of the Council is a Director for Three Rivers Housing Developments LLP.

The Council owns a 50% share of Three Rivers Homes Limited. The Chief Executive and Director of Finance are both directors for Three Rivers Homes Limited.

The Director of Finance is a director for Broste Rivers Group, in which the council has a 12.5% stake.

The Chief Executive is the Honorary Treasurer for West Herts Crematorium. An Agreement existing between neighbouring authorities (Hertsmere, St Albans, Dacorum, Three Rivers & Watford) to constitute a Joint Committee under the Local Government Act 2000. In 2020/21, Three Rivers received a contribution of £50,000 (2019/20 £50,000).

23. Movement in the value of Property, Plant and Equipment

2020/21	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property Plant & Equipment £'000
Cost or valuation as at 1 April	**62,157**	**17,320**	**1,994**	**1,108**	**13,922**	**6,018**	**88,596**
Additions	141	939	48	0	1,324	3,874	6,326
Donation	0	0	0	0	0	0	0
Revaluation increases (decreases) recognised in the Revaluation Reserve	-688	0	0	315	0	0	-373
Revaluation increases (decreases) recognised in the Surplus / Deficit on the Provision of Services	-44	0	0	0	0	0	-44
Derecognition - disposals	-76	0	0	0	-15,246	0	-15,323
Other movements in cost or valuation	0	0	0	0	0	0	0
Cost or valuation as at 31 March	**64,720**	**10,739**	**865**	**1,424**	**0**	**9,892**	**87,640**
Depreciation and Impairment as at 1 April	**-1,511**	**-10,553**	**-1,620**	**0**	**0**	**0**	**-12,489**
Depreciation charge	-1,064	-2,303	-122	0	0	0	-3,489
Depreciation and impairment written out to the Revaluation Reserve	0	0	0	0	0	0	0
Depreciation and impairment written out to the Surplus / Deficit on Provision of Services	0	0	0	0	0	0	0
Impairment losses / (reversals) recognised in the Revaluation Reserve	-208	-218	-14	0	0	0	-441
Impairment losses / (reversals) recognised in the Surplus / Deficit on Provision of Services	0	0	0	0	0	0	0
Derecognition - disposals	3	0	0	0	0	0	3
Other movements in depreciation and impairment	7	0	0	0	0	0	7
Depreciation and impairment as at 31 March	**-5,969**	**-5,588**	**-580**	**0**	**0**	**0**	**-12,137**
Net book Value at 31 March 2020	**60,647**	**6,767**	**373**	**1,108**	**13,922**	**6,018**	**74,911**
Net book Value at 31 March 2021	**58,751**	**5,151**	**285**	**1,424**	**0**	**9,892**	**75,503**

2019/20	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property Plant & Equipment £'000
Cost or valuation as at 1 April	**58,874**	**15,946**	**1,909**	**713**	**12,530**	**1,920**	**79,360**
Additions	1,101	1,800	85	395	1,392	5,945	9,326
Donation							
Revaluation increases (decreases) recognised in the Revaluation Reserve	319						319
Revaluation increases (decreases) recognised in the Surplus / Deficit on the Provision of Services	-409						-409
Derecognition - disposals							
Derecognition - other							
Assets reclassified	2,272	-426				-1,846	0
Other movements in cost or valuation							
Cost or valuation as at 31 March	**62,157**	**17,320**	**1,994**	**1,108**	**13,922**	**6,018**	**88,596**
Depreciation and Impairment as at 1 April	**-1,201**	**-9,788**	**-1,500**	**0**	**0**	**0**	**-12,489**
Depreciation charge	-1,037	-948	-120				-2,105
Depreciation and impairment written out to the Revaluation Reserve	910						910
Depreciation and impairment written out to the Surplus / Deficit on Provision of Services							
Impairment losses / (reversals) recognised in the Revaluation Reserve							
Impairment losses / (reversals) recognised in the Surplus / Deficit on Provision of Services							
Derecognition - disposals							
Derecognition - other							
Assets reclassified							
Other movements in depreciation and impairment	-183	183					0
Depreciation and impairment as at 31 March	**-1,511**	**-10,553**	**-1,620**	**0**	**0**	**0**	**-13,684**
Net book Value at 31 March 2019	**57,673**	**6,158**	**409**	**713**	**12,530**	**1,920**	**66,870**
Net book Value at 31 March 2020	**60,647**	**6,767**	**373**	**1,108**	**13,922**	**6,018**	**74,911**

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Avison Young undertook valuations on behalf of the Council in 2020/21 in relation to Operational and Investment Properties and the basis of valuations is in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. All assets have been valued individually, with the final statements of account reconciled to the valuation certificates. The basis of valuing individual classes of assets owned by the Council is detailed in the Statement of Accounting Policies at Note 2.

The Council undertakes an impairment review at the year end and any asset which has had a material gain or loss in value during the year is adjusted. Therefore, the Council believes that the prior year valuations are still appropriate.

Information about Depreciation Methodologies

Depreciation has been provided for all assets with a finite useful life. The basis for depreciating assets is detailed in the Statement of Accounting Policies (Note 2.14). Depreciation commences in the year following acquisition. Freehold land, Investment Properties, Assets under construction, Surplus Assets and Heritage Assets are not depreciated.

24. Movement in the value of Heritage Assets

The Council's Heritage Assets are reported in the Balance Sheet at insurance valuations which are based on market values. These insurance values are reviewed and updated as part of the rolling 5 year programme. The Council has a rolling programme of repair and restoration of its heritage assets and regularly reviews the conditions of its assets. The Council keeps a register of all its Heritage Assets and records the nature, condition and location of each asset.

2019/20		2020/21			
Total £'000		Musical Instrument £'000	Works of Art £'000	Civic Regalia £'000	Total £'000
206	Valuation at 1 April	90	41	15	**146**
- 60	Revaluation increases / decreases recognised in year	-	-	-	**0**
146	**Valuation at 31 March**	**90**	**41**	**15**	**146**

25. Movement in the value of Investment Properties

Investment Properties	2019/20 £'000	2020/21 £'000
Opening Balance at 1 April	**13,571**	**11,941**
Additions	0	0
Derecognition	0	0
Net gain (+) / losses from fair value adjustments	-1,630	-1,446
Assets reclassified to / from Investment Properties	0	0
Other changes	0	0
Closing balance at 31 March	**11,941**	**10,495**

Fair Value Hierarchy

All the Council's investment property portfolio has been assessed as Level 3 for valuation purposes (see Note 1 for explanation of fair value levels).

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

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

There were no changes the valuation techniques used during the year for Investment Properties and Surplus Assets.

Highest and Best Use of Investment Properties

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.

Valuers

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

26. Movement in the value of Intangible Assets

	2019/20 £'000	2020/21 £'000
Expenditure on Software Licences	101	148
Written out in year of acquisition	-101	-148
Net Book Value at 31 March	**0**	**0**

27. Capital Expenditure, Financing and Commitments

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

Capital Financing Requirement	2019/20 £'000	2020/21 £'000
Capital Financing Requirement as at 1 April	**38,322**	**43,944**
Capital Investment:		
Property, Plant and Equipment	9,326	1,080
Assets under construction		3,874
Infrastructure Assets	0	48
Intangible Assets	101	148
Revenue Expenditure Funded from Capital Under Statute	677	2,427
Surplus Assets	1,392	1,324
Long Term Debtors	1,324	0
	12,820	8,901
Sources of Finance:		
Capital receipts	-4,133	-4,122
Government Grants and Other Contributions (including S106)	-3,007	-158
Capital Expenditure funded from the Revenue Account	0	-3,319
Repayment of loans treated as capital receipts	-25	-1,791
Minimum Revenue Provision	-33	-134
	-7,198	-9,524
Increase (+) / decrease (-) in Capital Financing Requirement	**5,622**	**-623**
Capital Financing Requirement at 31 March	**43,944**	**43,321**

28. Leases

Finance Leases – The Council as a Lessor

As part of the South Oxhey Initiative regeneration scheme, the Council has granted long-term leases of 250 years from the lease date to Countryside Properties. The authority has a gross investment in the lease made up of the minimum lease payments expected to be received over the remaining term. There is no residual value anticipated for the properties when the leases come to an end. The Council received Lease Premiums from the lessee and will receive ground rent over the life of the lease.

The Premiums received for the leases makes up substantially all of the value of the interest in the property, with the value of the ground rents receivable being immaterial for recognition. Consequently, the Council has chosen to make a limited disclosure in this area as there is no lease debtor to recognise.

Operating Leases – The council as Lessor

The Council leases out property under operating leases for the following purposes:

- For the provision of community services, such as sports facilities and community centres
- For economic development purposes to provide suitable accommodation for local businesses

The future minimum leases payments receivable are:

Council as Lessor - Operational	2019/20 Land and buildings £'000	2019/20 Total £'000	2020/21 Land and buildings £'000	2020/21 Total £'000
Future Minimum leases payments receivable:				
Within 1 year	1,144	**1,144**	1,201	**1,201**
Within 2nd - 5th years	4,245	**264**	3,915	**3,915**
6th year and beyond	8,731	**13,397**	11,469	**11,469**
Total:	14,120	**13,693**	16,585	**16,585**

29. **Long Term Debtors**

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

	At 31 March 2020 £'000	At 31 March 2021 £'000
Charges to Registered Properties	16	16
Loan - Grapevine	4,185	4,185
Loan - Bury Lake Young Mariners Base	975	955
Loan - Puckeridge	1,770	0
Loan - Thrive Homes	8,000	8,000
Rent to Mortgage Properties	0	0
Building Control	107	107
Finance Lease Receivables	2,036	17,660
Total	**17,089**	**30,923**

30. **Short-Term Debtors**

	At 31 March 2020 £'000	At 31 March 2021 £'000
Government Departments	565	493
Other Local Authorities	957	811
Health Authorities	0	0
Payments in Advance	1,284	430
Bodies external to general government (i.e. all other bodies)	5,551	6,151
	8,357	**7,884**
Less Impairment Allowance Account	-2,193	-2,778
Total	**6,164**	**5,106**

31. Creditors

	At 31 March 2020 £'000	Balance at 31 March 2021 £'000
Receipts in Advance		
Government Departments	0	-2,386
Other Local Authorities	0	0
Health Authorities	0	0
Other Entities & Individuals	-2,051	-3,865
	-2,051	**-6,251**
Creditors		
Government Departments	-3,120	-3,228
Other Local Authorities	-2,103	-172
Health Authorities	0	0
Other Entities & Individuals	-3,362	-2,740
	-8,585	**-6,141**
Short Term Creditors and RIA	**-10,636**	**-12,392**
Long Term Receipts in Advance	**0**	**0**
Total	**-10,636**	**-12,392**

32. Cash and Cash Equivalents

	At 31 March 2020 £'000	At 31 March 2021 £'000
Cash at bank and in hand(+)/Overdrawn (-)	9,851	7,445
Total	**9,851**	**7,445**

33. Short Term Investments

	At 31 March 2020 £'000	At 31 March 2021 £'000
Royal London Asset Management Cash Plus Fund	0	2,353
Total	**0**	**2,353**

34. Financial Instruments

At 31 March 2020			At 31 March 2021	
Short Term £000	Long Term £000	Financial Assets	Short Term £000	Long Term £000
		Carried at Amortised Cost		
9,851	0	Cash and Cash Equivalents	7,445	0
4,880	14,947	Debtors	4,676	13,263
14,731	**14,947**	**Total at Amortised Cost**	**12,121**	**13,263**
		Carried at Fair Value through Profit & Loss		
0	510	Investments	2,353	511
0	**510**	**Total at Fair Value through Profit and Loss**	**2,353**	**511**
0	1,284	Non-Financial Assets*	430	0
14,731	**16,741**	**Total**	**14,903**	**13,774**

As at 31st March 2020			As at 31st March 2021	
Short Term £000	Long Term £000	Financial Liabilities	Short Term £000	Long Term £000
		Carried at Amortised Cost		
-16,000	-8,000	Borrowing	-8,009	-8,000
	-8,585	Creditors	-6,141	0
-16,000	**-16,585**	**Total at Amortised Cost**	**-14,150**	**-8,000**
-147	-2,051	Non-Financial Liabilities*	-6,251	-107
-16,147	**-18,636**	**Total**	**-20,401**	**-8,107**

35. Disclosure of Nature and Extent of Risk Arising from Financial Instruments

Financial Instruments – Carrying Values

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at Amortised Cost. Their Fair Value can be assessed by calculating the Present Value of the cashflows that will take place over the remaining term of the instruments using the following assumptions.

- Where an instrument will mature in the next 12 months, the carrying amount is assumed to be the approximate Fair Value.
- The 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 Balance Sheet includes the following financial instruments:

- Creditors
- Debtors
- Cash and Cash Equivalents
- Investments carried at Amortised Cost
- Investments carried at Fair Value through Profit and Loss
- Finance Leases

Financial Liabilities	Fair Value Level	Balance Sheet At 31 March 2020 £'000	Fair Value At 31 March 2020 £'000	Balance Sheet At 31 March 2021 £'000	Fair Value At 31 March 2021 £'000
Financial liabilities held at amortised cost:					
Long-term loans from PWLB	2	16,000	16,092	8,009	8,985
Total		**16,000**	**16,092**	**8,009**	**8,985**
Liabilities for which fair value is not disclosed *			36,055		50,402
Total Financial Liabilities		**52,055**		**58,411**	
Recorded on balance sheet as:					
Short-term creditors		10,636		12,392	
Short-term borrowing		8,000		8,009	
Short-term provisions		953		1,344	
Long-term borrowing		16,000		8,000	
Long-term creditors		16,466		28,666	
Total Financial Liabilities		**52,055**		**58,411**	

Financial Assets
The authority has elected not to include a fair value calculation of its financial assets as it is assumed that the instruments amortised cost will approximate the instruments fair value and that the carrying amount of the investment equity will not be materially different from any fair value calculation.

Disclosure of Nature and Extent of Risks arising from Financial Instruments

Long term debtors comprise loans and finance leases. Short term creditors and debtors arise from charges to and from the Council for goods and services, and short-term investments are those made in cash for less than twelve months. These instruments are carried on the balance sheet at amortised cost, which represents their fair value.
The Council's activities expose it to a variety of financial risks. The key risks are:

- Liquidity risk: the possibility that the Council might not have funds available to meet its commitments to make payments
- Market risk: the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements

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

Liquidity Risk

This is the possibility that the Council might not have funds available to meet its commitments to make payments. The Council manages its liquidity position through stringent risk management procedures (the setting and approval of Prudential Indicators and the approval of Treasury and Investment Strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Treasury Management Code of Practice. This seeks to ensure that cash is available when needed.

The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Amount at 31 March 2020 £000	Maturity Profile	Amount at 31 March 2021 £000
8,000	Less than 1 year	8,009
8,000	Between 1 and 2 years	0
0	Between 2 and 5 years	0
8,000	More than 5 years	8,000
24,000		**16,009**

Market Risk

This is the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. A Treasury Management Strategy is formally approved annually by the Council. This identifies all treasury risks and forms the basis of the day-to-day operating guidance applied by the Treasury Accountant when making decisions on placing any surplus funds (i.e. to whom, for how long, for how much, etc.).

Amount at 31 March 2020 £000	Sensitivity Analysis	Amount at 31 March 2021 £000
99	Investments - 1% Increase	98
-240	Borrowings - 1% Increase	-160
-141	**Net impact on CIES**	**-62**

Credit Risk

Credit risk arises from deposits with banks and building societies as well as credit exposure to the Council's customers. The treasury policy at present allows the Council to invest with the main UK Banks and Building Societies, with a FITCH rating of F1 or higher, up to a maximum value of £5m with any one institution. Once again this evidences our prudent approach to lending of surplus funds.

Amount at 31 March 2021	Maturity Profile	Amount at 31 March 2022

£000		£000
2,353	Less than 1 year	15,347
0	More than 1 year	0
2,353		**15,347**

Interest Rate Risk

The authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:
n borrowings at variable rates – the interest expense charged to the surplus or deficit on the provision of services will rise
n borrowings at fixed rates – the fair value of the liabilities borrowings will fall
n investments at variable rates – the interest income credited to the surplus or deficit on the provision of services will rise
n investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the surplus of deficit on the provision of services or other comprehensive income and expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the surplus or deficit on the provision of services and affect the General Fund balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in other comprehensive income and expenditure.

The following sensitivity analysis shows the financial effect of interest rates being 1% higher with all other variables held constant:

Amount at 31 March 2020 £000	Sensitivity Analysis	Amount at 31 March 2021 £000
99	Investments - 1% Increase	98
-240	Borrowings - 1% Increase	-160
-141	**Net impact on CIES**	**-62**

36. Provisions

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

	Balance at 31 March 2020 £'000	Additional provisions made in 2020/21 £'000	Amounts used in 2020/21 £'000	Unused amounts reversed in 2020/21 £'000	Balance at 31 March 2021 £'000
Land Charges	-87	0	0	0	-87
MMI Insurance	0	0	0	0	0
Business Rates	-865	-787	0	395	-1,257
Total	**-953**	**-787**	**0**	**395**	**-1,344**

	Balance at 31 March 2019 £'000	Additional provisions made in 2019/20 £'000	Amounts used in 2019/20 £'000	Unused amounts reversed in 2019/20 £'000	Balance at 31 March 2020 £'000
Land Charges	-87	0	0	0	-87
MMI Insurance	0	0	0	0	0
Business Rates	-1,782	542	3,051	-2,676	-866
Total	**-1,869**	**542**	**3,051**	**-2,676**	**953**

Land Charges

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

NDR Appeals

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

37. Movement in Useable Reserves

Usable Reserves	31 March 2020 £'000	31 March 2021 £'000
General Fund	5,015	5,177
Earmarked Reserves	13,557	21,078
Useable Capital Receipts Reserve	0	195
Capital Grants and Contributions Reserve	5,037	6,712
Total	**23,610**	**33,162**

38. General Fund

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

	2019/20 £'000	2020/21 £'000
Balance at 1 April	4,822	5,015
Net increase / decrease before transfers to Earmarked Reserves	1,609	7,683
Transfer to / from Earmarked Reserves	-1,413	-7,521
Balance at 31 March	**5,015**	**5,177**

39. Earmarked Reserves

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

For each reserve established the Council identifies:

- The reason/purpose of the reserve
- How and when the reserve can be used
- Procedures for the management and control of the reserve
- A process and timescale for review to ensure continuing relevance and adequacy

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	Balance at 31 March 2019 £'000	In year movement 2019/20 £'000	Balance at 31 March 2020 £'000	In year movement 2020/21 £'000	Balance at 31 March 2021 £'000
Section 106 Commuted Sums	-1,656	108	-1,548	-2	-1,550
Future Capital Expenditure	-2,610	0	-2,610	2,452	-158
New Homes Bonus	-4,593	-337	-4,930	786	-4,144
Building Control	-150	-28	-178	-124	-302
Leavesden Hospital Open Space	-769	0	-769	0	-769
Environmental Maintenance Plant	-92	0	-92	0	-92
Economic Impact	-2,100	-3	-2,103	300	-1,803
High Street Innovation Fund	0	0	0	0	0
NNDR Collection Fund	-464	-325	-789	-4,833	-5,622
Benefits equalisation	-234	61	-173	-328	-501
Commercial Reserve	-181	-77	-258	-2,760	-3,018
Grants and Contributions	0	0	0	-3,122	-3,122
Total Earmarked Reserves	**-12,849**	**-601**	**-13,450**	**-7,628**	**-21,078**

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

40. Capital Receipts Reserve

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

	2019/20 £'000	2020/21 £'000
Balance at 1 April	**0**	**0**
Net receipts from sale of assets	1,109	1,479
Release of deferred capital receipts	1,810	2,838
Net receipts from repayment of loans	1,137	
Receipts applied to finance capital expenditure	-4,056	-4,122
Balance at 31 March	**0**	**195**

41. Capital Grants Unapplied Reserve

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

	2019/20 £'000	2020/21 £'000
Balance at 1 April	**6,401**	**5,037**
Applied during the year	-2,896	-183
Recognised as income but not applied during the year	1,532	1,858
Balance at 31 March	**5,037**	**6,712**

42. Movement in Unusable Reserves

Unusable Reserves	31 March 2020 £'000	31 March 2021 £'000
Pooled Fund Adjustment Account	0	3
Pensions Reserve	-16,319	-28,559
Revaluation Reserve	33,712	32,711
Deferred Capital Receipts Reserve	1,976	17,531
Capital Adjustments Account	38,581	23,633
Collection Fund Adjustment Account	1,093	-4,044
Accumulated Absences Account	-120	-339
Total	**58,920**	**40,936**

43. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or additions of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisation are charged to the

CI&ES (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The Account is credited with the amount set aside by the Council as finance for the costs of acquisition, construction and subsequent costs.

The Account contains accumulated gains/losses on Investment Properties and revaluation gains accumulated on PPE before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

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

2019/20 £'000	£'000	Capital Adjustment Account	2020/21 £'000	£'000
	36,947	**Balance as at 1 April**		**38,580**
		Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES):		
-2,105		Charges for depreciation for non-current assets	-3,489	
		Charges for impairment for non-current assets	-442	
-409		Revaluation losses / subsequent gains on Property, Plant and Equipment	-37	
-100		Amortisation of Intangible Assets	-148	
-677		Revenue Expenditure funded from capital under statute	-2,427	
0		Amounts of non-current assets written off on disposal or sale as part of the gain/ loss on derecognition	-15,320	
	-3,291			**-21,864**
		Adjusting amounts written out of the Revaluation Reserve:		
595		Difference between fair value depreciation and historical cost depreciation	584	
0		Accumulated gains on assets sold or scrapped	44	
	595			**629**
		Capital Financing applied in year:		
2,920		Use of the Capital Receipts Reserve to finance new capital expenditure	4,122	
2,871		Capital grants and contributions credited to the CIES that have been applied to capital financing	0	
0		Application of grants to capital financing from the Capital Grants Unapplied account	158	
1,137		Repayment of loans treated as capital receipts	1,791	
33		Statutory provision for the financing of capital investment charged against the General Fund balance	134	
136		Capital expenditure charged against the General Fund balance	3,319	
	7,096			**9,525**
	-1,630	**Movements in the market value of Investment Properties debited or credited to the CIES**		**-1,446**
	-1,137	**Repayment of loans treated as capital receipts**		**-1,791**
	38,580	**Total Balance at 31 March**		**23,633**

44. Revaluation Reserve

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

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

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

2019/20 £'000	£'000	Revaluation Reserve	2020/21 £'000	£'000
	33,138	**Balance as at 1 April**		**33,712**
1,170		Revaluation of assets	-372	
		Impairment of assets	0	
		Write back of accumulated depreciation on revaluations	0	
		Write back of accumulated impairment on revaluations	0	
	1,170	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		**-372**
-595		Difference between fair value depreciation and historical cost depreciation	-584	
		Accumulated gains on assets sold or scrapped	-44	
	-595	Amounts written off to the Capital Adjustment Account		**-629**
	33,712	**Total Balance at 31 March**		**32,711**

45. Deferred Capital Receipts

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

Deferred Capital Receipts Reserve	2019/20 £'000	2020/21 £'000
Balance as at 1 April	**3,787**	**1,977**
Amounts credited in year		18,392
Amounts released to the Usable Capital Receipts Reserve	-1,811	-2,838
Balance as at 31 March	**1,977**	**17,531**

46. Collection Fund Adjustment Account

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

Collection Fund Adjustment Account	2019/20 £'000	2020/21 £'000
Balance as at 1 April	**-545**	**1,094**
Amount by which Council Tax and Business Rate income credited to the CIES is different from the income for the year calculated in accordance with statutory requirements	1,638	-5,137
Balance as at 31 March	**1,093**	**-4,044**

47. Accumulated Absences Account

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

Accumulated Absences Account	2019/20 £'000	2020/21 £'000
Balance as at 1 April	**-86**	**-120**
Settlement or cancellation of previous year's accrual	86	120
Amount accrued at the end of the current year	-120	-339
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement differs from remuneration chargeable in the year under statute	-34	-219
Balance as at 31 March	**-120**	**-339**

48. Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employments benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the CI&ES as the benefits are earned by employees accruing years of service, updating the liability recognised to reflect inflation, charging assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employers contributions to pension funds or eventually pays any pension for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Pension Reserve	2019/20 £'000	2020/21 £'000
Balance as at 1 April	**-21,724**	**-16,319**
Net charge made for retirement benefits in accordance with IAS19	-2,406	-1,558
Remeasurements of the new defined liability	-2,542	-10,682
Balance as at 31 March	**-26,672**	**-28,559**

49. Pooled Fund Adjustment Account

The pooled investment fund adjustment account absorbs the timing differences arising from arrangements for accounting for income and expenditure relating to certain financial instruments and forbearing losses or benefitting from gains per statutory provision.

2019/20 £'000		2020/21 £'000
0	**Balance at 1 April**	**0**
0	Increase in value of assets held at Fair Value through Profit and Loss	3
0	Decrease in value of assets held at Fair Value through Profit and Loss	0
0	Amounts transferred to the General Fund on disposal	0
0	**Balance at 31 March**	**3**

50. Notes to the Cashflow Statement

Adjustments for non-cash movements:

	2019/20 £'000	2020/21 £'000
Depreciation/amortisation of fixed assets	-2,205	-3,638
Impairment charges/revaluation losses (-) Gains (+)	-409	-480
Retirement benefit adjustments	-2,576	-1,558
Debt write-offs and Impairment allowances		0
Other financial instrument adjustments		0
Provisions set aside in the year	-34	-391
Deferred capital receipts		18,392
Movement in value of Pooled Funds		3
Movement in value of investment properties		-1,446
Carrying amount of non-current asset sold		-15,320
Transfers from Capital Grants Receipts in Advance		40
Previous years' capitalised spend written-off		0
Donated assets		0
Other non cash adjustment	-714	-148
Increase/decrease(-) in inventories	9	-19
Increase/decrease(-) in debtors	191	-1,034
Increase(-)/decrease in creditors	20	-3,840
Total adjustments for non-cash movements	-5,718	**-9,437**

Adjustments for items include in the surplus or deficit on the provision of services that are investing and financing activities:

	2019/20 £'000	2020/21 £'000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,108	1,490
Gains on loans & receivables		
Capital Grants credited to surplus or deficit on the provision of services		1,818
-Cash adjustment	1,509	0
Total	**2,617**	**3,308**

Cash Flow – Investing Activities

Investing Activities	2019/20 £'000	2020/21 £'000
Purchase of property, plant and equipment, investment property and intangible assets	10,819	6,474
Purchase of short-term and long-term investments	17,500	2,351
Other payments for investing activities	368	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-2,919	-4,328
Capital grants		-1,818
Proceeds from short-term and long-term investments	-17,500	0
Other receipts from investing activities	-1,347	-1,791
Total adjustments for investing activities	**6,921**	**889**

Cash Flow – Financing Activities

Financing Activities	2019/20 £'000	2020/21 £'000
Cash receipts of short- and long-term borrowing	8,000	0
Other receipts from financing activities	1	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet service concession arrangements		0
Repayments of short- and long-term borrowing		8,000
Other payments for financing activities	1,980	2,277
Total adjustments for financing activities	**9,981**	**10,277**

51. Contingent Assets

There are no contingent assets to disclose at 31 March 2021.

52. Contingent Liabilities

There are no contingent liabilities to disclose at 31 March 2021.

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53. Going Concern

The accounts are prepared on a going concern basis; that is, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future from the date that the accounts are authorised for issue.

This account reflects the statutory requirement for the Council, as the billing authority, to establish and maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates (Business Rates).

2019/20 National Non-Domestic Rates £000	2019/20 Council Tax £000	2019/20 Total £000		2020/21 National Non-Domestic Rates £000	2020/21 Council Tax £000	2020/21 Total £000
			Income Receivable:			
	-68,851	**-68,851**	Council Tax receivable		-71,673	**-71,673**
-28,574		**-28,574**	Business Rates receivable	-21,473		**-21,473**
-131		**-131**	Transitional Protection Receivable	0	-161	**-161**
			Business rates - contribution towards previous year's deficit:			
-1,159		**-1,159**	Three Rivers District Council	0	-92	**-92**
-290		**-290**	Hertfordshire County Council	0	-559	**-559**
-1,448		**-1,448**	Central Government	0	-77	**-77**
-31,602	**-68,851**	**-100,453**	**Total Income**	**-21,473**	**-72,562**	**-94,035**
			Expenditure:			
			Repayment of previous years surpluses:			
	58	58	Three Rivers District Council	1,257		1,257
	347	347	Hertfordshire County Council	967		967
	43	43	Herts Police and Crime Commissioner			0
		0	Central Government	1,180		1,180
			Precepts and demands:			
9,933	8,761	18,694	Three Rivers District Council	11,649	9,079	20,728
11,351	53,163	64,514	Hertfordshire County Council	2,912	55,454	58,366
	7,349	7,349	Herts Police and Crime Commissioner		7,764	7,764
7,095		7,095	Central Government	14,561		14,561
			Charges to the Collection Fund:			
492	103	595	Bad Debts Provision increase/(decrease)	1,121	603	1,724
-1,982		-1,982	Appeals Provision increase / (decrease)	669		669
91		91	Cost of Collection	92		92
0		0	Transitional Protection Payable	64		64
26,980	**69,824**	**96,804**	**Total Expenditure**	**34,472**	**72,900**	**107,372**
-4,622	**973**	**-3,649**	**(Surplus)/Deficit for the year**	**12,999**	**338**	**13,337**
1,578	-678	900	Fund Balance brought forward	-3,041	295	-2,746
-3,044	**295**	**-2,749**	**(Surplus)/Deficit carried forward**	**9,958**	**633**	**10,591**
			Fund Balance Allocation (indicative):			
-1,131	37	**-1,094**	Three Rivers District Council	3,965	78	**4,043**
-822	226	**-596**	Hertfordshire County Council	1,105	485	**1,590**
	31	**31**	Herts Police and Crime Commissioner		70	**70**
-1,091		**-1,091**	Central Government	4,888		**4,888**

CF 1 Council Tax Payers

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

2019/20 Equivalent Number of Band D Dwellings	Valuation Band	2020/21 Total Number of Dwellings in Band	Discounts, Exemptions & Disabled Relief	Total Chargeable Dwellings	Conversion Faction (Proportion)	Equivalent Number of Band D Dwellings
0	A (Disabled Relief)	0	0	0	5/9	**0**
369	A	852	-308	544	6/9	**363**
1,118	B	2,259	-1,020	1,239	7/9	**964**
4,609	C	6,645	-1,410	5,235	8/9	**4,653**
8,375	D	9,943	-1,212	8,731	9/9	**8,731**
8,228	E	7,497	-926	6,571	11/9	**8,032**
5,735	F	4,315	-379	3,936	13/9	**5,685**
7,994	G	5,109	-264	4,846	15/9	**8,076**
2,913	H	1,547	-67	1,480	18/9	**2,960**
39,341		**38,167**	**-5,585**	**32,582**		**39,463**
-393	Less Allowance for losses on collection					**-394**
144	Add: Contribution in lieu of tax					**144**
39,092	**Tax Base for Calculation of Council Tax**					**39,212**
0	Add: Adjustment for changes during the year for successful appeals against valuations bandings, new properties, demolitions, disabled persons' relief and empty properties					**0**
39,092	**Council Tax Base for the year**					**39,212**

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

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

CF2 Business Rate Payers

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

Group Movement in Reserves Statement

	Notes	General Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Unapplied £'000	Capital Grants and Contbns Unapplied £'000	Share of Joint Venture Reserve £'000	**Total Usable Reserves £'000**	**Total Unusable Reserves £'000**	**Total Reserves £'000**
Balance at 31 March 2019		**4,822**	**-1,413**	**0**	**0**	**-19**	**23,238**	**46,572**	**69,791**
Movement in reserves during 2019/20									
Total Comprehensive Income and Expenditure		-1,500	0	0	0		**-1,500**	**14,097**	12,597
Adjustments between accounting basis and funding basis under statutory provisions	6	3,109	0	0	-1,364		**1,746**	**-1,746**	0
Adjustments primarily involving the share of Joint Venture Reserve						117	**117**	**0**	117
Transfers to / from earmarked reserves	44	-1,413	1,413	0	0		**0**	**0**	0
Increase (+) or Decrease (-) In Year		**196**	**1,413**	**0**	**-1,364**	**117**	**363**	**12,351**	**12,714**
Balance at 31 March 2020		**5,015**	**13,557**	**0**	**5,037**	**98**	**23,707**	**58,923**	**82,631**
Movement in reserves during 2020/21									
Total Comprehensive Income and Expenditure		2,620	0	0	0		**2,620**	**-11,054**	-8,435
Adjustments between accounting basis and funding basis under statutory provisions	6	5,063	0	195	1,675		**6,933**	**-6,933**	0
Adjustments primarily involving the share of Joint Venture Reserve						-47	**-47**	**0**	-47
Transfers to / from earmarked reserves	44	-7,521	7,521	0	0		**0**	**0**	0
Increase (+) or Decrease (-) In Year		**161**	**7,521**	**195**	**1,675**	**-47**	**9,506**	**-17,987**	**-8,482**
Balance at 31 March 2021		**5,177**	**21,078**	**195**	**6,712**	**52**	**33,214**	**40,936**	**74,150**

Group Comprehensive Income and Expenditure Statement

2019/20 Gross Expenditure £'000	2019/20 Income £'000	2019/20 Net Expenditure £'000			Notes	2020/21 Gross Expenditure £'000	2020/21 Income £'000	2020/21 Net Expenditure £'000
3,641	-1,852	1,789		Infrastructure Housing and Economic Development		4,058	-2,142	1,916
11,108	-4,691	6,417		Leisure, Environment and Communities		12,082	-3,721	8,361
29,468	-20,929	8,539		Policy and Resources		34,661	-26,084	8,577
0	0	0		Other Corporate Costs		1,795	-2,350	-555
44,217	**-27,472**	**16,745**		**Cost of Services**		**52,596**	**-34,296**	**18,299**
		-2,191		Other Operating Income	14	-4,552	0	-4,552
		1,082		Financing and Investment Income and Expenditure	15	2,235	-1,840	394
		-14,136		Taxation and Non-Specific Grant Income	19	0	-16,762	-16,762
		1,500		**Surplus (-) or Deficit (+) on Provision of Services**	5	**50,279**	**-52,898**	**-2,620**
		-117		Share of Surplus (-) or Deficit (+) on Provision of Services by Joint Venture				2
		1,383		**Group Surplus (-) or Deficit (+)**				**-2,629**
				Items that will not be reclassified to the Surplus (-) or Deficit (+) on the Provision of Services				
		-1,168		Surplus or Deficit on revaluation of non-current assets	49			372
		0		Impairment losses on non-current assets charges to the revaluation reserve	49			0
		-12,929		Remeasurements of the net defined benefit liability (asset)	18			10,682
		-14,097	0					11,054
				Items that may be reclassified to the Surplus (-) or Deficit (+) on the Provision of Services				
		0	0	Surplus or deficit on revaluation of available for sale financial assets				0
		0	0	Other gains or losses				0
		0	0					0
0	**0**	**-14,097**		**Other Comprehensive Income and Expenditure**				**11,056**
		-12,714						**8,437**

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Group Balance Sheet

At 31 March 2020 £'000		At 31 March 2021 £'000	£'000
	Long Term Assets		
74,915	Property, Plant and Equipment	75,503	
11,941	Investment Property	10,495	
13,922	Surplus Assets	0	
145	Heritage Assets	146	
0	Intangible Assets	0	
608	Long Term Investments	563	
2,036	Finance Lease Asset	17,660	
14,947	Long Term Debtors	13,263	
118,514	**Total Long Term Assets**		**117,630**
	Current Assets		
0	Assets Held for Sale	0	
6,164	Debtors	5,106	
47	Stock	28	
0	Short Term Investments	2,353	
9,851	Cash and Cash Equivalents	7,445	
16,062	**Total Current Assets**		**14,931**
	Current Liabilities		
-8,000	Short Term Borrowing	-8,009	
-10,636	Short Term Creditors and Revenue Receipts in Advance	-12,392	
-953	Provisions due within one year	-1,344	
0	Short Term Finance Liability	0	
0	Short Term Capital Grants Receipts in Advance	-35,768	
-19,589	**Total Current Liabilities**		**-21,745**
	Long Term Liabilities		
-147	Long Term Creditors and Revenue Receipts in Advance	0	
0	Provisions due over one year	0	
-16,000	Long Term Borrowing	-8,000	
-16,319	Pension Liability	-28,559	
0	Long Term Finance Liability	0	
0	Deferred Income	0	
0	Long Term Capital Grants Receipts in Advance	-107	
-32,466	**Total Long Term Liabilities**		**-36,666**
82,521	**Net Assets (+) / Net Liabilities (-)**		**74,150**
	Financed from:		
23,600	**Usable Reserves**		**33,162**
58,822	**Unusable Reserves**		**40,988**
82,521	**Total Reserves**		**74,150**

Group Cash Flow

2019/20 £'000		2020/21 £'000
14,550	**Net (surplus) or deficit on the provision of services**	**-2,630**
-65,087	Adjust net surplus or deficit on the provision of services for non-cash movements	-9,448
82,084	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	3,297
31,548	Net cash flows from Operating Activities	**-8770**
-32,645	Investing activities	889
2,507	Financing activities	10,277
1,410	Net increase (-) or decrease (+) in cash and cash equivalents	**2,406**
34,307	Cash and cash equivalents at the beginning of the reporting period	9,851
32,897	**Cash and cash equivalents at the end of the reporting period**	**7,445**

1. The Group Accounting Policies

The Group Accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2020/21 using the equity method for Joint Ventures under International Accounting Standard 28, Interests in Joint Ventures, and using the line-by-line consolidation method for subsidiaries under International Accounting Standard 27, Consolidated and Separate Financial Statements. There are no material subsidiaries or associated organisations excluded from the Group Accounts. There are no material differences in the accounting policies of the Council or any of the companies or organisations forming part of the Group Accounts.

Cross references to notes on the single entity accounts are to be used for material balances on the group accounts.

2. Three Rivers District Council's share of Joint Venture Company within the Group

Joint Ventures	Share of Ownership	Other Stakeholder	Date Incorporated
Three Rivers Homes Limited	50%	Clarendon Living Ltd	24 March 2017

Three Rivers District Council has 100% ownership in Three Rivers Commercial Services (net assets not material as at 31 March 2020) which in turn has 50% ownership in Three Rivers Development LLP. The net assets of Three Rivers Development are not material therefore this has not been consolidated as part of the group accounts. The Council also has an investment in an Associate, Broste Rivers Group Ltd, and is part of a joint committee with West Herts Crematorium as at 31 March 2020, and these have not been consolidated as they fall outside the scope of group accounts.

The table below shows 50% share for Three Rivers District Council.

2019/20 £'000	Three Rivers Homes Limited	2020/21 £'000
-412	Revenue	-162
216	Administrative Expenses	68
80	Finance Cost	83
0	Tax	12
-117	**(Profit)\Loss for the period**	**2**
1,598	Property, Plant and Equipment	1,596
1,077	Investment Properties	1,077
0	Debtors (Current Assets)	0
97	Cash and Cash Equivalents (Current Assets)	33
-40	Creditors (Current Liabilities)	-31
-2,124	Creditors (Long term liabilities)	-2,113
608	**Net Assets**	**562**

3. Related Party Transactions

During the Period, there were no transactions between Three Rivers Homes Ltd and Three Rivers District Council.

4. Three Rivers Homes LTD Members' Capital Contributions (Loans)

2019/20 Amounts outstanding at 31 March 2020 £'000		2020/21 New Loans £'000	Repayments £'000	Amounts outstanding at 31 March 2021 £'000
4,186	Three Rivers Homes Ltd - Grapevine Loan			4,186
4,186		**0**	**0**	**4,186**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Chartered Institute of Public Finance and Accountancy (CIPFA)
The professional accountancy body concerned with local authorities and the public sector.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Investments
Deposits for with approved institutions.

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

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

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

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

National Non-Domestic Rates (NNDR or NDR)
NNDR or NDR is the levy on business property, based upon a national rate in the pound applied to the ‘rateable value’ of the property. The Government determines a national rate poundage each year, which is applicable to all Local Authorities.

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

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

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

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

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

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

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

THREE RIVERS
DISTRICT COUNCIL

Three Rivers District Council

Draft Statement of Accounts 2021/22

Reissued 31 October 2024

THREE RIVERS
DISTRICT COUNCIL

The Council's Responsibilities

The Council is required to:

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

The Chief Financial Officer's Responsibilities

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

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

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

The Director of Finance has also:

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

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

Signed Date

Alison Scott CPFA
Director of Finance

Signed Date

Councillor Tony Humphries
Chairman of Audit Committee

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

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

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

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

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

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

These draft accounts were authorised for issue by the Section 151 Officer on 31 October 2024.

Signed Date: 31 October 2024

Alison Scott, CPFA
Director of Finance

CORPORATE FRAMEWORK

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

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

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

Housing and Thriving Communities

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

Sustainable Environment

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

Successful Economy

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

High Performing, Financially Independent Council

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

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

ORGANISATIONAL LEADERSHIP AND GOVERNANCE

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

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

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

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

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

FINANCIAL OUTLOOK INCLUDING THE IMPACT OF COVID-19

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

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

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

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

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

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

Government Grant

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

Business rates

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

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

Business Rates Pooling

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

New Homes Bonus

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

Council Tax for 2022/23

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

Council Tax Base

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

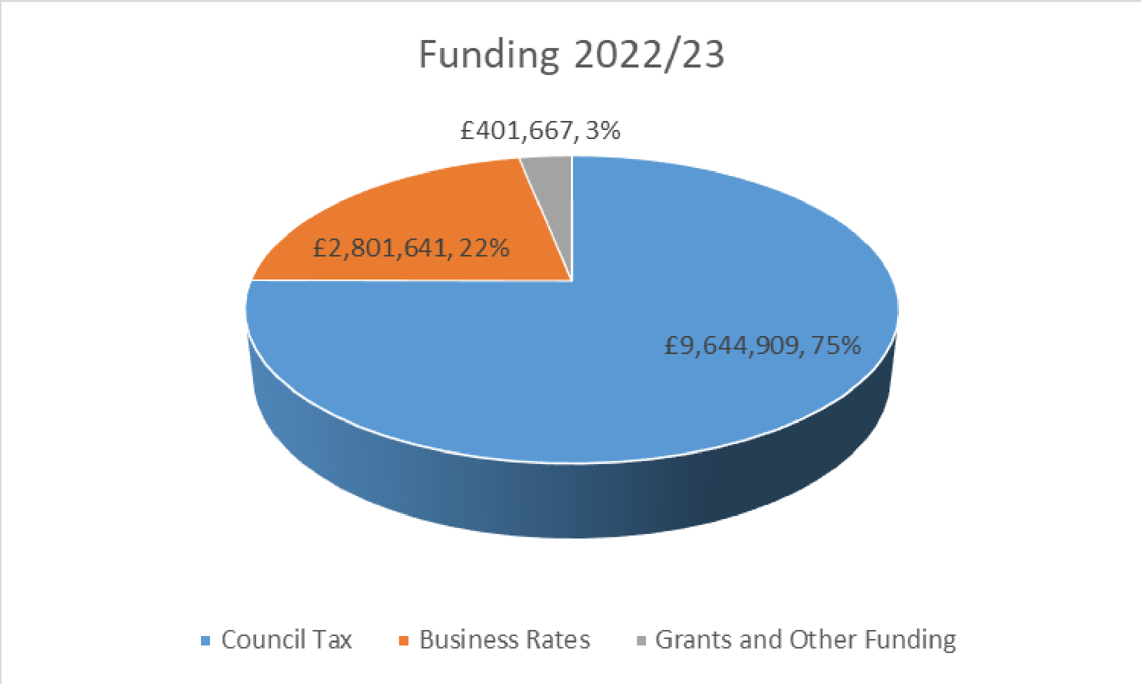
Local Council Tax Reduction Scheme

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

Collection Fund

The Collection Fund is a statutory requirement to account separately for Council Tax and Business Rates. The Fund records all transactions such as the yield, exemptions, discounts, provisions for bad debts, payments to major preceptors to Central Government and takes into account collection rates. Any balance on this fund at 31 March is to be distributed to the Council as the Billing Authority, the major preceptors and Central Government.

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



COVID-19

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

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

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

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

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

Capital Programme

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

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

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

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

Government Grants & Other Contributions:

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

Section 106 Contributions:

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

Capital Receipts Reserve:

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

Revenue Contributions:

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

Future Capital Expenditure Reserve:

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

New Homes Bonus Reserve:

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

Borrowing:

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

Future Investment

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

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

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

FINANCIAL PERFORMANCE

Revenue Activity

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

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

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

Capital Activity

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

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

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

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

FUTURE CHALLENGES

General

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

Basis of Preparation and Presentation

The Accounts are presented on an International Financial Reporting Standards (IFRS) basis having been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24. References to material and materiality relates to the significance of transactions, balances and errors. Financial information is material if its omission or misstatement could influence the users of the accounts.

Three Rivers District Council

Annual Governance Statement 2021/22

SCOPE OF RESPONSIBILITY

1. Three Rivers District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

3. Three Rivers District Council has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/Solace Framework 'Delivering Good Governance in Local Government'. It is also in accordance with the requirements of the Accounts and Audit (England &Wales) Regulations 2015.

4. This Governance Statement explains how the Council has maintained sound governance during the 2021/22 financial year and also how the Council meets the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

5. The governance framework has been in place at the Council for the year ended 31 March 2022 and up to the date of approval of the annual report and statement of accounts. It comprises the systems and processes as well as the culture and values, by which the Council is directed and controlled and through which accounts to, engages with and leads the community.

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

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

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

THE GOVERNANCE FRAMEWORK

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

General

10. Three Rivers District Council operates a Committee model form of governance under the Localism Act 2011 (''the Act'') and has done so since June 2014, with some further changes made in 2018. This has ensured that there is a more democratic approach to decision making in the organisation with no elected members having any individual executive power to make decisions and requiring Committees to be politically proportionate.

11. The Council's written Constitution sets out how the Council operates, how decisions are made including which decisions are delegated to the various Committees or to Officers under the scheme of delegation and the terms of reference for the various Committees. The procedures that are followed to ensure that these are efficient, transparent and accountable to the local community. Some of these procedures are required by law as set out in the Act and regulations made thereunder, whilst others are adopted locally by the Council. The Constitution is reviewed at least annually and is available on the Council's website and intranet. Changes to the Constitution are reported to Full Council and where beyond a minor change delegated to the Chief Executive to authorise, are authorised by Council itself.

12. The Council has an approved Local Code of Governance, a copy of which is included in Part 5 of the written Constitution. This sets out and describes its commitment to good governance and identifies the arrangements that have been and will continue to be made to ensure its ongoing effective implementation and application in all aspects of the Council's work. The Local Code of Governance is available on the Council's website.

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

14. The Corporate Management Team is aware of the financial and other procedures and controls outlined in the Constitution, and senior officers are required to sign a declaration of compliance, in the form of a Management Assurance Statement, at the end of each year. This evidences amongst other things, that their staff are aware of and consistently apply the requirements of the Constitution.

15. Elected Members as decision-makers have to declare pecuniary and non-pecuniary interests as defined under the Act as and when they occur as well as formally recording this information in the Register of Members Interests which is available online. Each Councillor is personally responsible for keeping their entry in the Register up to date and are reminded of this obligation on an annual basis. Members have access to the Committee team and the Monitoring Officer for advice on declaration of interests at meetings.

Strategic Aims and Objectives

16. The Council and the Policy and Resources Committee met regularly to set the strategic direction of the Council and together with the Audit Committee and the Service Committees, monitor service delivery.

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

Vision

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

Aims and Priorities

Housing and Thriving Communities: We will:

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

Sustainable Environments: We will

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

Successful Economy: We will

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

High Performing Financially Independent Council: We will

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

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

Decision Making Structures

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

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

Constitution

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

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

24. Councillors are assisted in their policy and decision-making roles by the advice of staff with suitable qualifications and experience, under the leadership of the Chief Executive. All reports requiring a decision from members include comments on financial, legal, equalities, sustainability, community safety (as relevant) and other appropriate issues such as potential risks to non-achievement, all of which ensures that comprehensive advice is provided prior to decisions being taken.

25. Local Authorities operating a committee system do not have to have or appoint separate overview and scrutiny committees. The scrutiny function for health and community safety is undertaken by the Leisure Environment and Community Committee. At Three Rivers District Council the review and scrutiny of policy is co-ordinated through the Policy and Resources Committee.

26. The Council's protocols and procedures are reviewed and updated on a regular basis for standing orders, financial regulations, a scheme of delegation and supporting procedure notes/ manuals clearly defining how decisions are taken and the process and controls required to manage risks. Compliance with established policies, procedures, laws and regulations is achieved through a combination of training events, written policy and procedural documentation, authorisation procedures, managerial supervision, review by internal and external audit and use of the disciplinary procedure where appropriate.

27. Codes of Conduct defining the standards of behaviour for members, staff, our partners and the community have been developed and communicated and are available on the Council's website. A new Code of Conduct for Members was approved at Annual Council on 25th May 2021 and is now in force. All Members have received training on the new Code.

28. The Solicitor to the Council is the Council's Monitoring Officer and duties include: maintaining the council's Constitution; reporting on any potential or actual illegality or maladministration; and giving advice to the Leader and councillors on the Constitution or issues of maladministration, financial impropriety or probity.

29. The Shared Director of Finance is the statutory Chief Finance Officer. Duties include: overall responsibility for financial administration, reporting on any actual or potential instances of illegality in expenditure, including unlawful loss or deficiency or illegal items of account, and giving advice to the Council on financial planning.

Data Quality and Risk Management

30. The Council has a performance management framework linked to the Council's Corporate Framework. The framework is based on the collection and interpretation of data in the form of performance indicators. The Council is committed to using accurate data to inform its decisions and has prepared a Data Quality Strategy to achieve this. The Council's committees review the Council's achievements against targets set for service delivery.

31. The governance framework is dependent upon the underlying system of internal control which is designed to manage risk to a reasonable level. The Council's approach to risk management is governed by its Risk Management Strategy which is updated annually. All of the Council's key objectives, including those in the Strategic Plan have been cascaded into service plans, and the barriers to their achievement (i.e. the risks) have been identified, assessed and managed through service plans. Risks have been identified and assessed for their impact and likelihood. Where they require managing, a risk treatment plan has been

prepared which identifies the controls that exist to minimise the risk together with any further action that is required. Risks associated with the Council's partners are considered and risk management is embedded throughout the Council.

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

Shared Services with Watford Borough Council

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

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

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

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

REVIEW OF EFFECTIVENESS

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

The Council

37. All Councillors meet together as the Full Council. These meetings are chaired by the Chairman of the Council appointed in May for the municipal year. At these ordinary meetings, Councillors decide the Council's overall policies and set the budget each year. Certain

decisions can only be made by the Council as a whole and these are clearly set out in the written Constitution. The Council also hold debates on issues which affect the district generally. The Leader of the Council can make an oral report on relevant district matters. Members of the public may, on notice, put written questions to the Council.

38. The Full Council comprises all 39 Members. They met four times during 2021/22. In addition, there was a meeting of Annual Council. In cases of urgency an extraordinary meeting of the Council can be called by the Chairman and / or the Monitoring Officer under Part 4, Rule 1 of the Constitution and one such meeting was held in the year.

The Policy and Resources Committee

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

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

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

The Service Committees

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

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

42. The functions of the Service Committees are to:

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

Regulatory Committees

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

Member Allowances

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

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

Senior Management

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

Procurement

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

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

The Audit Committee

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

50. The role of Audit Committee is to:

- Approve (but not direct) internal audit's strategy, plan and performance;
- Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary;
- Consider the reports of external audit and inspection agencies;
- Consider the effectiveness of the authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements. Seek assurances that action is being taken on risk related issues identified by auditors and inspectors;
- Be satisfied that the authority's assurance statements, including the Statement on Internal Control, properly reflect the risk environment and any actions required to improve it;
- Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted;
- Review the external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit;
- Approve the statutory Statement of Accounts.

Internal Audit

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

52. The internal audit function is carried out, by the Shared Internal Audit Service (SIAS), a local internal audit partnership hosted by Hertfordshire County Council. This provides greater independence and resilience and a positive step in improving governance. Internal Audit carry out a programme of reviews during the year which are based upon a risk assessment including fraud risk. The audit plan is approved by Audit Committee in March of the preceding year. As part of these audits, any failures to comply with legislation, council policy and practice or best practice guidance issued by a relevant body is identified and reported. Circulation of reports to senior officers, reports to the Audit Committee and follow-up procedures ensure action is taken on priority improvements. Progress on implementing internal audit recommendations is reported in quarterly reviews to Audit Committee.

53. In line with Public Sector Internal Audit Standards, an Annual Assurance Statement and Internal Audit Report was compiled and presented to the September 2021 meeting of the Audit Committee, which:

    - included an opinion on the overall adequacy and effectiveness of the Council's internal control environment;
    - disclosed any qualifications to that opinion, together with any reasons for the qualification;
    - drew attention to any issues which are judged particularly relevant to the preparation of the annual Governance Statement.

54. The SIAS Head of Assurance Annual Report is a key source document for the Council's Annual Governance Statement. For 2021/22 this Report includes the following statements:

    - In our opinion the corporate governance and risk management framework substantially complies with the best practice guidance on corporate governance issued by CIPFA/SOLACE. This conclusion is based on the work undertaken by the Council and reported in its Annual Governance Statement for 2021/22.

    - A reasonable assurance opinion is given on the adequacy and effectiveness of both financial systems and non-financial systems in the internal control environment. The internal control framework is largely working well in managing the key risks in scope, with some audit findings related to the current arrangements. There are no qualifications to this assurance.

The Council's External Auditors

55. External auditors, Ernst & Young LLP, provide an external review function through the audit of the annual accounts, assessment of value for money, and certification of grant claims. The Annual Audit and Inspection Letter is circulated to all Members and formally reported to the Audit Committee.

56. The conclusion of the external audits for 2019/20 and 2020/21 has been delayed but a plan is in place to bring the audit back in line with the statutory timetable.

57. The Local Government contract for the Council was awarded to EY (Ernst and Young LLP) following re-tendering by the Audit Commission ahead of its abolition in March 2015. In December 2017, EY were appointed by PSAA as auditor for Three Rivers for 2021/22.

SIGNIFICANT GOVERNANCE ISSUES

58. The ‘normal’ running of Council business has and can be controlled through the governance framework detailed in this report. No significant governance issues have been identified for 2021/22 and no outstanding matters were brought forward from 2020/21.

59. Although not considered to be a significant governance issue, Cyber Security remains a threat (as it does to all organisations). The Council has a number of mitigations in place and the associated risks are managed via the ICT risk register and through reporting to the IT Steering Group forum as part of regular reporting.

60. During 2021/22 COVID-19 continued to impact on the Council’s services and in addition, the Council continued to be responsible for administering grant systems and payments which have had an impact on the Council’s resources.

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

61. We propose to take steps over the coming financial year to address the above matters to further enhance our governance arrangements. We will also monitor the implementation of any audit recommendations that arise during the course of the year.

62. It is our opinion that the Council's governance arrangements in 2021/22 were sound and provide a robust platform for achieving the Council's priorities and challenges in 2022/23. It is our opinion that this has remained the case during the COVID-19 pandemic; and that despite the challenges posed by this, the Council's governance in dealing with the pandemic and our ability to maintain sound governance during the outbreak, has been effective.

Signed ____________________________ Date ______________

Leader of the Council – Sarah Nelmes

Signed ____________________________ Date ______________

Chief Executive – Joanne Wagstaffe

Appendix 1

Annual Governance Statement 2021/22 Action Plan

No.	Issue	Action	Resolved	Updates
	No significant issues identified.			

Appendix 2

Financial Management Code Compliance Self-Assessment 2021/22

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

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

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

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

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

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

Movement in Reserves Statement (MIRS)

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

Comprehensive Income and Expenditure Statement (CIES)

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

Balance Sheet

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

Cash Flow Statement

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

Movement in Reserves Statement

	Notes	General Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Unapplied £'000	Capital Grants and Contbns Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2020		**5,015**	**13,557**	**0**	**5,037**	**23,610**	**58,923**	**82,533**
Movement in reserves during 2020/21								
Total Comprehensive Income and Expenditure		2,620	0	0	0	**2,620**	**-11,054**	-8,435
Adjustments between accounting basis and funding basis under statutory provisions	9	5,063	0	195	1,675	**6,933**	**-6,933**	0
Transfers to / from earmarked reserves	39	-7,521	7,521	0	0	**0**	**0**	0
Increase (+) or Decrease (-) In Year		**161**	**7,521**	**195**	**1,675**	**9,552**	**-17,987**	**-8,435**
Balance at 31 March 2021		**5,177**	**21,078**	**195**	**6,712**	**33,162**	**40,936**	**74,098**
Movement in reserves during 2021/22								
Total Comprehensive Income and Expenditure		-6,703	0	0	0	**-6,703**	**22,658**	15,954
Adjustments between accounting basis and funding basis under statutory provisions	9	658	0	-3	1,848	**2,503**	**-2,503**	0
Transfers to / from earmarked reserves	39	6,199	-6,199	0	0	**0**	**0**	0
Increase (+) or Decrease (-) In Year		**153**	**-6,199**	**-3**	**1,848**	**-4,201**	**20,155**	**15,954**
Balance at 31 March 2022		**5,330**	**14,879**	**192**	**8,560**	**28,961**	**61,091**	**90,052**

Comprehensive Income and Expenditure Statement

2020/21 Gross Expenditure £'000	2020/21 Income £'000	2020/21 Net Expenditure £'000		Notes	2021/22 Gross Expenditure £'000	2021/22 Income £'000	2021/22 Net Expenditure £'000
4,058	-2,142	1,916	Infrastructure Housing and Economic Development		3,917	-2,158	1,759
12,082	-3,721	8,361	Leisure, Environment and Communities		13,382	-5,803	7,580
34,661	-26,084	8,577	Policy and Resources		33,582	-22,875	10,708
1,795	-2,350	-555	Other Corporate Costs		1,860	0	1,860
52,596	**-34,296**	**18,299**	**Cost of Services**		**52,742**	**-30,835**	**21,907**
		-4,552	Other Operating Income	11	-586	0	-586
		394	Financing and Investment Income and Expenditure	12	2,416	-1,593	822
		-16,762	Taxation and Non-Specific Grant Income	13	0	-15,439	-15,439
		-2,620	**Surplus (-) or Deficit (+) on Provision of Services**	10	**54,571**	**-47,868**	**6,703**
			Items that will not be reclassified to the Surplus (-) or Deficit (+) on the Provision of Services				
		372	Surplus or Deficit on revaluation of non-current assets	44			12,596
		0	Impairment losses on non-current assets charges to the revaluation reserve	44			0
		10,682	Remeasurements of the net defined benefit liability (asset)	19			-10,062
		11,054					2,534
			Items that may be reclassified to the Surplus (-) or Deficit (+) on the Provision of Services				
		0	Surplus or deficit on revaluation of available for sale financial assets				0
		0	Other gains or losses				0
		0					0
0	**0**	**11,054**	**Other Comprehensive Income and Expenditure**				**2,534**
		8,435					**9,237**

Balance Sheet

As at 31 March 2021 £'000		Notes	As at 31 March 2022 £'000	£'000
	Long Term Assets			
75,503	Property, Plant and Equipment		88,400	
10,495	Investment Property		8,988	
146	Heritage Assets		146	
511	Long Term Investments		511	
17,660	Finance Lease Asset		11,618	
13,263	Long Term Debtors		5,243	
117,578	**Total Long Term Assets**			**114,905**
	Current Assets			
5,106	Debtors		4,755	
28	Stock		61	
2,353	Short Term Investments		15,347	
7,445	Cash and Cash Equivalents		8,853	
14,931	**Total Current Assets**			**29,016**
	Current Liabilities			
-8,009	Short Term Borrowing		-9	
-12,392	Short Term Creditors and Revenue Receipts in Advance		-22,702	
-1,344	Provisions		-1,103	
-21,745	**Total Current Liabilities**			**-23,814**
	Long Term Liabilities			
0	Long Term Creditors and Revenue Receipts in Advance		0	
-8,000	Long Term Borrowing		-8,000	
-28,559	Pension Liability		-22,013	
-107	Long Term Capital Grants Receipts in Advance		-41	
-36,666	**Total Long Term Liabilities**			**-30,054**
74,098	**Net Assets (+) / Net Liabilities (-)**			**90,052**
	Financed from:			
33,162	**Usable Reserves**			**28,961**
40,936	**Unusable Reserves**			**61,091**
74,098	**Total Reserves**			**90,052**

Alison Scott, Director of Finance Date: 31 October 2024

Cash Flow Statement

2020/21 £'000		Notes	2021/22 £'000
-2,620	**Net (surplus) or deficit on the provision of services**		**6,703**
-9,448	Adjust net surplus or deficit on the provision of services for non-cash movements	50	-15,053
3,297	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	50	3,107
-8,770	Net cash flows from Operating Activities		**-5,243**
899	Investing activities	50	-1,423
10,277	Financing activities	50	5,258
2,406	Net increase (-) or decrease (+) in cash and cash equivalents		**-1,408**
9,851	Cash and cash equivalents at the beginning of the reporting period		7,445
7,445	**Cash and cash equivalents at the end of the reporting period**		**8,853**

1. Expenditure and Funding Analysis

2020/21 Expenditure chargeable to the General Fund £'000	2020/21 Adjustments between funding and accounting basis £'000	2020/21 Net Expenditure in the Comprehensive Income and Expenditure Statement £'000		Notes	2021/22 Expenditure chargeable to the General Fund £'000	2021/22 Adjustments between funding and accounting basis £'000	2021/22 Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
1,701	215	1,916	Infrastructure Housing and Economic Development		1,375	384	1,759
5,705	2,656	8,361	Leisure, Environment and Communities		4,785	2,794	7,579
3,231	5,346	8,577	Policy and Resources		3,872	6,836	10,708
0	-555	-555	Other Corporate Costs		0	1,860	1,860
10,638	**7,662**	**18,299**	**Service Costs**		**10,032**	**11,874**	**21,907**
-10,799	-10,120	-20,919	Other Income and Expenditure not charged to services		-10,186	-5,017	-15,203
-161	**-2,458**	**-2,620**	**Surplus (-) or Deficit (+) on Provision of Services**		**-153**	**6,857**	**6,703**
5,015			Opening General Fund Balance at 1 April		5,176		
161			Add surplus (+) or deficit (-) on the General Fund for the year		153		
5,176			**Closing General Fund Balance at 31 March**		**5,329**		

2. Accounting Policies

2.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year end of 31 March 2023. The Council is required to prepare an annual Statement of Accounts by The Accounts and Audit (England) Regulations 2015, which require these to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code). The Code prescribes guidance on the preparation of the Statement of Accounts, supported by International Financial Reporting Standards (IFRS) (and statutory guidance issued under section 12 of the 2003 Act). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Statement of Accounts has been prepared on a 'going concern' basis.

2.2 Accruals of Income and Expenditure

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

- revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council
- revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council
- supplies are recorded as expenditure when they are consumed — where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet
- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made
- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract
- Where revenue and expenditure have been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

2.3 Cash and Cash Equivalents

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

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

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

2.5 Charges to Revenue for Long Term Assets

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

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

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

2.6 Council Tax and Non-Domestic Rates

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

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the collection fund adjustment account and included as a reconciling item in the Movement in Reserves Statement. The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals. Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

2.7 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the MIRS so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

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

Post-Employment Benefits

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

The Local Government Pension Scheme

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

- the liabilities of Hertfordshire County Council Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees;
- liabilities are discounted to their value at current prices, using a discount rate of 3.6%-3.8% (based on the indicative rate of return on high quality corporate bonds); and
- the assets of Hertfordshire County Council (HCC) Pension Fund attributable to the Council are included in the Balance Sheet at their bid value as required by International Accounting Standard (IAS) 19. Full details of the assets held by the Fund are disclosed as part of the Pension scheme disclosure.

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

- current service cost — the increase in liabilities as a result of years of service earned this year — allocated in the CIES to the services for which the employees worked;
- past service cost — the increase in liabilities arising from current year decisions which relate to years of service earned in earlier years — debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non-Distributed Costs;
- interest cost — the expected increase in the present value of liabilities during the year as they move one year closer to being paid — debited to the Financing and Investment Income and Expenditure line in the CIES;
- expected return on assets — the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return credited to the Financing and Investment Income and Expenditure line in the CIES;
- gains or losses on settlements and curtailments — the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees — debited or credited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non-Distributed Costs
- actuarial gains and losses — changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions — credited to the Comprehensive income and expenditure - Other Comprehensive Income and Expenditure line and reversed through the Movement in Reserves to the Pensions Reserve; and
- contributions paid to the HCC pension fund — cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense in the CIES.

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

Discretionary Benefits

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

2.8 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

Financial Assets - Loans and Receivables

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

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

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

Expected Credit Loss Model

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

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

The Expected Credit Loss Model is not applied to debts related to Council Tax and Non Domestic Rates.

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

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices –the market price; and
- other instruments with fixed and determinable payments –discounted cash flow analysis.

2.9 Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the CIES until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the MIRS. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

2.10 Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset.

Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CIES.

An asset is tested for impairment whenever there is an indication that the asset might be impaired — any losses recognised are posted to the relevant service line(s) in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the MIRS and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

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

2.11 Inventories and Long Term Contracts

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

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

2.12 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services, for the provision of community benefit, for the purpose of economic development and regeneration, production of goods, or is held for sale.

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the MIRS and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

2.13 Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:-

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

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

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the MIRS.

Operating Leases

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

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment, or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

2.14 Overheads and Support Services

The costs of overheads and support services are not charged to those service segments that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2016/17 (SERCOP).

However, the costs of overheads and support services are accounted for as separate headings in the CIES.

2.15 Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the CIES, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account.

Where gains are credited to the CIES, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the MIRS.

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

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

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

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

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

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

When decreases in value are identified:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); or
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

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

Impairment

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

When impairment losses are identified:

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

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Deprecation is calculated on the following bases:-

- Buildings — straight-line allocation over the useful life of the asset as estimated by the valuer - up to 70 years;

- Vehicles — straight-line over the estimated life of the asset - up to 20 years;

- Plant, furniture and equipment — straight-line over the estimated life of the asset - up to 20 years;

- Infrastructure — straight-line over the estimated life of the asset - up to 25 years; and

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

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

Depreciation commences in the year following acquisition.

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

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

Disposals of Non-current Assets

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

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

Construction Contracts

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

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

2.16 Heritage Assets

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

The Heritage Assets are relatively static and acquisitions, donations and disposals are rare. Where acquisitions do occur, they are initially recognised at cost and donations are recognised at valuation ascertained by insurance officers, museum curators or external valuers. Proceeds from the disposal of Heritage Assets are accounted for in accordance with the Council's general policies relating to the disposals of property, plant and equipment. The Council has a rolling programme of major repair and restoration of its heritage assets and therefore the assets are deemed to have indefinite lives and the Council does not consider it necessary to charge depreciation.

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

2.17 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

The level of provisions is reviewed annually by the Council.

Contingent Liabilities

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

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

Contingent Assets

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

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

2.18 Reserves

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

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

2.19 Revenue Expenditure Funded from Capital under Statute

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

2.20 Value Added Tax (VAT)

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

2.21 Jointly Controlled Operations and Jointly Controlled Assets

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

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

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

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

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

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

2.22 Single Entity Financial Statements

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

2.23 Group Accounts are the financial statements of an entity together with:-

- its subsidiary undertakings,
- its investments in associates, and
- its interests in joint ventures (jointly controlled entities); presented as a single economic entity.

Subsidiary undertakings are accounted for in accordance with the implementation of IAS27 (International Accounting Standard 27) in the 2019/20 Code. The 2019/20 Code requires consolidation of subsidiaries. Consolidation is a method of accounting whereby an entity combines the financial statements of the parent and its subsidiaries line by line by adding together like items of assets, liabilities, reserves, income and expenses. In order that the consolidated financial statements present financial information about the group as that of a single economic entity, the following steps are then taken:-

- the carrying amount of the parent's investment in each subsidiary and the parent's portion of reserves of each subsidiary are eliminated;
- any non-controlling interest is identified and separately disclosed;
- intragroup balances and transactions, including income, expenses and dividends, are eliminated in full.

Investments in associates are accounted for in accordance with the implementation of IAS28 in the Code. The Code requires the consolidation of an entity's interest in associates. Joint ventures are accounted for in accordance with the implementation of IFRS 11 in the Code. The Code requires use of the "equity method" of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post acquisition change in the investor's share of the net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

Turnover (for Group Accounts)

Turnover in respect of property development is recognised on unconditional exchange of contracts on disposals of finished developments.

Where construction of pre-sold developments is under-taken, the revenue and profits are recognised in accordance with IFRIC 15. Revenue is determined by independently certified milestones.

Taxation (for Group Accounts)

Taxation on all profits is solely the personal liability of individual members. Consequently, neither taxation nor related deferred taxation arising in respect of Three Rivers Homes LLP or Three Rivers Homes Ltd are accounted for in these financial statements.

Subscription and Repayment of Members' Capital (for Group Accounts)

The capital requirements of the LLP are reviewed from time to time by the Board and further capital contributions may be made at the discretion of the members. No interest is charged on capital except pursuant to a dissolution, no capital can be withdrawn by a member unless agreed by all members.

Allocation of Profits and Drawings (for Group Accounts)

The allocation of profits to those who were members during the financial period occurs following the finalisation of the annual financial statements.

The allocation of profits between members is determined by entitlements outlined in the Members' Agreement and is dependent on certain profit criteria being achieved. In accordance with the SORP as a consequence of the LLPs profits being automatically divided in line with the entitlements outlined in the Members' Agreement these profits are treated as an expense in the profit and loss account.

Work in progress (for Group Accounts)

Development land and work in progress is included at cost less any losses foreseen in completing and disposing of the development less any amounts received or receivable as progress payments or part disposals. Where a property is being developed, cost includes cost of acquisition and development to date, including directly attributable fees, expenses and finance charges net of rental or other income attributable to the development. Where development property is not being actively developed, net rental income and finance costs are taken to the profit and loss account.

2.24 Fair Value

The Council measures some of its non-financial assets, such as surplus assets and investment properties, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

3. Accounting Standards that have been issued but not yet adopted

Paragraph 3.3.4.3 of the Code of Practice requires that the Council discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2023 for 2022/23).

The standards introduced by the 2021/22 Code where disclosures are required in the 2021/22 financial statements, in accordance with the requirements of paragraph 3.3.4.3 of the Code, are:

a) 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.

b) Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

In compiling the 2021/22 accounts there are no material effects in relation to these standards.

4. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 2, the Council has to make certain judgements about complex transactions or those involving uncertainty about future events.

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

a) Estimates for accrued expenditure/income - based on service managers' and accountants' calculations at year end.

b) Bad debt provision - based on historic trends and adjusted for any material movements during 2021/22.

c) Asset lives for the calculation of depreciation charges - based on service managers' experience of previously used assets.

d) The Council has also placed reliance on technical estimates supplied by third parties for the following:

- Property valuations made by the Avison Young
- Pension valuations supplied by Hymans Robertson - Actuary engaged by Hertfordshire County Council.

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

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

5. Prior Period Adjustments

There are no prior period adjustments for 2021/22.

6. Events after the Balance Sheet date

There are no known events that would have material impact on the Council’s position as at 31 March 2022.

The draft Statement of Accounts was authorised for reissue by the Section 151 Officer on 31 October 2024.

Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. Assumptions Made About the Future and Other Major Sources of Uncertainty

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

The Items in the Council's Balance Sheet at 31 March 2022 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Impact
Property, Plant and Equipment (PPE)	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to the individual assets. The current economic climate makes it possible that the Council will be unable to sustain its current spending on repairs and maintenance, bringing in to doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
Investment Properties	Due to the effects of Covid-19 on the property market the Council's valuer Avison Young have provided valuations reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, they advise that less certainty and a higher degree of caution should be attached to the valuation than would normally be the case.	The impact of different valuations would have an impact on the value of non-current assets and reserves on the Balance Sheet changing both by the same amount.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to: the discount rate used; the rate at which salaries are projected to increase; changes in the retirement ages; mortality rates; and expected returns on pension assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The value of pension assets is based upon information available at the Balance Sheet date, but these valuations may be earlier that the Balance Sheet date. The actual valuations at the Balance Sheet date, which may not be available until sometime later, may give a different value of pension assets, but this is not generally considered to be material.	The effects on the closing defined benefit obligation of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the closing defined benefit obligation of £13.253m. A 1 year increase in life expectancy assumptions would increase the closing defined benefit obligation by 3-5%.

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

8. Adjustments in the Expenditure and Funding Analysis

2020/21 Adjustments for Capital Purposes (Note A) £'000	Net Charge for the Pensions Adjustments (Note B) £'000	Other Differences (Note C) £'000	Total Adjustments £'000		2021/22 Adjustments for Capital Purposes (Note A) £'000	Net Charge for the Pensions Adjustments (Note B) £'000	Other Differences (Note C) £'000	Total Adjustments £'000
-592	201	606	215	Infrastructure Housing and Economic Development	-398	450	333	384
2,038	563	54	2,656	Leisure, Environment and Communities	993	1,195	605	2,794
1,645	684	3,017	5,346	Policy and Resources	299	1,534	5,003	6,836
0	0	-555	-555	Other Corporate Costs	0	0	1,860	1,860
3,091	**1,449**	**3,122**	**7,662**	**Service Costs**	**894**	**3,180**	**7,801**	**11,874**
-4,939	109	-5,290	-10,120	**Other Income and expenditure not charged to services**	-1,375	336	-3,979	-5,017
-1,849	**1,558**	**-2,168**	**-2,458**	**Surplus (-) or Deficit (+)**	**-481**	**3,516**	**3,822**	**6,857**

9. Adjustments between accounting basis and funding basis under regulations

2020/21 General Fund Balance £'000	2020/21 Capital Receipts Unapplied £'000	2020/21 Capital Grants & Contbns Unapplied £'000	2020/21 Unusable Reserves £'000		2021/22 General Fund Balance £'000	2021/22 Capital Receipts Unapplied £'000	2021/22 Capital Grants & Contbns Unapplied £'000	2021/22 Unusable Reserves £'000
				Adjustments to Revenue Resources				
1,558	0	0	-1,558	Pension Costs transferred to (or from) the Pensions Reserve	3,516	0	0	-3,516
-3	0	0	3	Financial instruments transferred to the Financial Instrument Adjustment Account	0	0	0	0
5,137	0	0	-5,137	Gain or Loss on the valuation of pooled investment funds	6	0	0	-6
219	0	0	-219	Council Tax and Business Rates transferred to the Collection Fund Adjustment Account	-2,211	0	0	2,211
23,310	0	0	-23,310	Holiday pay transferred to the Accumulated Balances Account	-64	0	0	64
0	0	0	0	Reversal of entries included in the Surplus of Deficit on the Provision of Services in relation to capital expenditure to the Capital Adjustment Account	4,865	0	0	-4,865
				Adjustments between Revenue and Capital Resources				
-19,872	1,479	0	18,392	Transfer of non-current asset sale proceeds to the Capital Receipts Unapplied Reserve	-705	705	0	0
0	-4,122	0	4,122	Useable Capital Receipts applied to finance capital expenditure		-6,787	0	6,787
-134	0	0	134	Statutory provision for the repayment of debt transferred to the Capital Adjustment Account	-168	0	0	168
-3,319	0	0	3,319	Capital expenditure financed from revenue balances transferred to the Capital Adjustment Account	-2,136	0	0	2,136
0	0	-158	158	Capital grants and contributions applied	0	0	-597	597
24	0	-24	0	Capital grants and contributions released to revenue	24	0	-24	0
-1,858	0	1,858	0	Capital gains and contributions receivable not applied to finance capital expenditure	-2,468	0	2,468	0
				Adjustments to Capital Resources				
0	2,838	0	-2,838	Release of Deferred Capital Receipt to Capital Receipt Reserve	0	6,079	0	-6,079
5,062	**195**	**1,676**	**-6,934**	**Total**	**659**	**-3**	**1,847**	**-2,503**

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10. Analysis of Income and Expenditure by Nature

2020/21 £'000	Income and Expenditure	2021/22 £'000
-10,296	Fees, charges and other service income	-11,719
-34,054	Government grants and contributions	-24,662
-1,225	Interest and investment income	-926
-7,323	Income from council tax and non-domestic rates	-10,560
0	Proceeds from the disposal of non-current assets	0
-52,898	**Total Income**	**-47,868**
15,876	Employee benefits expenses	18,115
34,048	Other service expenses	33,851
4,117	Depreciation, amortisation, impairments and revaluations	2,323
411	Interest payable and similar charges	277
378	Net interest expense on the pension defined liability	591
-4,552	Costs from the disposal of non-current assets	-586
50,279	**Total Expenditure**	**54,571**
-2,620	**Surplus (-) or Deficit (+) on the Provision of Services**	**6,703**

2020/21 £'000	Fees and Charges by Committee	2021/22 £'000
-1,656	Infrastructure Housing and Economic Development	-1,768
-2,955	Leisure, Environment and Communities	-3,815
-5,685	Policy and Resources	-6,137
-10,296	**Total Fees and Charges**	**-11,719**

11. Other Operating Expenditure

Other Operating Expenditure	2020/21 £'000	2021/22 £'000
Capital Receipts	-19,872	-705
Disposal costs charged against capital receipts	0	0
Net Capital Receipts	-19,872	-705
Other Receipts	0	0
Total Receipts	-19,872	-705
Carrying value of non-current assets derecognised	15,320	119
Disposal costs charged to the General Fund	0	0
Total Disposal costs	15,320	119
Other Operating Expenditure	**-4,552**	**-586**
Adjustments between accounting basis and funding basis	4,552	586
Net Charge to the General Fund	**0**	**0**

12. Financing and Investment Income and Expenditure

Financing and Investment Income and Expenditure	2020/21 £'000	2021/22 £'000
Interest payable and similar charges	411	271
Gain or Loss on the valuation of pooled investment funds	-3	6
Interest receivable and similar income	-1,173	-876
Income and Expenditure in relation to investment properties	-615	-667
Change in fair value of investment properties	1,446	1,548
Net pensions interest expense	378	591
Dividends	-50	-50
Financing and Investment Income and Expenditure	**394**	**822**
Adjustments between accounting basis and funding basis	-1,821	-2,144
Net Charge to the General Fund	**-1,427**	**-1,322**

13. Taxation and Non Specific Grant Income

Taxation & Non Specific Grant Income	2020/21 £'000	2021/22 £'000
Council Tax Income	-8,947	-9,262
Non Domestic Rates	1,623	-1,298
Non Ringfenced Government Grants	-7,580	-2,519
Capital Grants and Contributions	-1,858	-2,360
Total	**-16,762**	**-15,439**

14. Members Allowances

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

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

Members' Allowances	2020/21 £'000	2021/22 £'000
Allowances	269	276
Expenses (Travel & Subsistence)	1	2
Total	**270**	**278**

15. Audit Fee

Audit and Inspection Fees	2020/21 £'000	2021/22 £'000
Code of Practice Audit Work	35	35
Other Fees for Prior Years	40	0
Fees payable for other services provided during the year	0	0
Total	**75**	**35**

16. Senior Officer Remuneration

Table 16a:

Band £	Number of Employees 2020/21	Number of Employees 2021/22
50,000-54,999	7	10
55,000-59,999	7	7
60,000-64,999	5	8
65,000-69,999	4	0
70,000-74,999	1	2
75,000-79,999	2	4
80,000-84,999	1	1
85,000-89,999	0	2
90,000-94,999	1	1
95,000-99,999	1	1
100,000-104,999	1	1
110,000-114,999	0	1
115,000-119,999	0	1
125,000-129,999	1	0
130,000-134,999	0	1
Total	**31**	**40**

The Council is required to disclose the number of employees in the accounting period whose remuneration was £50,000 or more, grouped in bands of £5,000.

For completeness, the Council has included the senior officers' remuneration (excluding pensions), disclosed in table 16b.

The Director of Finance is the statutory Chief Finance Officer (S151) and is a shared post with Watford Borough Council and is recharged to Watford Borough Council on a 50:50 basis. Three Rivers District Council is the lead authority for the arrangement and as such the full cost is shown in the Three Rivers District Council accounts.

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

Table 12b:

2021/22 Post Holder Information	Salary (Including Fees & Allowances) £	Employers Pension Contribution £	Cost to Three Rivers District Council £
Chief Executive	133,429	25,969	**159,398**
Deputy Chief Executive	104,906	18,867	**123,773**
Director of Finance (Section 151 Officer)	88,451	15,873	**104,324**
Solicitor to the Council (Monitoring Officer)	76,924	14,000	**90,924**
Total	**403,710**	**74,710**	**478,419**

2020/21 Post Holder Information	Salary (Including Fees & Allowances) £	Employers Pension Contribution £	Cost to Three Rivers District Council £
Chief Executive	129,677	23,376	**153,053**
Deputy Chief Executive	103,438	18,600	**122,038**
Director of Finance (Section 151 Officer)	84,228	15,104	**99,332**
Solicitor to the Council (Monitoring Officer)	68,865	10,774	**79,639**
Total	**386,208**	**67,854**	**454,062**

17. Exit Packages

Exit packages	2020/21						2021/22					
	Compulsory		Other		Total		Compulsory		Other		Total	
Band (£)	**No.**	**£'000**	**No.**	**£'000**	**No.**	**£'000**	**No.**	**£'000**	**No.**	**£'000**	**No.**	**£'000**
0 - 19,999	1	16	0	0	**1**	**16**	0	0	2	27	**2**	**27**
20,000 - 39,999	2	65	0	0	**2**	**61**	0	0	0	0	**0**	**0**
Total	**3**	**77**	**0**	**0**	**3**	**77**	**0**	**0**	**2**	**27**	**2**	**27**
Add new provisions created						**0**						**0**
Less amounts provided for in previous year						**0**						**0**
Add unused amount of previous year's provision						**0**						**0**
Adjust for differences between payments and accruals						**9**						**21**
Total cost of exit packages in the Comprehensive Income and Expenditure Statement						**86**						**48**

18. Grants

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

Grant issuing body	Credited to Taxation and Non Specific Grant Income	2020/21 £'000	2021/22 £'000	Credited to Services	2020/21 £'000	2021/22 £'000
Department for Levelling Up, Housing and Communities	Business Rate - Section 31 Grant	2,492	-2,120	Local Council Tax Scheme Admin Grant	73	78
	Lower Tier Support Grant	0	122	Homelessness	450	375
	New Homes Bonus	621	191			
	COVID 19 Business Rate Reliefs Grant	2,060	3,034			
	Taxation Income Guarantee Scheme	130	210			
	Council Tax Hardship Fund	498	0			
	Council Tax Support	0	119			
	COVID-19 Income Guarantee Scheme	600	534			
	COVID-19 Emergency Funding	1180	390			
Department for Business, Energy & Industrial Strategy				COVID-19 Discretionary Business Grant	567	0
				Additional Restrictions Grant	2,695	893
				Green Homes Grant	0	384
				New Burdens Funding	0	297
				Other COVID-19 Grants	137	523
Department for Work and Pensions				Housing Benefit Grant	16,519	14,146
				Rent Rebate Subsidy	437	393
				Benefit Admin Grant	187	179
Various	Other Revenue Grants	0	39	Other Revenue Grants	964	725
Various	Capital Grants	1,711	1,624	Capital Grants		
Various	Developer Contributions	147	736			
All Grants	**Total**	**9,439**	**4,879**	**Total**	**22,026**	**17,994**

19. Defined Benefit Pension Scheme

Participation in Pension Scheme

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

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

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

Transactions relating to Retirement Benefits

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

Pension Fund Comprehensive Income and Expenditure Statement	Local Government Pension Scheme 2020/21 £'000	2021/22 £'000
Cost of Services		
Current Service Cost	3,174	4,939
Past Service Costs	0	0
(Gain) / Loss from settlements	0	0
Administration Expenses	0	0
Financing and Investment Income & Expenditure		
Net Interest Expense	378	591
Surplus / Deficit on the Provision of Services	**3,552**	**5,530**
Other Comprehensive Income and Expenditure		
Return on plan assets	16,937	2,518
Actuarial gains (-) and losses (+) from demographic assumptions	-27,180	1,312
Actuarial gains (-) and losses (+) from financial assumptions	-1,598	8,115
Experience gains (-) and losses (+)	0	-1,128
Other acturial gains (-) and losses (+)	1,159	-1,207
Total retirement benefits charged to the Comprehensive Income and Expenditure Statement	**-7,130**	**15,140**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus/Deficit on the Provision of Services for retirement benefits in accordance with the code	-1,558	-3,516
Actual amount charged against the General Fund Balance for pensions in the year	**1,994**	**2,014**

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

Pension Liability	2020/21 £'000	2021/22 £'000
Present value of the defined benefit pension obligation	-134,596	-131,229
Fair value of the plan assets	106,037	109,216
Total Net Liabilities	**-28,559**	**-22,013**

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

Assets at Fair Value	Local Government Pension Scheme	
	2020/21 £'000	2021/22 £'000
Opening Balance at 1 April	**87,630**	**106,489**
Interest Income	2,018	2,121
Return on plan assets	16,937	2,518
Other actuarial gains and losses	0	-1,207
Employer Contributions	1,994	2,014
Contributions by scheme participants	648	671
Benefits Paid	-3,190	-3,390
Settlements received / (paid)	0	0
Closing balance at 31 March	**106,037**	**109,216**

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

Liabilities	Local Government Pension Scheme	
	2020/21 £'000	2021/22 £'000
Opening Balance at 1 April	**-103,949**	**-134,596**
Current Service Cost	-3,174	-4,939
Interest Expense	-2,396	-2,712
Contributions by scheme participants	-648	-671
Actuarial gains and losses - demographic assumptions	-1,598	1,312
Actuarial gains and losses - financial assumptions	-27,180	8,115
Experience gains and losses	1,159	-1,128
Other actuarial gains and losses	0	0
Benefits Paid	3,190	3,390
Past Service Costs	0	0
(Gain) / Loss from settlements	0	0
Closing balance at 31 March	**-134,596**	**-131,229**

Local Government Pension Scheme assets comprised:

	At 31 March 2021			At 31 March 2022		
Assets	**£'000**	**£'000**	**%**	**£'000**	**£'000**	**%**
Equities						
Consumer	946			1,557		
Manufacturing	835			517		
Energy and Utilities	0			0		
Financial Institutions	682			600		
Health and Care	422			944		
Information and Technology	2,428			1,987		
Other	95			0		
		5,408	5%		5,604	5%
Debt Securities						
UK Government	5,456			8,013		
Other	2,430			2,865		
		7,886	7%		10,879	10%
Property						
UK Property	5,893			8,479		
Overseas Property	4,907			6,514		
		10,800	10%		14,993	14%
Derivatives (quoted in an active market)						
Foreign exchange	-42			-57		
		-42	0%		-57	0%
Cash and cash equivalents						
Cash	2,998			6,391		
		2,998	3%		6,391	6%
Private Equity						
All	6,401			7,981		
		6,401	6%		7,981	7%
Investment Funds and Unit Trusts						
Equities	48,989			40,144		
Infrastructure	44			67		
Bonds	17,220			16,202		
Other	6,333			7,417		
		72,586	68%		63,830	58%
Total		**106,037**	**100%**		**109,620**	**100%**

Basis for Estimating Assets and Liabilities

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

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

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2020/21	2021/22
Longevity Assumptions:		
Men:		
Longevity from 65 (currently aged 65) (yrs)	22.1	22.1
Longevity from 65 (currently aged 45) (yrs)	23.2	22.9
Women:		
Longevity from 65 (currently aged 65) (yrs)	24.5	24.7
Longevity from 65 (currently aged 45) (yrs)	26.2	26.1
Financial Assumptions:		
Consumer Price Index (CPI) increases	2.85%	3.20%
Rate of increases in salaries	3.25%	3.70%
Rate of increases in pensions and deferred pensions	2.85%	3.20%
Rate for discounting scheme liabilities	2.00%	2.70%

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

Impact on the Defined Benefit Obligation in the Scheme

	Local Government Pension Scheme (funded)	
	Approximate % increase to Employer Liability	Approximate monetary amount (£'000)
0.1% decrease in Real Discount Rate	2%	2,346
0.1% increase in Pension Increase Rate	2%	2,090
0.1% increase in Salary Increase Rate	0%	239
1 year increase in member life expectancy	4%	5,249

Information about the Defined benefit obligation

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

20. Joint Operations

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

21. Partnership Working

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

The table below shows the net expenditure of the 5 shared services (4 when Tax and Benefits are considered as one) and the charge to each authority of which Three Rivers District Council's share was £2.912m in 2020/21 (£2.701m 2020/21).

2020/21		2021/22		
Total Cost £'000		Provided by TRDC £'000	Provided by TRDC £'000	Total Shared Services £'000
	Services			
1,679	Local Tax Collection	1,841		**1,841**
1,632	Housing Benefits	1,732		**1,732**
1,375	Finance	1,532		**1,532**
888	Human Resources		784	**784**
1,280	ICT		1,395	**1,395**
6,854	**Total Expenditure**	**5,105**	**2,179**	**7,284**
2,701	**Paid by Three Rivers District Council**	**2,103**	**809**	**2,912**
4,153	**Paid by Watford Borough Council**	**3,002**	**1,371**	**4,372**

22. Related Parties

The authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the authority.

Central Government

Central government has significant influence over the general operations of the authority – it is responsible for providing the statutory framework within which the authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the authority has with other parties (e.g. council tax bills, housing benefits).

Senior Officers

No Senior Officers have had material transactions with a third party.

Elected Members

No Elected Members have had material transactions with a third party.

Entities controlled or significantly influenced by the authority

Three Rivers Commercial Services is a wholly owned subsidiary of the Council. This entity holds a 50% share of Three Rivers Housing Developments LLP.

The Chief Executive and the Director of Finance are both directors for Three Rivers Commercial Services Ltd. The Chief Executive of the Council is a Director for Three Rivers Housing Developments LLP.

The Council owns a 50% share of Three Rivers Homes Limited. The Chief Executive and Director of Finance are both directors for Three Rivers Homes Limited.

The Chief Executive is the Honorary Treasurer for West Herts Crematorium. An Agreement existing between neighbouring authorities (Hertsmere, St Albans, Dacorum, Three Rivers & Watford) to constitute a Joint Committee under the Local Government Act 2000. In 2021/22, Three Rivers received a contribution of £50,000 (2020/21 £50,000).

Key Management – Agency Staff

No key management roles were filled by agency staff members during 2021/22.

23. Movement in the value of Property, Plant and Equipment

2021/22	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property Plant & Equipment £'000
Cost or valuation as at 1 April	**61,319**	**10,532**	**850**	**1,424**	**0**	**9,870**	**83,995**
Additions	564	734	41	0	0	1,345	2,685
Donation	0	0	0	0	0	0	0
Revaluation increases (decreases) recognised in the Revaluation Reserve	12,450	0	0	0	0	0	12,450
Revaluation increases (decreases) recognised in the Surplus / Deficit on the Provision of Services	172	-106	0	0	0	0	65
Derecognition - disposals	-114	-38	0	0	0	0	-152
Derecognition - other	0	-1,431	-306	0	0	0	-1,737
Assets reclassified	8,854	0	0	0	0	-8,854	0
Other movements in cost or valuation	0	0	0	0	0	0	0
Cost or valuation as at 31 March	**83,246**	**9,690**	**586**	**1,424**	**0**	**2,361**	**97,307**
Depreciation and Impairment as at 1 April	**-2,557**	**-5,369**	**-565**	**0**	**0**	**0**	**-13,684**
Depreciation charge	-1,062	-1,207	-62	0	0	0	-2,331
Depreciation and impairment written out to the Revaluation Reserve	145	0	0	0	0	0	145
Depreciation and impairment written out to the Surplus / Deficit on Provision of Services	0	0	0	0	0	0	0
Impairment losses / (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Impairment losses / (reversals) recognised in the Surplus / Deficit on Provision of Services	0	0	0	0	0	0	0
Derecognition - disposals	0	33	0	0	0	0	33
Derecognition - other	0	1,431	306	0	0	0	1,737
Assets reclassified	0	0	0	0	0	0	0
Other movements in depreciation and impairment	0	0	0	0	0	0	0
Depreciation and impairment as at 31 March	**-3,474**	**-5,112**	**-321**	**0**	**0**	**0**	**-8,907**
Net book Value at 31 March 2021	**58,762**	**5,163**	**285**	**1,424**	**0**	**9,870**	**75,504**
Net book Value at 31 March 2022	**79,772**	**4,578**	**264**	**1,424**	**0**	**2,361**	**88,400**

2020/21	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property Plant & Equipment £'000
Cost or valuation as at 1 April	**62,157**	**17,320**	**1,994**	**1,108**	**13,922**	**6,018**	**102,519**
Additions	152	950	48	0	1,324	3,852	6,326
Donation	0	0	0	0	0	0	0
Revaluation increases (decreases) recognised in the Revaluation Reserve	-688	0	0	315	0	0	-373
Revaluation increases (decreases) recognised in the Surplus / Deficit on the Provision of Services	-252	-218	-14	0	0	0	-485
Derecognition - disposals	-76	0	0	0	-15,246	0	-15,323
Derecognition - other	-8	-7,487	-1,177	0	0	0	-8,671
Assets reclassified	34	-34	0	0	0	0	0
Other movements in cost or valuation	0	0	0	0	0	0	0
Cost or valuation as at 31 March	**61,319**	**10,532**	**850**	**1,424**	**0**	**9,870**	**83,995**
Depreciation and Impairment as at 1 April	**-1,511**	**-10,553**	**-1,620**	**0**	**0**	**0**	**-13,684**
Depreciation charge	-1,064	-2,303	-122	0	0	0	-3,489
Depreciation and impairment written out to the Revaluation Reserve	7	0	0	0	0	0	7
Depreciation and impairment written out to the Surplus / Deficit on Provision of Services	0	0	0	0	0	0	0
Impairment losses / (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Impairment losses / (reversals) recognised in the Surplus / Deficit on Provision of Services	0	0	0	0	0	0	0
Derecognition - disposals	3	0	0	0	0	0	3
Derecognition - other	8	7,487	1,177	0	0	0	8,671
Assets reclassified	0	0	0	0	0	0	0
Other movements in depreciation and impairment	0	0	0	0	0	0	0
Depreciation and impairment as at 31 March	**-2,557**	**-5,369**	**-565**	**0**	**0**	**0**	**-8,492**
Net book Value at 31 March 2020	**60,647**	**6,767**	**373**	**1,108**	**13,922**	**6,018**	**88,835**
Net book Value at 31 March 2021	**58,762**	**5,163**	**285**	**1,424**	**0**	**9,870**	**75,504**

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Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Avison Young undertook valuations on behalf of the Council in 2021/22 in relation to Operational and Investment Properties and the basis of valuations is in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. All assets have been valued individually, with the final statements of account reconciled to the valuation certificates. The basis of valuing individual classes of assets owned by the Council is detailed in the Statement of Accounting Policies at Note 2.

The Council undertakes an impairment review at the year end and any asset which has had a material gain or loss in value during the year is adjusted. Therefore, the Council believes that the prior year valuations are still appropriate.

Information about Depreciation Methodologies

Depreciation has been provided for all assets with a finite useful life. The basis for depreciating assets is detailed in the Statement of Accounting Policies (Note 2.15). Depreciation commences in the year following acquisition. Freehold land, Investment Properties, Assets under construction, Surplus Assets and Heritage Assets are not depreciated.

24. Movement in the value of Heritage Assets

2020/21		2021/22			
Total £'000		Musical Instrument £'000	Works of Art £'000	Civic Regalia £'000	Total £'000
146	Valuation at 1 April	90	41	15	**146**
0	Revaluation increases / decreases recognised in year	0	0	0	**0**
146	**Valuation at 31 March**	**90**	**41**	**15**	**146**

The Council's Heritage Assets are reported in the Balance Sheet at insurance valuations which are based on market values. These insurance values are reviewed and updated as part of the rolling 5 year programme. The Council has a rolling programme of repair and restoration of its heritage assets and regularly reviews the conditions of its assets. The Council keeps a register of all its Heritage Assets and records the nature, condition and location of each asset.

25. Movement in the value of Investment Properties

Investment Properties	2020/21 £'000	2021/22 £'000
Opening Balance at 1 April	**11,941**	**10,495**
Additions	0	40
Derecognition	0	0
Net gain (+) / losses from fair value adjustments	-1,446	-1,548
Assets reclassified to / from Investment Properties	0	0
Other changes	0	0
Closing balance at 31 March	**10,495**	**8,988**

Fair Value Hierarchy

All the Council's investment property portfolio has been assessed as Level 2 for valuation purposes.

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

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

There were no changes the valuation techniques used during the year for Investment Properties and Surplus Assets.

Highest and Best Use of Investment Properties

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.

Valuers

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

26. Movement in the value of Intangible Assets

	2020/21 £'000	2021/22 £'000
Expenditure on Software Licences	148	58
Written out in year of acquisition	-148	-58
Net Book Value at 31 March	**0**	**0**

27. Capital Expenditure, Financing and Commitments

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

Capital Financing	2020/21 £'000	2021/22 £'000
Capital Financing Requirement as at 1 April	**43,944**	**43,321**
Capital Investment:		
Property, Plant and Equipment	1,080	1,298
Assets under construction	3,874	1,345
Infrastructure Assets	48	41
Intangible Assets	148	58
Revenue Expenditure Funded from Capital Under Statute	2,427	875
Surplus Assets	1,324	0
Investment Properties	0	40
Long Term Debtors	0	0
	8,901	3,657
Sources of Finance:		
Capital receipts	-4,122	-6,787
Government Grants and Other Contributions (including S106)	-158	-597
Capital Expenditure funded from the Revenue Account	-3,319	-2,136
Repayment of loans treated as capital receipts	-1,791	-8,020
Minimum Revenue Provision	-134	-168
	-9,524	-17,708
Increase (+) / decrease (-) in Capital Financing Requirement	**-623**	**-14,051**
Capital Financing Requirement at 31 March	**43,321**	**29,270**

28. Leases

Finance Leases – The Council as a Lessor

As part of the South Oxhey Initiative regeneration scheme, the Council has granted long-term leases of 250 years from the lease date to Countryside Properties. The authority has a gross investment in the lease made up of the minimum lease payments expected to be received over the remaining term. There is no residual value anticipated for the properties when the leases come to an end. The Council received Lease Premiums from the lessee and will receive ground rent over the life of the lease.

The Premiums received for the leases makes up substantially all of the value of the interest in the property, with the value of the ground rents receivable being immaterial for recognition. Consequently, the Council has chosen to make a limited disclosure in this area as there is no lease debtor to recognise.

Operating Leases – The council as Lessor

The Council leases out property under operating leases for the following purposes:

- For the provision of community services, such as sports facilities and community centres
- For economic development purposes to provide suitable accommodation for local businesses

The future minimum leases payments receivable are:

Council as Lessor - Operational	2020/21 Land and buildings £'000	Total £'000	2021/22 Land and buildings £'000	Total £'000
Future Minimum leases payments receivable:				
Within 1 year	1,201	**1,201**	1,053	**1,053**
Within 2nd - 5th years	3,915	**3,915**	3,817	**3,817**
6th year and beyond	11,469	**11,469**	10,395	**10,395**
Total:	16,585	**16,585**	15,265	**15,265**

29. Long Term Debtors

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

	At 31 March 2021 £'000	At 31 March 2022 £'000
Charges to Registered Properties	16	16
Loan - Grapevine	4,185	4,185
Loan - Bury Lake Young Mariners Base	955	935
Loan - Puckeridge	0	0
Loan - Thrive Homes	8,000	0
Rent to Mortgage Properties	0	0
Building Control	107	107
Finance Lease Receivables	17,660	11,618
Total	**30,923**	**16,860**

30. Short-Term Debtors

	At 31 March 2021 £'000	At 31 March 2022 £'000
Government Departments	493	429
Other Local Authorities	811	585
Health Authorities	0	0
Payments in Advance	430	493
Bodies external to general government (i.e. all other bodies)	6,151	5,665
	7,884	**7,173**
Less Impairment Allowance Account	-2,778	-2,418
Total	**5,106**	**4,755**

*This value does not include final values for National Non-Domestic Rates debtors and is expected to change

31. Creditors

	At 31 March 2021 £'000	At 31 March 2022 £'000
Receipts in Advance		
Government Departments	-2,386	-6,008
Other Local Authorities	0	0
Health Authorities	0	0
Other Entities & Individuals	-3,865	-8,089
	-6,251	**-14,097**
Creditors		
Government Departments	-3,228	-4,226
Other Local Authorities	-172	-1,748
Health Authorities	0	0
Other Entities & Individuals	-2,740	-2,631
	-6,141	**-8,605**
Short Term Creditors and RIA	**-12,392**	**-22,702**
Long Term Receipts in Advance	**0**	**0**
Total	**-12,392**	**-22,702**

32. Cash and Cash Equivalents

	At 31 March 2021 £'000	At 31 March 2022 £'000
Cash at bank and in hand(+)/Overdrawn (-)	7,445	8,853
Total	**7,445**	**8,853**

33. Short Term Investments

	At 31 March 2021 £'000	At 31 March 2022 £'000
Royal London Asset Management Cash Plus Fund	2,353	2,347
Short Term Deposits	0	13,000
Total	**2,353**	**15,347**

34. Financial Instruments

Financial Instruments Carrying Value

As at 31st March 2021 Short Term £000	As at 31st March 2021 Long Term £000	Financial Assets	As at 31st March 2022 Short Term £000	As at 31st March 2022 Long Term £000
		Carried at Amortised Cost		
7,445	-	Cash and Cash Equivalents	8,853	0
4,676	13,263	Debtors	4,262	5,243
-	-	Investments	13,000	0
12,121	**13,263**	**Total at Amortised Cost**	**26,115**	**5,243**
-	-	**Carried at Fair Value through Profit & Loss**		
2,353	511	Investments	2,347	511
2,353	**511**	**Total at Fair Value through Profit and Loss**	**2,347**	**511**
430	-	Non-Financial Assets*	493	0
14,903	**13,774**	**Total**	**28,955**	**5,754**

As at 31st March 2021 Short Term £000	As at 31st March 2021 Long Term £000	Financial Liabilities	As at 31st March 2022 Short Term £000	As at 31st March 2022 Long Term £000
		Carried at Amortised Cost		
-8,009	-8,000	Borrowing	-9	-8,000
-6,141	0	Creditors	-8,606	0
-14,150	**-8,000**	**Total at Amortised Cost**	**-8,615**	**-8,000**
-6,251	-107	Non-Financial Liabilities*	-14,097	-41
-20,401	**-8,107**	**Total**	**-22,711**	**-8,041**

Financial Instruments – Income, Expenditure, Gains or Losses

2020/21 Financial Liabilities	2020/21 Financial Assets					2021/22 Financial Liabilities	2021/22 Financial Assets			
Liabilities at amortised cost	Assets at amortised cost	Assets at fair value through Other Comprehensive Income	Assets at fair value through profit and loss	Total		Liabilities at amortised cost	Assets at amortised cost	Assets at fair value through Other Comprehensive Income	Assets at fair value through profit and loss	Total
£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000
411	0	0	0	**411**	Interest Expense	271			0	**271**
0	0	0	0	**0**	Decreases in fair value				6	**6**
	0	**0**	**0**	**411**	**Total expense in Surplus or Deficit on the Provision of Services**	**271**	**0**	**0**	**6**	**277**
				0						**0**
0	-1,173	0	0	**-1,173**	Interest Income		-876		0	**-876**
0	0	0	-3	**-3**	Increases in fair value			0	0	**0**
0	-50	0	0	**-50**	Dividend Income		-50			**-50**
0	**-1,223**	**0**	**-3**	**-1,226**	**Total income in Surplus or Deficit on the Provision of Services**	**0**	**-926**	**0**	**0**	**-926**
				-815	**Net gain (-) / loss (+) for the year**					**-649**

35. Disclosure of Nature and Extent of Risk Arising from Financial Instruments

Financial Instruments – Carrying Values

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at Amortised Cost. Their Fair Value can be assessed by calculating the Present Value of the cashflows that will take place over the remaining term of the instruments using the following assumptions.

- Where an instrument will mature in the next 12 months, the carrying amount is assumed to be the approximate Fair Value.
- The 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 Balance Sheet includes the following financial instruments:

- Creditors
- Debtors
- Cash and Cash Equivalents
- Investments carried at Amortised Cost
- Investments carried at Fair Value through Profit and Loss
- Finance Leases

Disclosure of Nature and Extent of Risks arising from Financial Instruments

Long term debtors comprise loans and finance leases. Short term creditors and debtors arise from charges to and from the Council for goods and services, and short-term investments are those made in cash for less than twelve months. These instruments are carried on the balance sheet at amortised cost, which represents their fair value.

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

- Liquidity risk: the possibility that the Council might not have funds available to meet its commitments to make payments
- Market risk: the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements
- Credit risk: the possibility that other parties might fail to pay amounts due to the Council

Liquidity Risk

This is the possibility that the Council might not have funds available to meet its commitments to make payments. The Council manages its liquidity position through stringent risk management procedures (the setting and approval of Prudential Indicators and the approval of Treasury and Investment Strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Treasury Management Code of Practice. This seeks to ensure that cash is available when needed.

The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Market Risk

This is the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. A Treasury Management Strategy is formally approved annually by the Council. This identifies all treasury risks and forms the basis of the day-to-day operating guidance applied by the Treasury Accountant when making decisions on placing any surplus funds (i.e. to whom, for how long, for how much, etc.).

Credit Risk

Credit risk arises from deposits with banks and building societies as well as credit exposure to the Council's customers. The treasury policy at present allows the Council to invest with the main UK Banks and Building Societies, with a FITCH rating of F1 or higher, up to a maximum value of £5m with any one institution. Once again this evidences our prudent approach to lending of surplus funds.

Aged Debtors	At 31 March 2021 £000	At 31 March 2022 £000
Less than 3 months	346	252
Between 3 and 6 months	14	10
Between 6 month and 1 year	29	15
More than 1 year	60	140
Total	**448**	**417**

Interest rate risk

The authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the surplus or deficit on the provision of services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the surplus or deficit on the provision of services will rise
- investments at fixed rates – the fair value of the assets will fall

Following the sensitivity analysis showing a 1% increase in interest rates:

Amount at 31 March 2021 £000	Sensitivity Analysis	Amount at 31 March 2022 £000
242	Investments - 1% Increase	242
-160	Borrowings - 1% Increase	-170
82	Net impact on CIES	**72**

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

36. Provisions

Provisions are accumulated funds held where the Council has an obligation which is likely to lead to a payment as a result of a past event, but the exact amount and/or timing of the payment is unknown.

	Balance at 31 March 2021 £'000	Additional provisions made in 2021/22 £'000	Amounts used in 2021/22 £'000	Unused amounts reversed in 2021/22 £'000	Balance at 31 March 2022 £'000
Land Charges	-87	0	0	0	-87
MMI Insurance	0	0	0	0	0
Business Rates	-1,257	-513	795	0	-1,016
Total	**-1,344**	**-513**	**795**	**0**	**-1,103**

	Balance at 31 March 2020 £'000	Additional provisions made in 2020/21 £'000	Amounts used in 2020/21 £'000	Unused amounts reversed in 2020/21 £'000	Balance at 31 March 2021 £'000
Land Charges	-87	0	0	0	-87
MMI Insurance	0	0	0	0	0
Business Rates	-865	-787	0	395	-1,257
Total	**-953**	**-787**	**0**	**395**	**-1,344**

Land Charges

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

NDR Appeals

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

37. Movement in Useable Reserves

Usable Reserves	31 March 2021 £'000	31 March 2022 £'000
General Fund	5,177	5,330
Earmarked Reserves	21,078	14,879
Useable Capital Receipts Reserve	195	192
Capital Grants and Contributions Reserve	6,712	8,560
Total	**33,162**	**28,961**

38. General Fund

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

	2020/21 £'000	2021/22 £'000
Balance at 1 April	5,015	5,177
Net increase / decrease before transfers to Earmarked Reserves	7,683	-6,045
Transfer to / from Earmarked Reserves	-7,521	6,199
Balance at 31 March	**5,177**	**5,330**

39. Earmarked Reserves

	Balance at 31 March 2020 £'000	In year movement 2020/21 £'000	Balance at 31 March 2021 £'000	In year movement 2021/22 £'000	Balance at 31 March 2022 £'000
Section 106 Commuted Sums	-1,548	-2	-1,550	182	-1,368
Future Capital Expenditure	-2,610	2,452	-158	0	-158
New Homes Bonus	-4,930	786	-4,144	2,067	-2,077
Building Control	-178	-124	-302	-16	-318
Leavesden Hospital Open Space	-769	0	-769	0	-769
Environmental Maintenance Plant	-92	0	-92	0	-92
Economic Impact	-2,103	300	-1,803	-401	-2,204
High Street Innovation Fund	0	0	0	0	0
NNDR Collection Fund	-789	-4,833	-5,622	2,310	-3,312
Benefits equalisation	-173	-328	-501	263	-238
Commercial Reserve	-258	-2,760	-3,018	-312	-3,330
Grants and Contributions	0	-3,122	-3,122	2,107	-1,015
Total Earmarked Reserves	**-13,450**	**-7,628**	**-21,078**	**6,199**	**-14,879**

This note sets out the amounts set aside from the General Funding earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2021/22.

For each reserve established the Council identifies:

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

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

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

40. Capital Receipts Reserve

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

	2020/21 £'000	2021/22 £'000
Balance at 1 April	**0**	**195**
Net receipts from sale of assets	1,479	705
Release of deferred capital receipts	2,838	6,079
Net receipts from repayment of loans	0	
Receipts applied to finance capital expenditure	-4,122	-6,784
Balance at 31 March	**195**	**192**

41. Capital Grants Unapplied Reserve

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

	2020/21 £'000	2021/22 £'000
Balance at 1 April	**5,037**	**6,712**
Applied during the year	-183	-620
Recognised as income but not applied during the year	1,858	2,468
Balance at 31 March	**6,712**	**8,560**

42. Movement in Unusable Reserves

Unusable Reserves	31 March 2021 £'000	31 March 2022 £'000
Pooled Fund Adjustment Account	3	-3
Pensions Reserve	-28,559	-22,013
Revaluation Reserve	32,711	44,626
Deferred Capital Receipts Reserve	17,531	11,452
Capital Adjustments Account	23,633	29,137
Collection Fund Adjustment Account	-4,044	-1,833
Accumulated Absences Account	-339	-275
Total	**40,936**	**61,091**

43. Capital Adjustment Account

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

The Account contains accumulated gains/losses on Investment Properties.

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

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

2020/21 £'000	£'000	Capital Adjustment Account	2021/22 £'000	£'000
	38,580	**Balance as at 1 April**		**23,633**
		Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES):		
-3,489		Charges for depreciation for non-current assets	-2,331	
-442		Charges for impairment for non-current assets	-106	
-37		Revaluation losses / subsequent gains on Property, Plant and Equipment	172	
-148		Amortisation of Intangible Assets	-58	
-2,427		Revenue Expenditure funded from capital under statute	-875	
-15,320		Amounts of non-current assets written off on disposal or sale as part of the gain/ loss on derecognition	-119	
0		Removal of finance liability on derecognition of assets held under finance leases	0	
	-21,864			**-3,317**
		Adjusting amounts written out of the Revaluation Reserve:		
584		Difference between fair value depreciation and historical cost depreciation	599	
44		Accumulated gains on assets sold or scrapped	82	
	629			**681**
		Capital Financing applied in year:		
4,122		Use of the Capital Receipts Reserve to finance new capital expenditure	6,787	
0		Capital grants and contributions credited to the CIES that have been applied to capital financing	0	
158		Application of grants to capital financing from the Capital Grants Unapplied account	597	
0		Reversal of grants and contributions applied in previous years	0	
1,791		Repayment of loans treated as capital receipts	8,020	
134		Statutory provision for the financing of capital investment charged against the General Fund balance	168	
3,319		Capital expenditure charged against the General Fund balance	2,136	
0		Reversal of revenue applied to capital financing in previous years	0	
	9,525			**17,708**
	-1,446	**Movements in the market value of Investment Properties debited or credited to the CIES**		**-1,548**
	0	**Amounts of Investment Properties written off on disposal or sale as part of the gain/loss on derecognition**		**0**
	0	**Revaluation losses / subsequent gains on Assets held for Sale**		**0**
	0	**Impairment Losses on Assets held for Sale**		**0**
	0	**Accumulated gains on Assets held for Sale or scrapped**		**0**
	0	**Amounts of Assets held for Sale written off on disposal or sale as part of the gain/loss on derecognition**		**0**
	-1,791	**Repayment of loans treated as capital receipts**		**-8,020**
	23,633	**Total Balance at 31 March**		**29,137**

44. Revaluation Reserve

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

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

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

2020/21 £'000	£'000	Revaluation Reserve	2021/22 £'000	£'000
	33,712	**Balance as at 1 April**		**32,711**
-372		Revaluation of assets	12,596	
0		Impairment of assets	0	
0		Write back of accumulated depreciation on revaluations	0	
0		Write back of accumulated impairment on revaluations	0	
	-372	Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services		**12,596**
-584		Difference between fair value depreciation and historical cost depreciation	-599	
-44		Accumulated gains on assets sold or scrapped	-82	
	-629	Amounts written off to the Capital Adjustment Account		**-681**
	32,711	**Total Balance at 31 March**		**44,626**

45. Deferred Capital Receipts

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

Deferred Capital Receipts Reserve	2020/21 £'000	2021/22 £'000
Balance as at 1 April	**1,977**	**17,531**
Amounts credited in year	18,392	0
Amounts released to the Usable Capital Receipts Reserve	-2,838	-6,079
Balance as at 31 March	**17,531**	**11,452**

46. Collection Fund Adjustment Account

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

Collection Fund Adjustment Account	2020/21 £'000	2021/22 £'000
Balance as at 1 April	**1,094**	**-4,044**
Amount by which Council Tax and Business Rate income credited to the CIES is different from the income for the year calculated in accordance with statutory requirements	-5,137	2,211
Balance as at 31 March	**-4,044**	**-1,833**

47. Accumulated Absences Account

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

Accumulated Absences Account	2020/21 £'000	2021/22 £'000
Balance as at 1 April	**-120**	**-339**
Settlement or cancellation of previous year's accrual	120	339
Amount accrued at the end of the current year	-339	-275
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement differs from remuneration chargeable in the year under statute	-219	64
Balance as at 31 March	**-339**	**-275**

48. Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employments benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the CI&ES as the benefits are earned by employees accruing years of service, updating the liability recognised to reflect inflation, charging assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employers contributions to pension funds or eventually pays any pension for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Pension Reserve	2020/21 £'000	2021/22 £'000
Balance as at 1 April	**-16,319**	**-28,559**
Net charge made for retirement benefits in accordance with IAS19	-1,558	-3,516
Remeasurements of the new defined liability	-10,682	10,062
Balance as at 31 March	**-28,559**	**-22,013**

49. Pooled Fund Adjustment Account

2020/21 £'000		2021/22 £'000
0	**Balance at 1 April**	**3**
3	Increase in value of assets held at Fair Value through Profit and Loss	0
0	Decrease in value of assets held at Fair Value through Profit and Loss	6
0	Amounts transferred to the General Fund on disposal	0
0		
3	**Balance at 31 March**	**-3**

50. Notes to the Cashflow Statement

Non-cash Movements	2020/21 £'000	2021/22 £'000
Depreciation/amortisation of fixed assets	-3,638	-2,389
Impairment charges/revaluation losses (-) Gains (+)	-480	65
Retirement benefit adjustments	-1,558	-3,516
Debt write-offs and Impairment allowances	0	0
Other financial instrument adjustments	0	0
Provisions set aside in the year	-391	241
Deferred capital receipts	18,392	0
Movement in value of Pooled Funds	3	-6
Movement in value of investment properties	-1,446	-1,548
Carrying amount of non-current asset sold	-15,320	-119
Transfers from Capital Grants Receipts in Advance	40	66
Previous years' capitalised spend written-off	0	0
Donated assets	0	0
Other non cash adjustment	-148	38
Increase/decrease(-) in inventories	-19	33
Increase/decrease(-) in debtors	-1,044	-80
Increase(-)/decrease in creditors	-3,840	-7,840
Total adjustments for non-cash movements	**-9,448**	**-15,053**

Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities

	2020/21 £'000	2021/22 £'000
- Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,480	705
Capital Grants credited to surplus or deficit on the provision of services	1,818	2,402
-Cash adjustment	0	0
Total	**3,297**	**3,107**

Investing Activities	2020/21 £'000	2021/22 £'000
Purchase of property, plant and equipment, investment property and intangible assets	6,474	2,783
Purchase of short-term and long-term investments	2,351	301,000
Other payments for investing activities	0	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-4,318	-6,784
Capital grants	-1,818	-2,402
Proceeds from short-term and long-term investments	0	-288,000
Other receipts from investing activities	-1,791	-8,020
Total adjustments for investing activities	**899**	**-1,423**

Financing Activities	2020/21 £'000	2021/22 £'000
Cash receipts of short- and long-term borrowing	0	0
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet service concession arrangements	0	0
Repayments of short- and long-term borrowing	8,000	8,000
Other payments for financing activities	2,277	-2,742
Total adjustments for financing activities	**10,277**	**5,258**

51. Contingent Assets

There are no contingent assets to disclose at 31 March 2022.

52. Contingent Liabilities

There are no contingent liabilities to disclose at 31 March 2022.

53. Going Concern

The accounts are prepared on a going concern basis; that is, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future from the date that the accounts are authorised for issue.

This account reflects the statutory requirement for the Council, as the billing authority, to establish and maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates (Business Rates).

2020/21 National Non-Domestic Rates £000	Council Tax £000	Total £000		2021/22 National Non-Domestic Rates £000	Council Tax £000	Total £000
			Income Receivable:			
	-71,673	**-71,673**	Council Tax receivable		-75,248	**-75,248**
-21,473		**-21,473**	Business Rates receivable	-25,866		**-25,866**
0		**-161**	Transitional Protection Receivable	0		**0**
			Business rates - contribution towards previous year's deficit:			
0		**-92**	Three Rivers District Council	-3037		**-3,037**
0		**-559**	Hertfordshire County Council	-873		**-873**
0		**-77**	Central Government	-3728		**-3,728**
-21,473	**-72,562**	**-94,035**	**Total Income**	**-33,504**	**-75,248**	**-108,752**
			Expenditure:			
			Repayment of previous years surpluses:			
	0	1,257	Three Rivers District Council	0	39	39
	0	967	Hertfordshire County Council	0	236	236
	0	0	Herts Police and Crime Commissioner		33	33
		1,180	Central Government	0		0
			Precepts and demands:			
11,649	9,079	20,728	Three Rivers District Council	11,834	9,245	21,079
2,912	55,454	58,366	Hertfordshire County Council	2,959	57,023	59,982
	7,764	7,764	Herts Police and Crime Commissioner		8,259	8,259
14,561		14,561	Central Government	14,793		14,793
			Charges to the Collection Fund:			
1,121	603	1,724	Bad Debts Provision increase/(decrease)	-1,177	590	-587
669		669	Appeals Provision increase / (decrease)	-603		-603
92		92	Cost of Collection	94		94
64		64	Transitional Protection Payable	-22		-22
34,472	**72,900**	**107,372**	**Total Expenditure**	**27,878**	**75,425**	**103,303**
12,999	**338**	**13,337**	**(Surplus)/Deficit for the year**	**-5,626**	**177**	**-5,449**
-3,041	295	-2,746	Fund Balance brought forward	9,958	633	10,591
9,958	**633**	**10,591**	**(Surplus)/Deficit carried forward**	**4,332**	**810**	**5,142**
			Fund Balance Allocation (indicative):			
3,965	78	**4,043**	Three Rivers District Council	1,733	100	**1,833**
1,105	485	**1,590**	Hertfordshire County Council	433	620	**1,053**
	70	**70**	Herts Police and Crime Commissioner		90	**90**
4,888		**4,888**	Central Government	2,166		**2,166**

CF 1 Council Tax Payers

The charge for council tax is based on the total number of dwellings in each of eight bands at 1 April 1991 valuations. This is adjusted for dwellings where discounts or exemptions apply and is converted into an "equivalent number of Band D dwellings" where bands below Band D will pay proportionately less than dwellings in higher bands. A further adjustment is made for losses on collection and contributions in lieu of tax in respect of certain government properties. The table below sets out the calculation of the Council Tax Base for 2021/22.

2020/21		2021/22				
Equivalent Number of Band D Dwellings	Valuation Band	Total Number of Dwellings in Band	Discounts, Exemptions & Disabled Relief	Total Chargeable Dwellings	Conversion Faction (Proportion)	Equivalent Number of Band D Dwellings
0	A (Disabled Relief)	1	0	1	5/9	**1**
363	A	775	-262	513	6/9	**342**
964	B	1,992	-1,008	984	7/9	**765**
4,653	C	6,393	-1,550	4,843	8/9	**4,305**
8,731	D	9,498	-994	8,504	9/9	**8,504**
8,032	E	7,388	-1,057	6,331	11/9	**7,737**
5,685	F	4,178	-308	3,869	13/9	**5,589**
8,076	G	5,059	-177	4,881	15/9	**8,135**
2,960	H	1,534	-42	1,493	18/9	**2,985**
39,463		**36,816**	**-5,398**	**31,419**		**38,363**
-394	Less Allowance for losses on collection					**-384**
144	Add: Contribution in lieu of tax					**144**
39,212	**Tax Base for Calculation of Council Tax**					**38,124**
0	Add: Adjustment for changes during the year for successful appeals against valuations bandings, new properties, demolitions, disabled persons' relief and empty properties					**0**
39,212	**Council Tax Base for the year**					**38,124**

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

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

CF2 Business Rate Payers

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

Group Movement in Reserves Statement

	Notes	General Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Unapplied £'000	Capital Grants and Contbns Unapplied £'000	Share of Joint Venture Reserve £'000	**Total Usable Reserves £'000**	**Total Unusable Reserves £'000**	**Total Reserves £'000**
Balance at 31 March 2020		5,015	13,557	0	5,037	98	**23,707**	**58,923**	**82,631**
Movement in reserves during 2020/21									
Total Comprehensive Income and Expenditure		2,620	0	0	0	0	**2,620**	**-11,054**	-8,435
Adjustments between accounting basis and funding basis under statutory provisions	6	5,063	0	195	1,675	0	**6,933**	**-6,933**	0
Adjustments primarily involving the share of Joint Venture Reserve		0	0	0	0	-47	**-47**	**0**	-47
Transfers to / from earmarked reserves	44	-7,521	7,521	0	0	0	**0**	**0**	0
Increase (+) or Decrease (-) In Year		161	7,521	195	1,675	-47	**9,506**	**-17,987**	**-8,482**
Balance at 31 March 2021		5,177	21,078	195	6,712	52	**33,214**	**40,936**	**74,150**
Movement in reserves during 2021/22									
Total Comprehensive Income and Expenditure		-6,703	0	0	0		**-6,703**	**22,658**	15,954
Adjustments between accounting basis and funding basis under statutory provisions	6	658	0	-3	1,848		**2,503**	**-2,503**	0
Adjustments primarily involving the share of Joint Venture Reserve						-2	**-2**	**0**	-2
Transfers to / from earmarked reserves	44	6,199	-6,199	0	0		**0**	**0**	0
Increase (+) or Decrease (-) In Year		153	-6,199	-3	1,848	-2	**-4,203**	**20,155**	**15,952**
Balance at 31 March 2022		5,330	14,879	192	8,560	50	**29,011**	**61,091**	**90,102**

Group Comprehensive Income and Expenditure Statement

2020/21 Gross Expenditure £'000	2020/21 Income £'000	2020/21 Net Expenditure £'000		Notes	2021/22 Gross Expenditure £'000	2021/22 Income £'000	2021/22 Net Expenditure £'000
4,058	-2,142	1,916	Infrastructure Housing and Economic Development		3,917	-2,158	1,759
12,082	-3,721	8,361	Leisure, Environment and Communities		13,382	-5,803	7,580
34,661	-26,084	8,577	Policy and Resources		33,582	-22,875	10,708
1,795	-2,350	-555	Other Corporate Costs		1,860	0	1,860
52,596	**-34,296**	**18,299**	**Cost of Services**		**52,742**	**-30,835**	**21,907**
		-4,552	Other Operating Income	14	-586	0	-586
		394	Financing and Investment Income and Expenditure	15	2,416	-1,593	822
		-16,762	Taxation and Non-Specific Grant Income	19	0	-15,439	-15,439
		-2,620	**Surplus (-) or Deficit (+) on Provision of Services**	5	**54,571**	**-47,868**	**6,703**
		2	Share of Surplus (-) or Deficit (+) on Provision of Services by Joint Venture				-6
		-2,619	**Group Surplus (-) or Deficit (+)**				**6,697**
			Items that will not be reclassified to the Surplus (-) or Deficit (+) on the Provision of Services				
		372	Surplus or Deficit on revaluation of non-current assets	49			12,596
		0	Impairment losses on non-current assets charges to the revaluation reserve	49			0
		10,682	Remeasurements of the net defined benefit liability (asset)	18			-10,062
		11,054					2,534
			Items that may be reclassified to the Surplus (-) or Deficit (+) on the Provision of Services				
		0	Surplus or deficit on revaluation of available for sale financial assets				0
		0	Other gains or losses				0
		0					0
0	**0**	**11,056**	**Other Comprehensive Income and Expenditure**				**2,528**
		8,437					**9,231**

Group Balance Sheet

At 31 March 2021 £'000		Notes	At 31 March 2022 £'000	£'000
	Long Term Assets			
75,503	Property, Plant and Equipment	22	88,545	
10,495	Investment Property	23	8,988	
0	Surplus Assets		0	
146	Heritage Assets			
0	Intangible Assets	25	0	
563	Long Term Investments	34	561	
17,660	Finance Lease Asset		11,618	
13,263	Long Term Debtors	35	5,243	
117,630	**Total Long Term Assets**			**114,955**
	Current Assets			
0	Assets Held for Sale	24	0	
5,106	Debtors	36	4,755	
28	Stock		61	
2,353	Short Term Investments	34	15,347	
7,445	Cash and Cash Equivalents	37	8,853	
14,931	**Total Current Assets**			**29,016**
	Current Liabilities			
-8,009	Short Term Borrowing	34	-9	
-12,392	Short Term Creditors and Revenue Receipts in Advance	39	-22,702	
-1,344	Provisions due within one year	40	-1,103	
0	Short Term Finance Liability	28,34	0	
-35,768	Short Term Capital Grants Receipts in Advance	42	-35,768	
-21,745	**Total Current Liabilities**			**-23,814**
	Long Term Liabilities			
0	Long Term Creditors and Revenue Receipts in Advance	39	0	
0	Provisions due over one year	40	0	
-8,000	Long Term Borrowing	34	-8,000	
-28,559	Pension Liability	18	-22,013	
0	Long Term Finance Liability	28,34	0	
0	Deferred Income	41	0	
-107	Long Term Capital Grants Receipts in Advance	42	-41	
-36,666	**Total Long Term Liabilities**			**-30,054**
74,150	**Net Assets (+) / Net Liabilities (-)**			**90,102**
	Financed from:			
33,162	**Usable Reserves**	43-46		**28,961**
40,988	**Unusable Reserves**	47-53		**61,141**
74,150	**Total Reserves**			**90,102**

Group Cash Flow

2020/21 £'000		Notes	2021/22 £'000
-2,620	**Net (surplus) or deficit on the provision of services**		**6,703**
-9,448	Adjust net surplus or deficit on the provision of services for non-cash movements	50	-15,053
3,297	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	50	3,107
-8,770	Net cash flows from Operating Activities		**-5,243**
899	Investing activities	50	-1,423
10,277	Financing activities	50	5,258
2,406	Net increase (-) or decrease (+) in cash and cash equivalents		**-1,408**
9,851	Cash and cash equivalents at the beginning of the reporting period		7,445
7,445	**Cash and cash equivalents at the end of the reporting period**		**8,853**

1. The Group Accounting Policies

The Group Accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2023/24 using the equity method for Joint Ventures under International Accounting Standard 28, Interests in Joint Ventures, and using the line-by-line consolidation method for subsidiaries under International Accounting Standard 27, Consolidated and Separate Financial Statements. There are no material subsidiaries or associated organisations excluded from the Group Accounts. There are no material differences in the accounting policies of the Council or any of the companies or organisations forming part of the Group Accounts.

Cross references to notes on the single entity accounts are to be used for material balances on the group accounts.

2. Three Rivers District Council's share of Joint Venture Company within the Group

Joint Ventures	Share of Ownership	Other Stakeholder	Date Incorporated
Three Rivers Homes Limited	50%	Clarendon Living Ltd	24 March 2017

Three Rivers District Council has 100% ownership in Three Rivers Commercial Services (net assets not material as at 31 March 2020) which in turn has 50% ownership in Three Rivers Development LLP. The net assets of Three Rivers Development are not material therefore this has not been consolidated as part of the group accounts. The Council also has an investment in an Associate, Broste Rivers Group Ltd, and is part of a joint committee with West Herts Crematorium as at 31 March 2020, and these have not been consolidated as they fall outside the scope of group accounts.

The table below shows 50% share for Three Rivers District Council.

2020/21 £'000	Three Rivers Homes Limited	2021/22 £'000
-162	Revenue	-172
68	Administrative Expenses	74
83	Finance Cost	83
12	Tax	10
2	**(Profit)\Loss for the period**	**-6**
1,596	Property, Plant and Equipment	1,590
1,077	Investment Properties	1,077
0	Debtors (Current Assets)	11
33	Cash and Cash Equivalents (Current Assets)	123
-31	Creditors (Current Liabilities)	-124
-2,113	Creditors (Long term liabilities)	-2,116
562	**Net Assets**	**560**

3. Related Party Transactions

During the Period, there were no transactions between Three Rivers Homes Ltd and Three Rivers District Council.

4. Three Rivers Homes LTD Members' Capital Contributions (Loans)

2020/21		2021/22		
Amounts outstanding at 31 March 2021 £'000		New Loans £'000	Repayments £'000	Amounts outstanding at 31 March 2022 £'000
4,186	Three Rivers Homes Ltd - Grapevine Loan	0	0	**4,186**
4,186		**0**	**0**	**4,186**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Chartered Institute of Public Finance and Accountancy (CIPFA)
The professional accountancy body concerned with local authorities and the public sector.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Investments
Deposits for with approved institutions.

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

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

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

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

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

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

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

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

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

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

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

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

THREE RIVERS DISTRICT COUNCIL

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Three Rivers District Council

Draft Statement of Accounts 2022/23

Reissued 31 October 2024

THREE RIVERS
DISTRICT COUNCIL

The Council's Responsibilities

The Council is required to:

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

The Chief Financial Officer's Responsibilities

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

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

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

The Director of Finance has also:

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

The Statement of Accounts presents a true and fair view of the financial position of Three Rivers District Council as at 31 March 2023 and its income and expenditure for the year ended 31 March 2023

Signed Date

Alison Scott CPFA
Director of Finance

Signed Date

Councillor Tony Humphries
Chairman of Audit Committee

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

The following Statement of Accounts give an overview of the Council's finances for 2022/23. I am pleased to be able to report that the Council has continued to maintain its strong financial position, which shows that there is a high standard of financial management and stewardship of the Council's resources.

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

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

The latest amendment to the Accounts and Audit Regulations 2015, the Accounts and Audit (Amendment Regulations) 2022 was laid before parliament on 30 June 2022 and came into force on 22 July 2022. This requires local authorities to publish draft accounts for 2022/23 by 31 July 2023 and commence the public inspection period on or before the first working day of June 2024. The deadline for conclusion of the audit and publication of audited accounts is 30 November 2023.

These draft accounts were authorised for issue by the Section 151 Officer on 31 October 2024.

Signed Date: 31 October 2024

Alison Scott, CPFA
Director of Finance

1. Corporate Framework

Three Rivers District Council updates its Corporate Framework every year. The 2023-2026 Corporate Framework was approved by Council on 21 February 2023.

The Council's Corporate Framework sets out the Council's vision and four priority objectives for the medium to long term:

The framework is influenced by three important and interlinking factors which cut across all of our objectives:

- Environment
- Social
- Economic

The full framework is published on the Council's website.

2. Organisational Leadership and Governance

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

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

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

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

3. Financial Outlook

This section covers the 2022/23 year end position and looks forward to 2023/24 and the related Medium Term Financial Plan (MTFP) for 2023/24 to 2025/26.

Looking ahead over the next three years, the MTFP has been prepared against the continued backdrop of uncertainty over funding, increasing pressure on services and continuing expectations from stakeholders for service provision, and inflation.

The development of the MTFP is supported by annual budget consultations and provide input as to the Council's work and areas of expenditure. The Council has retained a prudent minimum balance of the general fund of £2.000m. At the same time the Council has maintained an ambitious Capital Investment Programme.

The effect of the all variances on the Council's (surplus)/deficit for 2023/24 and the General Fund balance over the medium term is shown in the table below.

Movement on General Fund	2022/23 Forecast Outturn £000	2023/24 Indicative Budget £000	2024/25 Indicative Budget £000	2025/26 Indicative Budget £000
Balance at 1 April	(5,364)	(3,987)	(3,823)	(3,648)
(Surplus)/deficit for year	1,377	164	175	179
Balance at 31 March	**(3,987)**	**(3,823)**	**(3,648)**	**(3,469)**

The overall MTFP indicates a budget requirement (net expenditure) for 2023/24 of £14.042m including carry forwards from 2021/22. Funding for this will come from a number of sources, as set out below.

Government Grant

The Local Government Finance Settlement in February 2023 provided details of the funding available to the Council for 2023/24.

Business rates

Business rates are collected by the Council, and the proceeds are shared between the District and County Council, and also with central Government to fund services. There is an element of risk and reward involved in the Business Rates scheme, which is designed to incentivise Councils to promote business growth within their areas. The Council expects its share of business rates to be £1.995m in 2023/24 before growth. The business rates retention scheme is volatile and estimating the outturn is complex due to factors such as appeals, demolitions, new builds, occupation and reliefs.

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

Business Rates Pooling

For 2023/24 there will not be a business rate pool for Hertfordshire. 2023 has seen a revaluation of non-residential properties by the Valuation Office Agency (VOA) for business rate purposes. The impact on Three Rivers has been the biggest in the country with a 59.5% increase in the business rate base. The next largest increase is South Bucks at 38.3%. In fact, Hertfordshire has four of the five largest national increases driven mainly by the film and tv studios within the county. Warner Brothers accounts for almost half of Three Rivers increase.

The revaluation has significantly increased the levy rate that would be payable on the Hertfordshire pool. The levy determines the amount any business rate growth that has to be paid over to central government and this figure has increased from 4.4% to 22.6%. This reduces the benefits of the pool whilst increasing the downside risk. As a result, pooling has not been agreed for Hertfordshire for 2023/24.

New Homes Bonus

New Homes Bonus is a non-ring-fenced grant relating to the number of new homes delivered in a local authority area that may be used at the discretion of the Council for either capital expenditure or to support the revenue account (or combination). For 2023/24, based on the provisional settlement, the Council expects to receive £0.018m reflecting low housing development over the previous year.

Council Tax for 2023/24

The Council needs to set a budget that gives an acceptable level of council tax and is balanced in the medium to long term using the resources at its disposal. A council tax increase of 2.99% per Band D equivalent has been assumed for 2023/24, 2024/25 and £5.00 for subsequent years. The Council expects to collect £10.080m of council tax income in 2023/24 of which £7.694m is retained by the Council and £2.387m is passed to Parish Councils.

Council Tax Base

The Council Tax base for 2023/24 was set at the Council meeting on the 13 December 2022 and totalled 39,545.2 assuming a collection rate of 99%. The base shows an increase of 0.72% over 2022/23. This is largely due to an increase in the number of properties in the district.

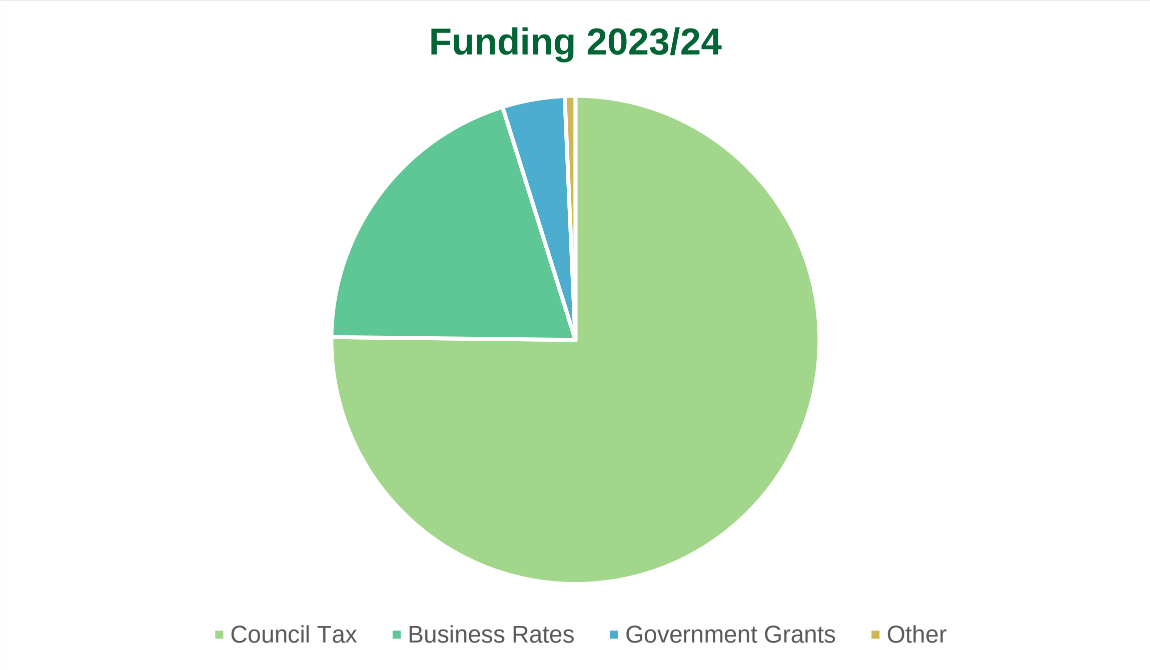
Local Council Tax Reduction Scheme

At the Council meeting on 21 February 2023, it was resolved to continue to apply the agreed Local Council Tax Reduction Scheme for 2023/24.

Collection Fund

The Collection Fund is a statutory requirement to account separately for Council Tax and Business Rates. The Fund records all transactions such as the yield, exemptions, discounts, provisions for bad debts, payments to major preceptors to Central Government and takes into account collection rates. Any balance on this fund at 31 March is to be distributed to the Council as the Billing Authority, the major preceptors and Central Government.

The chart below show the value and proportion of each funding stream that supports the Council's revenue account for 2023/24.



Capital Programme

The latest capital programme included in MTFP shows schemes totalling £10.885m in 2023/24 including rephasing from 2022/23, £3.579m in 2024/25, and £3.440m in 2025/26.

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

- Property Investment Board - £9.672m
- Waste and Recycling Vehicles - £2.670m
- Replacement Grounds Maintenance Vehicles - £1.344m
- Disabled Facilities Grant - £1.952m

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

Government Grants & Other Contributions:

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

Section 106 Contributions:

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

Capital Receipts Reserve:

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

Revenue Contributions:

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

Future Capital Expenditure Reserve:

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

New Homes Bonus Reserve:

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

Borrowing:

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

Future Investment

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

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

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

4. Financial Performance

Revenue Activity

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

The net cost of revenue activities is met by central government grant, a share of non-domestic rates (business rates) and by the council tax charge made to residents. This is set each February prior to the start of the financial year and takes into account the General Fund Balance and detailed estimates of income and expenditure. A comparison of year end figures to budgets, therefore, often provides a better indication of financial stewardship than comparison to the prior year. The actual year end position was a reduction in the planned use of general balances of £1.119m after funding £0.490m from the Economic Impact Reserve.

Medium Term Financial Plan - Consolidated Revenue Account (General Fund)			
Funding	**2022/23**		
	Original	**Latest Budget**	**Outturn**
Council Tax Base (No.)	39,259.80	39,259.80	39,259.80
Council Tax Base Increase (%)	0.00	0.00	0.00
Band D Council Tax (£)	188.90	188.90	188.90
Council Tax Increase - TRDC (%)	0.00	0.00	0.00
Council Tax (£)	(7,416,176)	(7,416,176)	(7,416,176)
Parish Precepts (£)	*(2,228,733)*	*(2,228,733)*	*(2,228,733)*
Total Taxation (£)	**(9,644,909)**	**(9,644,909)**	**(9,644,909)**
Business Rates (£)	(2,801,641)	(2,801,641)	(2,801,641)
Collection Fund Surplus (£)	(12,648)	(12,648)	(12,648)
New Homes Bonus Grant (£)	(110,247)	(110,247)	(110,247)
Government Funding (£)	(228,772)	(228,772)	(228,772)
Dividend (£)	(50,000)	(50,000)	(50,000)
Total Grant Funding (£)	**(3,203,308)**	**(3,203,308)**	**(3,203,308)**
Total Taxation & Grant Funding (£)	**(12,848,217)**	**(12,848,217)**	**(12,848,217)**

Financial Statement - Summary	**2022/23**		
	Original	**Latest Budget**	**Outturn**
	£	**£**	**£**
Committee - Net Cost Of Services			
Infrastructure, Housing & Economic Developoment	1,436,494	1,270,302	1,012,710
Leisure, Environment & Community	4,554,672	5,278,314	5,174,876
Policy & Resources	4,995,654	5,607,711	5,308,231
Budget Variations			(660,510)
Carry Forward Requests	**0**	**0**	**0**
Sub-Total	**10,986,820**	**12,156,327**	**11,495,817**
Other			
Parish Precepts	2,228,733	2,228,733	2,228,733
Net Transfer from Reserves	(59,910)	(59,910)	0
Interest Payable & Borrowing costs	302,150	309,150	380,532
Interest Received	(270,000)	(270,000)	(370,000)
Budget Variantions	**0**	**0**	(28,618)
Sub-Total	**2,200,973**	**2,207,973**	**2,239,265**
Net Expenditure	**13,187,793**	**14,364,300**	**13,735,082**
Income from Council Tax, Government Grants & Business Rates	**(12,848,217)**	**(12,848,217)**	**(12,848,217)**
(Surplus)/Deficit Before Use of Earmarked Reserves	**339,575**	**1,516,082**	**886,864**
Planned Use of Reserves:			
Economic Impact Reserve	0	0	(490,277)
(Surplus) / Deficit to be funded from General Balances	**339,575**	**1,516,082**	**396,587**

Capital Activity

Capital expenditure is incurred on assets that benefit the community over a number of years. Capital expenditure for 2022/23 is shown below:

Capital Programme 2022/23 £000	Latest Approved Budget £000	Year End Actual Expenditure £000	Variance £000
Infrastructure, Housing and Economic Development	1,506	1,070	- 436
Leisure, Environment and Community	3,491	3,293	- 199
Policy and Resources	1,432	1,098	- 334
Committee Capital Programme	**6,429**	**5,460**	**- 969**
Major Projects			
South Oxhey Initiative	352	341	- 11
Temporary Accommodation	100	100	-
Property Investment Board	10,471	799	- 9,672
Total Capital Programme	**17,352**	**6,700**	**- 10,652**

The Council planned to complete capital schemes valued at £17.352m in 2022/23. The Council completed and funded £6.700m worth of capital work. The main variance related to a delay in the completion of the purchase of land which will now complete after 31 March 2023. In total, £10.885m has been reprofiled into 2023/24.

Of the £6.700m invested, £2.095m was funded from the New Homes Bonus earmarked reserve. The remainder was funded from government grants, contributions from third parties and borrowing.

5. Future Challenges

The future for local government funding remains very uncertain. The conclusion of reviews of Fair Funding, Business Rates and New Homes Bonus, initially expected to come into effect in 2020/21, remain outstanding and are not expected for the 2024/25 planning cycle. The Council has made provision for the expected outcome of these reviews within the MTFP, however, this uncertainty continues to make medium term financial planning far more challenging. Alongside this councils are continuing to manage the ongoing effects associated with the COVID-19 Pandemic which has resulted in longer term income losses, particularly around leisure and parking. The current inflationary environment creates a further challenges as the Council manages the impact of increases in the prices of energy, fuel and contracts which have impacted the budget during 2022/23. Inflation remains pervasively high at the start of 2023/24 and the impact of this will be monitored throughout the year and incorporated into the MTFP through the budget planning process. Proactive financial stewardship has ensured that we are in a strong financial position to enable us to move forward and react to all of these challenges.

Basis of Preparation and Presentation

The Accounts are presented on an International Financial Reporting Standards (IFRS) basis having been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23. References to material and materiality relates to the significance of transactions, balances and errors. Financial information is material if its omission or misstatement could influence the users of the accounts.

Three Rivers District Council

Annual Governance Statement 2022/23

SCOPE OF RESPONSIBILITY

1. Three Rivers District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

3. Three Rivers District Council has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/Solace Framework ‘Delivering Good Governance in Local Government’. It is also in accordance with the requirements of the Accounts and Audit (England &Wales) Regulations 2015.

4. This Governance Statement explains how the Council has maintained sound governance during the 2022/23 financial year and also how the Council meets the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

5. The governance framework has been in place at the Council for the year ended 31 March 2023 and up to the date of approval of the annual report and statement of accounts. It comprises the systems and processes as well as the culture and values, by which the Council is directed and controlled and through which it accounts to, engages with and leads the community.

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

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

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

THE GOVERNANCE FRAMEWORK

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

General

10. Three Rivers District Council operates a Committee model form of governance under the Localism Act 2011 (‘’the Act’’) and has done so since June 2014, with some further changes made in 2018. This has ensured that there is a more democratic approach to decision making in the organisation with no elected members having any individual executive power to make decisions and requiring Committees to be politically proportionate.

11. The Council’s written Constitution sets out how the Council operates, how decisions are made including which decisions are delegated to the various Committees or to Officers under the scheme of delegation and the terms of reference for the various Committees. The procedures that are followed ensure that these are efficient, transparent and accountable to the local community. Some of these procedures are required by law as set out in the Act and regulations made there under, whilst others are adopted locally by the Council. The Constitution is reviewed at least annually and is available on the Council’s website and intranet. Changes to the Constitution are presented to Full Council for approval with the exception of those that are delegated to the Chief Executive for approval.

12. The Council has an approved Local Code of Governance, a copy of which is included in Part 5 of the written Constitution. This sets out and describes its commitment to good governance and identifies the arrangements that have been and will continue to be made to ensure its ongoing effective implementation and application in all aspects of the Council’s work. The Local Code of Governance is available on the Council’s website.

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

14. The Corporate Management Team is aware of the financial and other procedures and controls outlined in the Constitution, and senior officers are required to sign a declaration of compliance, in the form of a Management Assurance Statement, at the end of each year. This evidences amongst other things, that their staff are aware of and consistently apply the requirements of the Constitution.

15. Elected Members as decision-makers have to declare pecuniary and non-pecuniary interests, as defined under the Act, as and when they occur as well as formally recording this information in the Register of Members Interests which is available online. Each Councillor is personally responsible for keeping their entry in the Register up to date and are reminded of this obligation on an annual basis. Members have access to the Committee team and the Monitoring Officer for advice on declaration of interests at meetings.

Strategic Aims and Objectives

16. The Council and the Policy and Resources Committee meet regularly to set the strategic direction of the Council and together with the Audit Committee and the Service Committees, monitor service delivery.

17. Each year, the Council updates its Corporate Framework. This is a document that brings together our high level, medium to long-term objectives which, following consultation and analysis of data, the council considers to be its priorities for the district. The vision and objectives set out in the 2023/26 Corporate Framework are as follows;

Vision

Three Rivers: A great place to live, work and visit.
We want Three Rivers to be a district:

- That is inclusive and where people feel they are welcome, belong and are safe
- Where people have access to good quality housing
- Where local infrastructure supports healthy lifestyles and addresses health inequalities
- Where our most vulnerable residents are supported
- That takes action to mitigate and adapt to the climate emergency and
- Where local people, organisations and businesses benefit from the prosperity of the district

Objectives

In order to realise our vision, our objectives are:

- To provide responsive and responsible local leadership by;
  - Listening to and understanding our communities and their changing needs
  - Continuing to develop and improve our Customer Experience
  - Promoting greater collaboration between organisations across and beyond the district
  - Managing a well-run Council that delivers efficient and effective services, prioritising our statutory responsibilities
  - Making fiscally responsible decisions that protect our core public services
- To expand our position as a great place to do business by;
  - Providing and nurture an attractive environment for sustainable business and “green” jobs
  - Attracting inward investment that delivers inclusive growth
  - Supporting and enable agile working cultures
  - Developing and raise the profile of our local cultural and wider visitor economy
  - Strengthening local entrepreneurial ecosystems
- To support and enable sustainable communities by;
  - Improving the wellbeing of our residents by reducing Health Inequalities and bringing health services into the heart of communities
  - Maintaining and, where possible, expanding our leisure and cultural offer
  - Co-ordinating a Domestic Decarbonisation programme
  - Working collaboratively with partners to reduce violence, exploitation and the drivers of crime
  - Progressing towards approval of a new Local Plan that meets the needs of the district
  - Working with Communities to support those vulnerable to the cost of living crisis
- To achieve net carbon zero and be climate resilient by;
  - Making further progress towards the management of a Net Carbon Zero Council estate
  - Co-ordinating a domestic decarbonisation programme
  - Supporting local transition to a low carbon economy
  - Facilitating the design and implementation of sustainable, low carbon, infrastructure
  - Ensuring our emergency and public health plans account for more severe weather and its community impacts
  - Prioritizing climate adaptation efforts that explicitly help our most vulnerable populations
  - Maintaining our position as a top recycling authority in England.

- Progressing towards approval of a new Local Plan that can secure the highest standards of environmental performance and sustainability in development.

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

Decision Making Structures

19. During 2022-23 the senior management comprised of the Chief Executive, shared Director of Finance, Director of Community and Environmental Services and Executive Head of Services. From April 2023 the new structure comprises of the Chief Executive, Director of Finance, Associate Director Legal and Democratic Services, Associate Director of Customer and Community, Associate Director of Strategy, Partnerships and Housing, Associate Director of Economy, Infrastructure and Planning. Financial control is primarily the responsibility of the Shared Director of Finance with neighbouring Watford Borough Council. This combined management with heads of service meet fortnightly as the Corporate Management Team to review and progress the key objectives of the council.

20. Overall financial control is monitored on a quarterly basis by the Corporate Management Team (CMT) and Policy and Resources Committee. Budget preparation is centred around the development of the Council's Medium Term Financial Plan (MTFP) which takes into account budget pressures and available resources over the current year and three further years. This MTFP is approved by Council and financial performance is reported against this to CMT and members where variations to the plan are approved. The Council has the ultimate responsibility for approving the annual budget. The final accounts are subject to formal approval by the Audit Committee.

Constitution

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

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

23. Councillors are assisted in their policy and decision-making roles by the advice of staff with suitable qualifications and experience, under the leadership of the Chief Executive. All reports requiring a decision from members include comments on financial, legal, equalities, sustainability, community safety (as relevant) and other appropriate issues such as potential risks to non-achievement, all of which ensures that comprehensive advice is provided prior to decisions being taken.

24. Local Authorities operating a committee system do not have to have or appoint separate overview and scrutiny committees. The scrutiny function for health and community safety is undertaken by the Leisure Environment and Community Committee. At Three Rivers District Council the review and scrutiny of policy is co-ordinated through the Policy and Resources Committee.

25. The Council's protocols and procedures are reviewed and updated on a regular basis for standing orders, financial regulations, a scheme of delegation and supporting procedure notes/manuals clearly

defining how decisions are taken and the process and controls required to manage risks. Compliance with established policies, procedures, laws and regulations is achieved through a combination of training events, written policy and procedural documentation, authorisation procedures, managerial supervision, review by internal and external audit and use of the disciplinary procedure where appropriate.

26. Codes of Conduct defining the standards of behaviour for members, staff, our partners and the community, have been developed and communicated and are available on the Council's website.

27. The Associate Director of Legal and Democratic Services is the Council's Monitoring Officer and duties include: maintaining the council's Constitution, reporting on any potential or actual illegality or maladministration, and giving advice to the Leader and councillors on the Constitution or issues of maladministration, financial impropriety or probity.

28. The Director of Finance is the statutory 151 Chief Finance Officer. Duties include: overall responsibility for financial administration, reporting on any actual or potential instances of illegality in expenditure including unlawful loss or deficiency or illegal items of account, and giving advice to the Council on financial planning.

Data Quality, Risk Management and Fraud

29. The Council has a performance management framework linked to the Council's Corporate Framework. The framework is based on the collection and interpretation of data in the form of performance indicators. The Council is committed to using accurate data to inform its decisions and has prepared a Data Quality Strategy to achieve this. The Council's committees review the Council's achievements against targets set for service delivery.

30. The governance framework is dependent upon the underlying system of internal control which is designed to manage risk to a reasonable level. The Council's approach to risk management is governed by its Risk Management Strategy. All of the Council's key objectives, including those in the Strategic Plan have been cascaded into service plans, and the barriers to their achievement (i.e. the risks) have been identified, assessed and managed through service plans. Risks have been identified and assessed for their impact and likelihood. Where they require managing, a risk treatment plan has been prepared which identifies the controls that exist to minimise the risk together with any further action that is required. Risks associated with the Council's partners are considered and risk management is embedded throughout the Council.

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

32. The Council is committed to promoting a strong anti-fraud and corruption culture. The revised Anti-Fraud and Corruption Strategy approved in 2022 is the mechanism for achieving this commitment and aims to reduce losses to fraud and corruption to a minimum. Beating fraud is everyone's business, and the Councils internal arrangements are communicated throughout the Councils, and publicly, demonstrating a culture and commitment to preventing fraud. The Council has a number of robust procedures and policies in place, which combined with executive support ensure that anti-fraud, bribery and corruption measures are embedded throughout the Council. This acts as an effective deterrent to fraudulent and corrupt activity and provides the means for reporting, detecting and preventing fraud, bribery or corruption. Having a holistic approach to tackling fraud is part of good governance.

Shared Services with Watford Borough Council

33. Three Rivers District Council has a shared service for Revenues and Benefits, ICT, Finance, Procurement, and Human Resources with Watford Borough Council. Both Councils also share the statutory post of Chief Financial Officer - the Shared Director of Finance.

34. From April 2014, the Governance arrangements for shared services changed to a lead authority model. Three Rivers District Council are responsible for providing Finance and Revenues and Benefits, whilst Watford Borough Council are responsible for the provision of ICT, Procurement and Human Resources. Shared Services Operational Board consisting of representatives of senior management from both councils is responsible for these services. The role of the Board covers:

- Monitoring performance and dealing with complaints from either authority.
- Resolving conflicts between competing interests amongst the authorities.
- Reviewing the governance arrangements.
- Dealing with matters referred up to it by the Operations Board.
- Having overall supervision of the Shared Service.
- Receiving annual reports on each service within the shared service.
- Community engagement.

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

Partnership Arrangements

Building control services in Three Rivers District are provided by Hertfordshire Building Control. Hertfordshire Building Control is a jointly owned company . The shareholders of the company are Three Rivers DC and seven other Hertfordshire local authorities. They are Dacorum BC, Borough of Broxbourne, Hertsmere, East Herts Council, North Herts DC, Welwyn and Hatfield Council and Stevenage BC.
West Herts Crematorium is served by a joint committee between Three Rivers DC, Dacorum BC, St Albans, Hertsmere, and Watford BC councils.

REVIEW OF EFFECTIVENESS

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

The Council

37. All Councillors meet together as the Full Council. These meetings are chaired by the Chairman of the Council appointed in May for the municipal year. At these ordinary meetings, Councillors decide the Council's overall policies and set the budget each year. Certain decisions can only be made by the Council as a whole and these are clearly set out in the written Constitution. The Council also hold debates on issues which affect the district generally. The Leader of the Council can make an oral report on relevant district matters. Members of the public may, on notice, put written questions to the Council.

38. The Full Council comprises all 39 Members. They met five times during 2022/23. In addition, there was a meeting of Annual Council. In cases of urgency an extraordinary meeting of the Council can

be called by the Chairman and / or the Monitoring Officer under Part 4, Rule 1 of the Constitution. No such meeting was held during 2022/23.

The Policy and Resources Committee

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

- New policies are required.
- Existing policies are no longer required.
- Changes are required to any existing policies.
- Action is required to make the policies more effective.

40. Policy and Resources Committee met ten times during 2022/23, including three extraordinary meetings.

The Service Committees

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

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

42. The functions of the Service Committees are to:

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

Regulatory Committees

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

Member Allowances

44. Members Allowances are reviewed each year by the Independent Remuneration Panel who then make recommendations to Full Council. For 2022/23 following recommendation by the Panel and approval at Full Council in December 2021 allowances increased by 1.75% from April 2022. From April 2023 allowances will increase by 5% following the panel recommendations and approval at Full Council in December 2022.

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

Senior Management

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

Procurement

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

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

The Audit Committee

49. Audit Committee comprised nine members and met four times during 2022/23.

50. The role of Audit Committee is to:

- Approve (but not direct) internal audit's strategy, plan and performance.
- Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
- Consider the reports of external audit and inspection agencies…
- Consider the effectiveness of the authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements. Seek assurances that action is being taken on risk related issues identified by auditors and inspectors.
- Be satisfied that the authority's assurance statements, including the Statement on Internal Control, properly reflect the risk environment and any actions required to improve it.
- Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- Review the external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit.
- Approve the statutory Statement of Accounts.

Internal Audit

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

52. The internal audit function is carried out, by the Shared Internal Audit Service (SIAS), a local internal audit partnership hosted by Hertfordshire County Council. This provides greater independence and resilience and a positive step in improving governance. Internal Audit carry out a programme of reviews during the year which are based upon a risk assessment including fraud risk. The audit plan is approved by Audit Committee in March of the preceding year. As part of these audits, any failures to comply with legislation, council policy and practice or best practice guidance issued by a relevant body is identified and reported. Circulation of reports to senior officers, reports to the Audit Committee and follow-up procedures ensure action is taken on priority improvements. Progress on implementing internal audit recommendations is reported in quarterly reviews to Audit Committee.

53. In line with Public Sector Internal Audit Standards, an Annual Assurance Statement and Internal Audit Report was compiled and presented to the July 2022 meeting of the Audit Committee, which:

- Included an opinion on the overall adequacy and effectiveness of the Council's internal control environment;
- Disclosed any qualifications to that opinion, together with any reasons for the qualification;
- Drew attention to any issues which are judged particularly relevant to the preparation of the annual Governance Statement.

54. The SIAS Head of Assurance Annual Report May 2023 is a key source document for the Council's Annual Governance Statement. The report concluded the following;

    - 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 for 2022/23.

    - In respect of financial and non financial systems “Our overall opinion is Reasonable Assurance; meaning 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.”

The Council's External Auditors

55. External auditors, Ernst & Young LLP, provide an external review function through the audit of the annual accounts, assessment of value for money, and certification of grant claims. The Annual Audit and Inspection Letter is circulated to all Members and formally reported to the Audit Committee.

56. The external audit of the draft statement of accounts for the year ended 31 March 2022 has not yet been completed by EY LLP, due to the planned phased approach to delivering the audits in light of a variety of complex factors contributing to audit delays in the current and previous years. The plan is to bring the Audit timetable back within the statutory framework by April 2024.

57. In February 2022, Council agreed to opt into the national procurement for external audit services for the five year period beginning on 1 April 2023, led by Public Sector Audit Appointments Limited (PSAA). The external auditor for Three Rivers District Council from 2023/24 is Azets Audit Services.

The Financial Management Code of Practice

58. The CIPFA Financial Management Code of Practice (FM Code) was published in November 2019. It sets out the ‘gold standard’ for financial management arrangements in local government. The FM Code does not have statutory status but brings together best practice and statutory guidance including the Prudential Code for Capital Finance in Local Authorities.

59. Appendix 2 is a self-assessment against the FM Code and includes actions for improvement and enhancement of current practices.

SIGNIFICANT GOVERNANCE ISSUES

60. The ‘normal’ running of Council business has and can be controlled through the governance framework detailed in this report. No outstanding matters were bought forward from 2021/22. For 2022/23 the following significant governance issue has been identified from the Management Assurance Statements. Action proposed to mitigate against and manage these risks are shown in Appendix 1.

    - The Service continues to pay out significant sums to householders for the Government’s various energy schemes. Our systems are not designed to make payments but to receive taxation revenue. This put additional pressure on the service and brings in scope for additional fraud and error.

61. Although not considered to be a significant governance issue, Cyber Security remains a threat (as it does to all organisations). The Council has a number of mitigations in place and the associated risks are managed via the ICT risk register and through reporting to the IT Steering Group forum as part of regular reporting.

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

62. We propose to take steps over the coming financial year to continue to review and further enhance our governance arrangements. We will also monitor the implementation of any audit recommendations that arise during the course of the year.

63. It is our opinion that the Council’s governance arrangements in 2022/23 were sound and provide a robust platform for achieving the Council’s priorities and challenges in 2023/24.

Signed ____________________________ Date ______________

Leader of the Council – Sarah Nelmes

Signed ____________________________ Date ______________

Chief Executive – Joanne Wagstaffe

Appendix 1

TRDC Annual Governance Statement 2022/23 Action Plan

No.	Issue	Action	Resolved	Updates
1	The Service continues to pay out significant sums to householders for the Government's various energy schemes. Our systems are not designed to make payments but to receive taxation revenue. This put additional pressure on the service and brings in scope for additional fraud and error.	Additional capacity has been brought in via a third party provider to carry out initial screening checks. Payments are subject to normal fraud and error checks.		

Appendix 2

Financial Management Code Compliance Self-Assessment 2022/23

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
1. Responsibilities of the Chief Finance Officer (CFO) and Leadership Team				
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money (VFM)	Services use peer reviews incorporating benchmarking to inform opportunities to improve VFM. All tenders consider VFM by considering the quality of service and not just price.		**GREEN**
B	The authority complies with the CIPFA "Statement of the Role of the CFO in Local Government"	The CFO is qualified accountant with significant experience working as an active member of the leadership team. The CFO is a member of Leadership Board and has an influential role with members of the Cabinet, Audit Committee and lead opposition members. Role profiles within the finance team have been refreshed to ensure that the team is suitably resourced and fit for purpose.		**GREEN**
2. Governance and Financial Management Style				
C	The Leadership Team demonstrates in its actions and behaviours responsibility for governance and internal control	The Governance Group exists to ensure governance and internal control, including driving the production of the Annual Governance Statement (AGS) and Action Plan through the completion of Annual Assurance Statements by the Corporate Management Team.		**GREEN**
D	The authority applies the CIPFA/SOLACE "Delivering Good Governance in Local Government: Framework (2016)"	Annual Governance Statement (AGS) includes internal audit opinion on effectiveness of internal control environment and systems of internal control. The Council updates the Local Code of Governance annually.		**GREEN**
E	The Financial Management style of the authority supports financial sustainability	At the core of the Finance Shared Service is a technical accounting team that provides the accounting framework, treasury management function for the organisation. The budget setting process and support for strategic financial matters is delivered by the Director of Finance and Head of Finance. The Finance Business Partner team provides dedicated support to Heads of Service and budget managers with financial planning and monitoring.	During 2023/24, the Finance Business Partnering model will continue to be embedded further strengthening relationships between finance and services.	**GREEN**

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
3. Long to Medium-Term Financial Management				
F	The authority has carried out a credible and transparent financial resilience assessment	An annual assessment is made for the prudent minimum level of General Balances and this forms the basis of the budget planning process. In addition, the authority holds earmarked reserves to manage specific risks. In making this assessment Officers use the CIPFA Financial Resilience index to benchmark against other local authorities.		**GREEN**
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members	The budget papers and MTFS outline the financial challenges and opportunities facing the Council. Budget planning reports to Policy and Resources Committee clearly set out the financial planning environment and any assumptions made.		**GREEN**
H	The authority complies with the CIPFA "Prudential Code for Capital Finance in Local Authorities"	An annual Capital and Investment Strategy is set by Council alongside a three-year Capital Investment Programme, Treasury Management Strategy, Annual Investment Strategy and Minimum Revenue Provision Policy. The Capital Programme is monitored monthly with reports produced quarterly for Corporate Management Team and Policy and Resources Committee. Mid-term and Outturn Treasury Management reports are taken to Audit Committee and Cabinet, including monitoring of Prudential Indicators.		**GREEN**
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans	The Council has an integrated Business and Budget Planning Process with a three-year MTFS supported by Service Plans.		**GREEN**
4. The Annual Budget				
J	The authority complies with its statutory obligations in respect of the budget setting process	The Council produces an annual balanced budget and supporting documentation within the necessary timeframe.		**GREEN**
K	The budget report includes a statement by the CFO on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves	The CFO's Section 25 report forms part of the budget report to Council and includes a commentary of the adequacy of proposed financial reserves.		**GREEN**

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
5. Stakeholder Engagement and Business Plans				
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget	The Council's budget priorities are closely linked to the Council's Corporate Framework. The cross party Policy and Resources Committee considers and comments on the budget proposals prior to Council approval. Specific proposals for service changes are taken through a formal public consultation process as part of the decision making process.		**GREEN**
M	The authority uses an appropriate documented options appraisal methodology to demonstrate the value for money of its decisions	A business case is required for all capital schemes which sets out alternative options, the reasons for discounting them and benefits of progressing with the scheme. All tenders consider VFM by considering the quality of service and not just price – the appraisal process is documented. Cost estimates for capital projects are subject to robust challenge. Projects are managed within the Council's project management framework and supported by the Council's Top 15 Projects Board which monitors the progress and delivery of strategic and/or high risk projects.		**GREEN**
6. Monitoring Financial Performance				
N	The Leadership Team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability	The quarterly monitoring report to Corporate Management Team and Policy and Resources Committee enables officers and members to respond to emerging risks – the effectiveness was evidenced during 2020/21 and 2021/22 as the Council agreed an in year budget changes to respond to the financial impact of COVID-19. During 2022/23 the reporting framework was enhanced to provide greater transparency through organising appendices by service committee.	.	**GREEN**

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
O	The Leadership Team monitors the elements of its balance sheet that pose a significant risk to financial sustainability	The quarterly monitoring report to Policy and Resources Committee includes monitoring of key balance sheet items including balances, reserves, debtors, and cash (including the performance of Treasury Management).	Increase the visibility of relevant balance sheet items for service managers through improving service level reporting on earmarked reserves and aged debtors.	**GREEN**
7. External Financial Reporting				
P	The CFO has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the “Code of Practice on Local Authority Accounting in the United Kingdom” (The Code)	The annual accounts are produced in compliance with The Code. The accounts receive an unqualified audit opinion. Issues raised by external audit have been addressed by Officers, including accounting for infrastructure assets which was a national issue raised by the NAO.	The delay to the audit of the 2019/20 and 2020/21 and 2021/22 accounts has impacted on the timeliness of financial reporting. However, a plan is in place with the Council’s external auditors to bring the audit timetable back within the statutory framework by April 2024.	**AMBER**
Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions	The Corporate Management Team and the Policy and Resources Committee consider the year end report and year end variances in a timely manner enabling strategic financial decisions to be made as necessary including transfers to reserves and agreed carry forwards for both revenue and capital budgets.		**GREEN**

APPENDIX 3

THREE RIVERS DISTRICT COUNCIL ANNUAL GOVERNANCE STATEMENT

LOCAL CODE OF GOVERNANCE

What do we mean by Governance?

1. The International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) (the ‘International Framework’) defines governance as follows:

   “Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.”

2. 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.”

3. Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

4. Governance comprises the systems and processes, and cultures and values, by which the Council is directed and controlled and through which it accounts to, engages with and, where appropriate, leads its communities.

5. Good governance leads to:-

   • good management,
   • good performance,
   • good stewardship of public money,
   • good public engagement,
   • good outcomes for citizens and service users.

6. Good governance enables the Council to pursue its vision effectively as well as underpinning that vision with mechanisms for control and management of risk.

7. The Council, along with each and every other local authority, aims to meet the standards of the best and its governance arrangements should not only be sound but also be seen to be sound.

Governance Framework

8. The Council operates though a governance framework which brings together an underlying set of legislative requirements, governance principles and management processes.

9. The Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE drew together a Working Group to compile a framework document entitled “Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016) (‘the Framework’)”.

10. This Framework document is intended to be followed as best practice for developing and maintaining a local code of governance and for discharging accountability for the proper conduct of public business, through the publication of an annual governance statement that will make the adopted practice open and explicit.

11. 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 this Framework. It should therefore develop and maintain a local code of governance/governance arrangements reflecting the principles set out.

12. It is also crucial that the Framework is applied in a way that demonstrates the spirit and ethos of good governance which cannot be achieved by rules and procedures alone. Shared values that are integrated into the culture of an organisation, and are reflected in behaviour and policy, are hallmarks of good governance.

The Council's Commitment

13. The Council is committed to the principles of good governance and wishes to confirm its ongoing commitment and intentions through this Local Code of Governance.

14. This Code sets out and describes the Council's commitment to governance and identifies the arrangements that have been and will continue to be made to ensure its ongoing effective implementation and application in all aspects of the Council's work.

15. Accordingly, the Council will test its arrangements by:-

- reviewing its existing governance arrangements against this revised Code,
- maintaining an up-to-date Local Code of Governance including arrangements for ensuring its ongoing application and effectiveness,
- on an annual basis, prepare a governance statement in order to report publicly on the extent to which the Council complies with this code, including how the effectiveness of its governance arrangements have been monitored in the year and on any planned changes in the coming period.

The Principles of Good Governance

16. The core principles and sub-principles of good governance set out below are taken from the International Framework. In turn they have been interpreted for a local government context.

The Seven Core Principles

17. Principles A and B permeate implementation of principles C to G.

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

The core principle is supported by three supporting principles:

a) Behaving with integrity,
b) Demonstrating strong commitment to ethical values, and
c) Respecting the rule of law.

B. Ensuring openness and comprehensive stakeholder engagement

Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

The core principle is supported by three supporting principles:

a) Openness,
b) Engaging comprehensively with institutional stakeholders, and

c) Engaging with individual citizens and service users effectively.

18. In addition to the overarching requirements for acting in the public interest in principles A and B, achieving good governance also requires a commitment to and effective arrangements for principles C to G.

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

The core principle is supported by two supporting principles:

a) Defining outcomes, and
b) Sustainable economic, social and environmental benefits.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.

The core principle is supported by three supporting principles:

a) Determining interventions,
b) Planning interventions, and
c) Optimising achievement of intended outcomes.

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

The core principle is supported by two supporting principles:

a) Developing the entity's capacity
b) Developing the capability of the entity's leadership and other individuals

F. Managing risks and performance through robust internal control and strong public financial management

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.

A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability.

It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

The core principle is supported by five supporting principles:

a) Managing risk,
b) Managing performance,
c) Robust internal control,
d) Managing data, and
e) Strong public financial management.

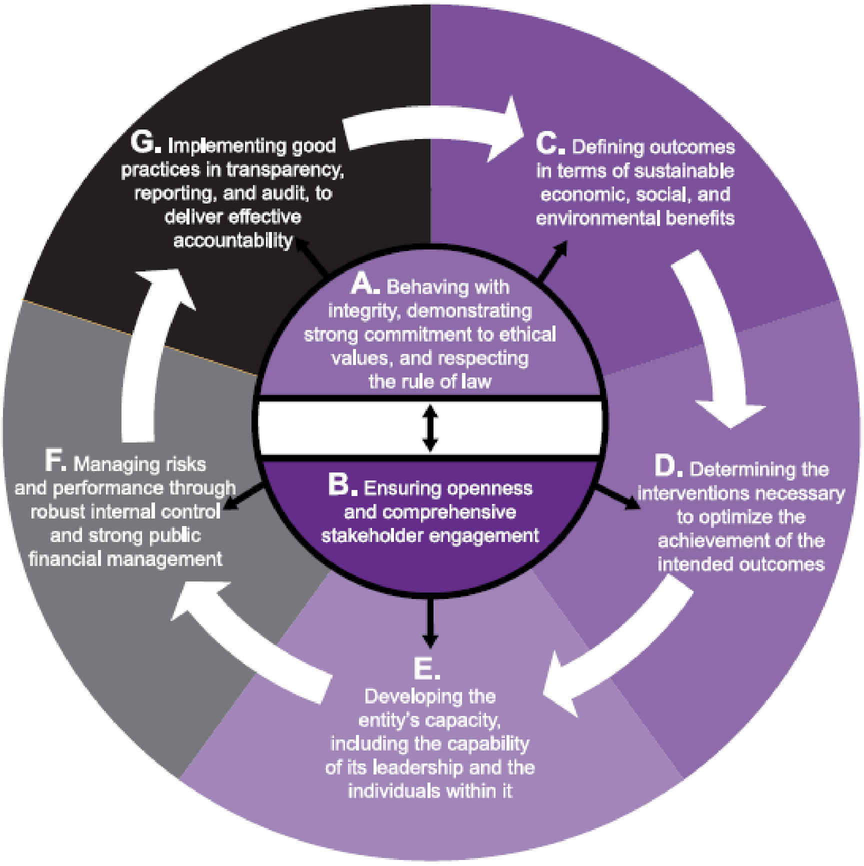
G. *Implementing good practices in transparency, reporting, and audit to deliver effective accountability*

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

The core principle is supported by three supporting principles:

a) Implementing good practice in transparency,
b) Implementing good practices in reporting, and
c) Assurance and effective accountability.

19. These principles are illustrated in the following diagram: (from CIPFA/SOLACE)



Monitoring and Review

20. The Council will carry out an ongoing review and monitoring of its governance arrangements (see Appendix A) and how these arrangements comply with the Framework document and this Local Code. This review and monitoring will include references to, amongst other things:
    - Heads of Service Management Assurance Statements,
    - Constitution Review arrangements,
    - Ethics arrangements,
    - Shared Internal Audit Service's Annual Report,
    - Performance management arrangements,
    - Risk management arrangements,
    - Council's decision making arrangements,
    - Freedom of information and data protection arrangements, and
    - Council's complaints procedures (3C's).

21. The results of this process will be incorporated into an Annual Governance Statement (AGS), the preparation and publication of which is necessary to meet the statutory requirement of the Accounts and Audit Regulations 2015.

22. The purpose of the AGS is to provide an assurance that:
    - governance arrangements are adequate and operating effectively,
    - where the review has revealed gaps, action is planned that will ensure effective governance in future.

23. The AGS will be presented to the Council's Audit Committee.
24. Once approved, the AGS will be signed by the Leader of the Council and the Chief Executive and will be published with the Annual Statement of Accounts, prior to being reviewed by the Council's External Auditors.

May 2023

Core Principles	**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**	**G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability**
Evidence of Good Governance	Constitution Financial Procedure Rules Contract Procedure Rules Contracts Register Rules of Procedure (the proceedings and the business of the Council) Members' Code of Conduct Members' Allowances Officer Code of Conduct Annual Governance Statement Procurement toolkit Whistleblowing Policy	Constitution Local Strategic Partnership Three Rivers Community Strategy Service Level and Partnership Agreements Local Government Transparency Code Data Protection and Freedom of Information Shared Service Initiatives Council Contracts Budget Consultation Customer Feedback / Complaints Process	Housing, Homelessness and Rough Sleeping Strategy Chief Executive, Director of Finance, Associate Director Legal and Democratic Services, Associate Director of Customer and Community, Associate Director of Strategy, Partnerships and Housing, Associate Director of Economy, Infrastructure and Planning.	Constitution Strategic Plan Medium Term Financial Plan Departmental Service Plans Committee Meetings, Agendas and Minutes Budget Consultation Local Strategic Partnership Communications Strategy Policy and Resources Committee Full Council including Annual Council	Organisational Development Strategy and Delivery Plan Performance Development Review (appraisals) Job / Person Specifications Financial Procedure Rules Contract Procedure Rules Employee Health and Wellbeing Strategy Health and Safety Group Health and Wellbeing Initiatives	Medium Term Financial Plan Treasury Management Strategy Budget Panel Audited Annual Statement of Accounts Annual Revenue and Capital Budgets Risk Management Strategy Strategic and Service Risk Registers Annual Management Assurance Statements	Facility for Council to receive petitions Public participation at Council meetings Residents / business owners submit relevant questions in writing for consideration and response at Council meetings Freedom of Information Publication Scheme Committee Meetings, Agendas and Minutes Report Templates

Core Principles	**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**	**G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability**
Evidence of Good Governance	Bribery Policy RIPA Policy Equalities Policy Register of Members' Interests / Gifts and Hospitality Corporate Complaints Procedure Audit Committee Policy and Resources Committee Independent Remuneration Panel Mandatory Member Training		Service Committees Policy and Resources Committee		Safeguarding Policy Members and Staff Induction Programme Sickness Absence Monitoring Policy	Shared Internal Audit Service (SIAS) Annual Audit Plan Report SIAS Progress Reports Head of Assurance Opinion and SIAS Annual Report Annual Governance Statement External Audit External Audit Annual Audit Letter	Local Government Transparency Code – Transparency and Open Data Independent Remuneration Panel Shared Internal Audit Service (SIAS) Head of Assurance Opinion and SIAS Annual Report Annual Fraud Report

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Core Principles	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	G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability
Evidence of Good Governance	Anti-Social Behaviour Policy Local Code of Corporate Governance Corporate Management Team Chief Executive, Director of Finance, Associate Director Legal and Democratic Services, Associate Director of Customer and Community, Associate Director of Strategy, Partnerships and Housing, Associate Director of Economy, Infrastructure and Planning, and Heads of Service					Committee Meetings, Agendas and Minutes Monthly Budget Monitoring Reports Audit Committee Financial Procedure Rules Contract Procedure Rules	

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Movement in Reserves Statement (MIRS)

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

Comprehensive Income and Expenditure Statement (CIES)

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

Balance Sheet

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

Cash Flow Statement

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

Movement in Reserves Statement

	Notes	General Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Unapplied £'000	Capital Grants and Contbns Unapplied £'000	**Total Usable Reserves £'000**	**Total Unusable Reserves £'000**	**Total Reserves £'000**
Balance at 31 March 2021		**5,177**	**21,078**	**195**	**6,712**	**33,162**	**40,936**	**74,098**
Movement in reserves during 2021/22								
Total Comprehensive Income and Expenditure		-6,703	0	0	0	**-6,703**	**22,658**	15,954
Adjustments between accounting basis and funding basis under statutory provisions	9	658	0	-3	1,848	**2,503**	**-2,503**	0
Transfers to / from earmarked reserves	39	6,199	-6,199	0	0	**0**	**0**	0
Increase (+) or Decrease (-) In Year		**153**	**-6,199**	**-3**	**1,848**	**-4,201**	**20,155**	**15,954**
Balance at 31 March 2022		**5,330**	**14,879**	**192**	**8,560**	**28,961**	**61,091**	**90,052**
Movement in reserves during 2022/23								
Total Comprehensive Income and Expenditure		2,655	0	0	0	**2,655**	**48,317**	50,972
Adjustments between accounting basis and funding basis under statutory provisions	9	-1,161	0	1,631	2,308	**2,779**	**-2,779**	0
Transfers to / from earmarked reserves	39	-1,797	1,797	0	0	**0**	**0**	0
Increase (+) or Decrease (-) In Year		**-303**	**1,797**	**1,631**	**2,308**	**5,434**	**45,538**	**50,972**
Balance at 31 March 2023		**5,027**	**16,676**	**1,823**	**10,868**	**34,395**	**106,630**	**141,025**

Comprehensive Income and Expenditure Statement

2021/22 Gross Expenditure £'000	2021/22 Income £'000	2021/22 Net Expenditure £'000		Notes	2022/23 Gross Expenditure £'000	2022/23 Income £'000	2022/23 Net Expenditure £'000
3,917	-2,158	1,759	Infrastructure Housing and Economic Development		4,959	-2,822	2,138
13,382	-5,803	7,580	Leisure, Environment and Communities		16,659	-7,730	8,929
33,582	-22,875	10,708	Policy and Resources		32,383	-23,343	9,040
1,860	0	1,860	Other Corporate Costs		1,883	-4,500	-2,617
52,742	**-30,835**	**21,907**	**Cost of Services**		**55,884**	**-38,394**	**17,489**
		-586	Other Operating Expenditure	11	-1,914	0	-1,914
		822	Financing and Investment Income and Expenditure	12	1,321	417	1,738
		-15,439	Taxation and Non-Specific Grant Income	13	0	-19,969	-19,969
		6,703	**Surplus (-) or Deficit (+) on Provision of Services**	10	**55,291**	**-57,946**	**-2,655**
			Items that will not be reclassified to the Surplus (-) or Deficit (+) on the Provision of Services				
		12,596	Surplus or Deficit on revaluation of non-current assets	44			-17,081
		0	Impairment losses on non-current assets charges to the revaluation reserve	44			1,929
		-10,062	Remeasurements of the net defined benefit liability (asset)	19			-31,236
		2,534	0				-46,388
			Items that may be reclassified to the Surplus (-) or Deficit (+) on the Provision of Services				
		0	Surplus or deficit on revaluation of available for sale financial assets				0
		0	Other gains or losses				0
		0					0
0	**0**	**2,534**	**Other Comprehensive Income and Expenditure**				**-46,388**
		9,237					**-49,043**

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Balance Sheet

As at 31 March 2022 £'000		Notes	As at 31 March 2023 £'000	£'000
	Long Term Assets			
88,400	Property, Plant and Equipment	23	108,798	
8,988	Investment Property	25	13,704	
0	Surplus Assets		0	
146	Heritage Assets		146	
0	Intangible Assets	26	0	
511	Long Term Investments	34	511	
11,618	Finance Lease Asset	29	5,432	
5,243	Long Term Debtors	29	5,223	
114,905	**Total Long Term Assets**			**133,814**
	Current Assets			
4,755	Debtors	30	8,274	
61	Stock		58	
15,347	Short Term Investments	33	20,682	
8,853	Cash and Cash Equivalents	32	2,696	
29,016	**Total Current Assets**			**31,709**
	Current Liabilities			
-9	Short Term Borrowing	34	-9	
-22,702	Short Term Creditors and Revenue Receipts in Advance	31	-13,378	
-1,103	Provisions	36	-434	
0	Short Term Finance Liability		0	
0	Short Term Capital Grants Receipts in Advance		-617	
-23,814	**Total Current Liabilities**			**-14,438**
	Long Term Liabilities			
0	Long Term Creditors and Revenue Receipts in Advance		0	
-8,000	Long Term Borrowing		-8,000	
-22,013	Pension Liability	19	5,895	
0	Long Term Finance Liability		-7,949	
0	Deferred Income		0	
-41	Long Term Capital Grants Receipts in Advance		-6	
-30,054	**Total Long Term Liabilities**			**-10,061**
90,052	**Net Assets (+) / Net Liabilities (-)**			**141,025**
	Financed from:			
28,961	**Usable Reserves**	37-41		**34,395**
61,091	**Unusable Reserves**	42-49		**106,630**
90,052	**Total Reserves**			**141,025**

Alison Scott, Director of Finance

Date: 31 October 2024

Cash Flow Statement

2021/22 £'000		Notes	2022/23 £'000
6,703	**Net (surplus) or deficit on the provision of services**		**-2,655**
-15,053	Adjust net surplus or deficit on the provision of services for non-cash movements	50	6,409
3,107	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	50	6,177
-5,243	Net cash flows from Operating Activities		**9,931**
-1,423	Investing activities	50	-2,569
5,258	Financing activities	50	-1,205
-1,408	Net increase (-) or decrease (+) in cash and cash equivalents		**6,157**
7,445	Cash and cash equivalents at the beginning of the reporting period		8,853
8,853	**Cash and cash equivalents at the end of the reporting period**		**2,696**

1. Expenditure and Funding Analysis

2021/22 Expenditure chargeable to the General Fund £'000	2021/22 Adjustments between funding and accounting basis £'000	2021/22 Net Expenditure in the Comprehensive Income and Expenditure Statement £'000		Notes	2022/23 Expenditure chargeable to the General Fund £'000	2022/23 Adjustments between funding and accounting basis £'000	2022/23 Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
1,375	384	1,759	Infrastructure Housing and Economic Development		1,585	552	2,137
4,785	2,794	7,579	Leisure, Environment and Communities		4,602	4,327	8,929
3,872	6,836	10,708	Policy and Resources		4,938	4,102	9,040
0	1,860	1,860	Other Corporate Costs		0	-2,617	-2,617
10,032	**11,874**	**21,907**	**Service Costs**		**11,126**	**6,364**	**17,489**
-10,186	-5,017	-15,203	Other Income and Expenditure not charged to services		-10,823	-9,321	-20,144
-153	**6,857**	**6,703**	**Surplus (-) or Deficit (+) on Provision of Services**		**303**	**-2,958**	**-2,655**
5,176			Opening General Fund Balance at 1 April		5,329		
153			Add surplus (+) or deficit (-) on the General Fund for the year		-303		
5,329			**Closing General Fund Balance at 31 March**		**5,026**		

2. Accounting Policies

2.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year end of 31 March 2023. The Council is required to prepare an annual Statement of Accounts by The Accounts and Audit (England) Regulations 2015, which require these 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 2022/23 (the Code). The Code prescribes guidance on the preparation of the Statement of Accounts, supported by International Financial Reporting Standards (IFRS) (and statutory guidance issued under section 12 of the 2003 Act). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Statement of Accounts has been prepared on a 'going concern' basis.

2.2 Accruals of Income and Expenditure

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

- revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council
- revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council
- supplies are recorded as expenditure when they are consumed — where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet
- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made
- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract
- Where revenue and expenditure have been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

2.3 Cash and Cash Equivalents

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

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

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

2.5 Charges to Revenue for Long Term Assets

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

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

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

2.6 Council Tax and Non-Domestic Rates

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

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the collection fund adjustment account and included as a reconciling item in the Movement in Reserves Statement. The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals. Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

2.7 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the MIRS so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

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

Post-Employment Benefits

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

The Local Government Pension Scheme

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

- the liabilities of Hertfordshire County Council Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees;
- liabilities are discounted to their value at current prices, using a discount rate of 3.6%-3.8% (based on the indicative rate of return on high quality corporate bonds); and
- the assets of Hertfordshire County Council (HCC) Pension Fund attributable to the Council are included in the Balance Sheet at their bid value as required by International Accounting Standard (IAS) 19. Full details of the assets held by the Fund are disclosed as part of the Pension scheme disclosure.

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

- current service cost — the increase in liabilities as a result of years of service earned this year — allocated in the CIES to the services for which the employees worked;
- past service cost — the increase in liabilities arising from current year decisions which relate to years of service earned in earlier years — debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non-Distributed Costs;
- interest cost — the expected increase in the present value of liabilities during the year as they move one year closer to being paid — debited to the Financing and Investment Income and Expenditure line in the CIES;
- expected return on assets — the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return credited to the Financing and Investment Income and Expenditure line in the CIES;
- gains or losses on settlements and curtailments — the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees — debited or credited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non-Distributed Costs
- actuarial gains and losses — changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions — credited to the Comprehensive income and expenditure - Other Comprehensive Income and Expenditure line and reversed through the Movement in Reserves to the Pensions Reserve; and
- contributions paid to the HCC pension fund — cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense in the CIES.

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

Discretionary Benefits

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

2.8 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

Financial Assets - Loans and Receivables

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

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

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

Expected Credit Loss Model

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

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

The Expected Credit Loss Model is not applied to debts related to Council Tax and Non Domestic Rates.

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

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices –the market price; and
- other instruments with fixed and determinable payments –discounted cash flow analysis.

2.9 Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the CIES until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the MIRS. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

2.10 Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset.

Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CIES.

An asset is tested for impairment whenever there is an indication that the asset might be impaired — any losses recognised are posted to the relevant service line(s) in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the MIRS and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

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

2.11 Inventories and Long Term Contracts

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

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

2.12 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services, for the provision of community benefit, for the purpose of economic development and regeneration, production of goods, or is held for sale.

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the MIRS and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

2.13 Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:-

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

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

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the MIRS.

Operating Leases

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

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment, or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

2.14 Overheads and Support Services

The costs of overheads and support services are not charged to those service segments that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2016/17 (SERCOP).

However, the costs of overheads and support services are accounted for as separate headings in the CIES.

2.15 Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the CIES, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account.

Where gains are credited to the CIES, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the MIRS.

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

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

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

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

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

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

When decreases in value are identified:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); or
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

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

Impairment

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

When impairment losses are identified:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains), or
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Deprecation is calculated on the following bases:-

- Buildings — straight-line allocation over the useful life of the asset as estimated by the valuer - up to 70 years;
- Vehicles — straight-line over the estimated life of the asset - up to 20 years;
- Plant, furniture and equipment — straight-line over the estimated life of the asset - up to 20 years;
- Infrastructure — straight-line over the estimated life of the asset - up to 25 years; and
- Finance leases — over the life on the underlying asset or over the life of the lease where there is no option to acquire the asset at the end of the lease.

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

Depreciation commences in the year following acquisition.

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

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

Disposals of Non-current Assets

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

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

Construction Contracts

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

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

2.16 Heritage Assets

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

The Heritage Assets are relatively static and acquisitions, donations and disposals are rare. Where acquisitions do occur, they are initially recognised at cost and donations are recognised at valuation ascertained by insurance officers, museum curators or external valuers. Proceeds from the disposal of Heritage Assets are accounted for in accordance with the Council's general policies relating to the disposals of property, plant and equipment. The Council has a rolling programme of major repair and restoration of its heritage assets and therefore the assets are deemed to have indefinite lives and the Council does not consider it necessary to charge depreciation.

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

2.17 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

The level of provisions is reviewed annually by the Council.

Contingent Liabilities

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

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

Contingent Assets

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

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

2.18 Reserves

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

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

2.19 Revenue Expenditure Funded from Capital under Statute

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

2.20 Value Added Tax (VAT)

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

2.21 Jointly Controlled Operations and Jointly Controlled Assets

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

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

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

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

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

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

2.22 Single Entity Financial Statements

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

2.23 Group Accounts are the financial statements of an entity together with:-

- its subsidiary undertakings,
- its investments in associates, and
- its interests in joint ventures (jointly controlled entities); presented as a single economic entity.

Subsidiary undertakings are accounted for in accordance with the implementation of IAS27 (International Accounting Standard 27) in the 2019/20 Code. The 2019/20 Code requires consolidation of subsidiaries. Consolidation is a method of accounting whereby an entity combines the financial statements of the parent and its subsidiaries line by line by adding together like items of assets, liabilities, reserves, income and expenses. In order that the consolidated financial statements present financial information about the group as that of a single economic entity, the following steps are then taken:-

- the carrying amount of the parent's investment in each subsidiary and the parent's portion of reserves of each subsidiary are eliminated;
- any non-controlling interest is identified and separately disclosed;
- intragroup balances and transactions, including income, expenses and dividends, are eliminated in full.

Investments in associates are accounted for in accordance with the implementation of IAS28 in the Code. The Code requires the consolidation of an entity's interest in associates. Joint ventures are accounted for in accordance with the implementation of IFRS 11 in the Code. The Code requires use of the "equity method" of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post acquisition change in the investor's share of the net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

Turnover (for Group Accounts)

Turnover in respect of property development is recognised on unconditional exchange of contracts on disposals of finished developments.

Where construction of pre-sold developments is under-taken, the revenue and profits are recognised in accordance with IFRIC 15. Revenue is determined by independently certified milestones.

Taxation (for Group Accounts)

Taxation on all profits is solely the personal liability of individual members. Consequently, neither taxation nor related deferred taxation arising in respect of Three Rivers Homes LLP or Three Rivers Homes Ltd are accounted for in these financial statements.

Subscription and Repayment of Members' Capital (for Group Accounts)

The capital requirements of the LLP are reviewed from time to time by the Board and further capital contributions may be made at the discretion of the members. No interest is charged on capital except pursuant to a dissolution, no capital can be withdrawn by a member unless agreed by all members.

Allocation of Profits and Drawings (for Group Accounts)

The allocation of profits to those who were members during the financial period occurs following the finalisation of the annual financial statements.

The allocation of profits between members is determined by entitlements outlined in the Members' Agreement and is dependent on certain profit criteria being achieved. In accordance with the SORP as a consequence of the LLPs profits being automatically divided in line with the entitlements outlined in the Members' Agreement these profits are treated as an expense in the profit and loss account.

Work in progress (for Group Accounts)

Development land and work in progress is included at cost less any losses foreseen in completing and disposing of the development less any amounts received or receivable as progress payments or part disposals. Where a property is being developed, cost includes cost of acquisition and development to date, including directly attributable fees, expenses and finance charges net of rental or other income attributable to the development. Where development property is not being actively developed, net rental income and finance costs are taken to the profit and loss account.

2.24 Fair Value

The Council measures some of its non-financial assets, such as surplus assets and investment properties, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

3. Accounting Standards that have been issued but not yet adopted

Paragraph 3.3.4.3 of the Code of Practice requires that the Council discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2023 for 2022/23).

The standards introduced by the 2022/23 Code where disclosures are required in the 2022/23 financial statements, in accordance with the requirements of paragraph 3.3.4.3 of the Code, are:

- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

In compiling the 2022/23 accounts there are no material effects in relation to these standards.

4. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 2, the Council has to make certain judgements about complex transactions or those involving uncertainty about future events.

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

a) Estimates for accrued expenditure/income - based on service managers' and accountants' calculations at year end.

b) Bad debt provision - based on historic trends and adjusted for any material movements during 2022/23.

c) Asset lives for the calculation of depreciation charges - based on service managers' experience of previously used assets.

d) The Council has also placed reliance on technical estimates supplied by third parties for the following:

- Property valuations made by the Avison Young
- Pension valuations supplied by Hymans Robertson - Actuary engaged by Hertfordshire County Council.

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

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

5. Prior Period Adjustments

There are no prior period adjustments for 2022/23.

6. Events after the Balance Sheet date

There are no known events that would have material impact on the Council's position as at 31 March 2023. The draft Statement of Accounts was authorised for reissue by the Section 151 Officer on 31 October 2024.

Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. Assumptions Made About the Future and Other Major Sources of Uncertainty

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

The Items in the Council's Balance Sheet at 31 March 2023 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Impact
Property, Plant and Equipment (PPE)	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to the individual assets. The current economic climate makes it possible that the Council will be unable to sustain its current spending on repairs and maintenance, bringing in to doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
Investment Properties	Due to the effects of Covid-19 on the property market the Council's valuer Avison Young have provided valuations reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, they advise that less certainty and a higher degree of caution should be attached to the valuation than would normally be the case.	The impact of different valuations would have an impact on the value of non-current assets and reserves on the Balance Sheet changing both by the same amount.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to: the discount rate used; the rate at which salaries are projected to increase; changes in the retirement ages; mortality rates; and expected returns on pension assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The value of pension assets is based upon information available at the Balance Sheet date, but these valuations may be earlier that the Balance Sheet date. The actual valuations at the Balance Sheet date, which may not be available until sometime later, may give a different value of pension assets, but this is not generally considered to be material.	The effects on the closing defined benefit obligation of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in an increase in the closing defined benefit obligation of £1.613m. A 1 year increase in life expectancy assumptions would increase the closing defined benefit obligation by 4%.

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

8. Adjustments in the Expenditure and Funding Analysis

2021/22 Adjustments for Capital Purposes (Note A) £'000	Net Charge for the Pensions Adjustments (Note B) £'000	Other Differences (Note C) £'000	Total Adjustments £'000		2022/23 Adjustments for Capital Purposes (Note A) £'000	Net Charge for the Pensions Adjustments (Note B) £'000	Other Differences (Note C) £'000	Total Adjustments £'000
-398	450	333	384	Infrastructure Housing and Economic Development	522	422	-391	552
993	1,195	605	2,794	Leisure, Environment and Communities	1,615	1,232	1,480	4,327
299	1,534	5,003	6,836	Policy and Resources	2,045	1,390	667	4,102
0	0	1,860	1,860	Other Corporate Costs	0	0	-2,617	-2,617
894	**3,180**	**7,801**	**11,874**	**Service Costs**	**4,181**	**3,044**	**-862**	**6,364**
-1,375	336	-3,979	-5,017	**Other Income and expenditure not charged to services**	-6,388	284	-3,217	-9,321
-481	**3,516**	**3,822**	**6,857**	**Surplus (-) or Deficit (+)**	**-2,207**	**3,328**	**-4,079**	**-2,958**

9. Adjustments between accounting basis and funding basis under regulations

2021/22 General Fund Balance £'000	2021/22 Capital Receipts Unapplied £'000	2021/22 Capital Grants & Contbns Unapplied £'000	2021/22 Unusable Reserves £'000		2022/23 General Fund Balance £'000	2022/23 Capital Receipts Unapplied £'000	2022/23 Capital Grants & Contbns Unapplied £'000	2022/23 Unusable Reserves £'000
				Adjustments to Revenue Resources				
3,516	0	0	-3,516	Pension Costs transferred to (or from) the Pensions Reserve	3,328	0	0	-3,328
0	0	0	0	Financial instruments transferred to the Financial Instrument Adjustment Account	0	0	0	0
6	0	0	-6	Gain or Loss on the valuation of pooled investment funds	-50	0	0	50
-2,211	0	0	2,211	Council Tax and Business Rates transferred to the Collection Fund Adjustment Account	-2,155	0	0	2,155
-64	0	0	64	Holiday pay transferred to the Accumulated Balances Account	-77	0	0	77
4,865	0	0	-4,865	Reversal of entries included in the Surplus of Deficit on the Provision of Services in relation to capital expenditure to the Capital Adjustment Account	6,533	0	0	-6,533
				Adjustments between Revenue and Capital Resources				
-705	705	0	0	Transfer of non-current asset sale proceeds to the Capital Receipts Unapplied Reserve	-2,078	2,078	0	0
0	-6,787	0	6,787	Useable Capital Receipts applied to finance capital expenditure	0	-6,670	0	6,670
-168	0	0	168	Statutory provision for the repayment of debt transferred to the Capital Adjustment Account	-188	0	0	188
-2,136	0	0	2,136	Capital expenditure financed from revenue balances transferred to the Capital Adjustment Account	-2,360	0	0	2,360
0	0	-597	597	Capital grants and contributions applied	0	0	-1,806	1,806
24	0	-24	0	Capital grants and contributions released to revenue	20	0	-20	0
-2,468	0	2,468	0	Capital gains and contributions receivable not applied to finance capital expenditure	-4,135	0	4,135	0
				Adjustments to Capital Resources				
0	6,079	0	-6,079	Release of Deferred Capital Receipt to Capital Receipt Reserve	0	6,223	0	-6,223
659	**-3**	**1,847**	**-2,503**	**Total**	**-1,162**	**1,631**	**2,309**	**-2,778**

10. Analysis of Income and Expenditure by Nature

2021/22 £'000	Income and Expenditure	2022/23 £'000
-11,719	Fees, charges and other service income	-13,634
-24,662	Government grants and contributions	-32,537
-926	Interest and investment income	-1,122
-10,560	Income from council tax and non-domestic rates	-10,653
0	Proceeds from the disposal of non-current assets	0
-47,868	**Total Income**	**-57,946**
18,115	Employee benefits expenses	18,905
33,851	Other service expenses	32,015
2,323	Depreciation, amortisation, impairments and revaluations	4,842
277	Interest payable and similar charges	812
591	Net interest expense on the pension defined liability	630
-586	Costs from the disposal of non-current assets	-1,914
54,571	**Total Expenditure**	**55,291**
6,703	**Surplus (-) or Deficit (+) on the Provision of Services**	**-2,655**

2021/22 £'000	Fees and Charges by Committee	2022/23 £'000
-1,768	Infrastructure Housing and Economic Development	-2,369
-3,815	Leisure, Environment and Communities	-4,628
-6,137	Policy and Resources	-6,636
-11,719	**Total Fees and Charges**	**-13,634**

11. Other Operating Expenditure

Other Operating Expenditure	2021/22 £'000	2022/23 £'000
Capital Receipts	-705	-2,078
Disposal costs charged against capital receipts	0	0
Net Capital Receipts	-705	-2,078
Other Receipts	0	0
Total Receipts	-705	-2,078
Carrying value of non-current assets derecognised	119	164
Disposal costs charged to the General Fund	0	0
Total Disposal costs	119	164
Other Operating Expenditure	**-586**	**-1,914**
Adjustments between accounting basis and funding basis	586	1,914
Net Charge to the General Fund	**0**	**0**

12. Financing and Investment Income and Expenditure

Financing and Investment Income and Expenditure	2021/22 £'000	2022/23 £'000
Interest payable and similar charges	271	812
Gain or Loss on the valuation of pooled investment funds	6	-50
Interest receivable and similar income	-876	-1,014
Income and Expenditure in relation to investment properties	-667	1,324
Change in fair value of investment properties	1,548	93
Net pensions interest expense	591	630
Dividends	-50	-58
Financing and Investment Income and Expenditure	**822**	**1,738**
Adjustments between accounting basis and funding basis	-2,144	-673
Net Charge to the General Fund	**-1,322**	**1,065**

13. Taxation and Non Specific Grant Income

Taxation & Non Specific Grant Income	2021/22 £'000	2022/23 £'000
Council Tax Income	-9,262	-9,567
Non Domestic Rates	-1,298	-1,086
Non Ringfenced Government Grants	-2,519	-5,181
Capital Grants and Contributions	-2,360	-4,135
Total	**-15,439**	**-19,969**

14. Members Allowances

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

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

Members' Allowances	2021/22 £'000	2022/23 £'000
Allowances	276	275
Expenses (Travel & Subsistence)	2	3
Total	**278**	**278**

15. Audit Fee

Audit and Inspection Fees	2021/22 £'000	2022/23 £'000
Code of Practice Audit Work	35	35
Other Fees for Prior Years	0	0
Fees payable for other services provided during the year	0	0
Total	**35**	**35**

16. Senior Officer Remuneration

Table 16a:

Band £	Number of Employees 2021/22	2022/23
50,000-54,999	10	6
55,000-59,999	7	15
60,000-64,999	8	5
65,000-69,999	0	2
70,000-74,999	2	4
75,000-79,999	4	3
80,000-84,999	1	0
85,000-89,999	2	1
90,000-94,999	1	2
95,000-99,999	1	0
100,000-104,999	1	1
110,000-114,999	1	1
115,000-119,999	1	1
130,000-134,999	1	0
135,000-139,999	0	1
160,000-164,999	0	1
220,000-224,999	0	1
Total	**40**	**44**

The Council is required to disclose the number of employees in the accounting period whose remuneration was £50,000 or more, grouped in bands of £5,000.

For completeness, the Council has included the senior officers' remuneration (excluding pensions), disclosed in table 16b.

The Director of Finance is the statutory Chief Finance Officer (S151) and is a shared post with Watford Borough Council and is recharged to Watford Borough Council on a 50:50 basis. Three Rivers District Council is the lead authority for the arrangement and as such the full cost is shown in the Three Rivers District Council accounts.

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

Table 16b:

2022/23 Post Holder Information	Salary (Including Fees & Allowances) £	Employers Pension Contribution £	Contributions to (+) from (-) Watford Borough Council	Cost to Three Rivers District Council £
Chief Executive	137,179	26,115		**163,294**
Deputy Chief Executive (left March 2023)**	104,658	18,812		**123,469**
Section 151 Officer*	93,209	16,739	-61,164	**48,784**
Executive Head of Services	75,021	10,181		**85,202**
Solicitor to the Council (April 2022)	9,512	323		**9,835**
Solicitor to the Council (April 2022 - March 2023) - Agency Staff	160,427	0		**160,427**
Head of Electoral Services - Agency Staff	222,588	0		**222,588**
Executive Head of HR and Organisational Development (April 2022 - July 2022)*	0	0	7,525	**7,525**
Executive Group Head of HR (August 2022 - March 2023)*	0	0	34,421	**34,421**
Total	**802,594**	**72,170**	**-19,218**	**855,546**

* Shared Service Staff

** Role not replaced

2021/22 Post Holder Information	Salary (Including Fees & Allowances) £	Employers Pension Contribution £	Cost to Three Rivers District Council £
Chief Executive - Joanne Wagstaffe	133,429	25,969	**159,398**
Deputy Chief Executive	104,906	18,867	**123,773**
Director of Finance (Section 151 Officer)	88,451	15,873	**104,324**
Solicitor to the Council (Monitoring Officer)	76,924	14,000	**90,924**
Total	**403,710**	**74,710**	**478,419**

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17. Exit Packages

Exit packages	2021/22 Compulsory		Other		Total		2022/23 Compulsory		Other		Total	
Band (£)	No.	£'000	No.	£'000	No.	£'000	No.	£'000	No.	£'000	No.	£'000
0 - 19,999	0	0	2	27	**2**	**27**	0	0	1	20	**1**	**20**
20,000 - 39,999	0	0	0	0	**0**	**0**	0	0	1	21	**1**	**21**
Total	**0**	**0**	**2**	**27**	**2**	**27**	**0**	**0**	**2**	**41**	**2**	**41**
Add new provisions created						**0**						**0**
Less amounts provided for in previous year						**0**						**0**
Add unused amount of previous year's provision						**0**						**0**
Adjust for differences between payments and accruals						**21**						**-21**
Total cost of exit packages in the Comprehensive Income and Expenditure Statement						**48**						**20**

18. Grants

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022/23:

Grant issuing body	Credited to Taxation and Non Specific Grant Income	2021/22 £'000	2022/23 £'000	Credited to Services	2021/22 £'000	2022/23 £'000
Department for Levelling Up, Housing and Communities	Business Rate - Section 31 Grant	-2,120	2,741	Local Council Tax Scheme Admin Grant	78	73
	Lower Tier Support Grant	122	91	Homelessness	375	551
	New Homes Bonus	191	220	Shared Prosperity Fund	0	90
	Services Grant	0	138	New Burdens Funding	0	35
	COVID 19 Business Rate Reliefs Grant	3,034	2,006			
	Taxation Income Guarantee Scheme	210	0			
	Council Tax Hardship Fund	0	0			
	Council Tax Support	119	0			
	COVID-19 Income Guarantee Scheme	534	-47			
	COVID-19 Emergency Funding	390	0			
Department for Business, Energy & Industrial Strategy				Council Tax Rebate Grant – Discretionary	0	137
				Additional Restrictions Grant	893	0
				Green Homes Grant	384	1,373
				Decarbonisation Fund	0	808
				New Burdens Funding	297	12
				Welcome Back Fund	0	90
				Other COVID-19 Grants	523	0
Department for Work and Pensions				Housing Benefit Grant	14,146	13,474
				Rent Rebate Subsidy	393	468
				Benefit Admin Grant	179	202
Various	Other Revenue Grants	39	31	Other Revenue Grants	725	540
Various	Capital Grants	1,624	3,502	Capital Grants	0	0
Various	Developer Contributions	736	633			
All Grants	**Total**	**4,879**	**9,315**	**Total**	**17,994**	**17,855**

19. Defined Benefit Pension Scheme

Participation in Pension Scheme

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

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

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

Transactions relating to Retirement Benefits

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

Pension Fund Comprehensive Income and Expenditure Statement	Local Government Pension Scheme 2021/22 £'000	2022/23 £'000
Cost of Services		
Current Service Cost	4,939	4,832
Past Service Costs	0	106
(Gain) / Loss from settlements	0	0
Administration Expenses	0	0
Financing and Investment Income & Expenditure		
Net Interest Expense	591	630
Surplus / Deficit on the Provision of Services	**5,530**	**5,568**
Other Comprehensive Income and Expenditure		
Return on plan assets	2,518	-10,197
Actuarial gains (-) and losses (+) from demographic assumptions	1,312	887
Actuarial gains (-) and losses (+) from financial assumptions	8,115	48,299
Experience gains (-) and losses (+)	-1,128	-7,753
Other acturial gains (-) and losses (+)	-1,207	0
Total retirement benefits charged to the Comprehensive Income and Expenditure Statement	**15,140**	**36,804**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus/Deficit on the Provision of Services for retireemnt benefits in accordance with the code	-3,516	-3,328
Actual amount charged against the General Fund Balance for pensions in the year	**2,014**	**2,240**

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

Pension Liability	2021/22 £'000	2022/23 £'000
Present value of the defined benefit pension obligation	-131,229	-95,493
Fair value of the plan assets	109,216	101,388
Total Net Liabilities	**-22,013**	**5,895**

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

Assets at Fair Value	Local Government Pension Scheme 2021/22 £'000	2022/23 £'000
Opening Balance at 1 April	**106,489**	**109,216**
Interest Income	2,121	2,939
Return on plan assets	2,518	-10,197
Other actuarial gains and losses	-1,207	0
Employer Contributions	2,014	2,240
Contributions by scheme participants	671	720
Benefits Paid	-3,390	-3,530
Settlements received / (paid)	0	0
Closing balance at 31 March	**109,216**	**101,388**

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

Liabilities	Local Government Pension Scheme 2021/22 £'000	2022/23 £'000
Opening Balance at 1 April	**-134,596**	**-131,229**
Current Service Cost	-4,939	-4,832
Interest Expense	-2,712	-3,569
Contributions by scheme participants	-671	-720
Acturial gains and losses - demographic assumptions	1,312	887
Acturial gains and losses - financial assumptions	8,115	48,299
Experience gains and losses	-1,128	-7,753
Other actuarial gains and losses	0	0
Benefits Paid	3,390	3,530
Past Service Costs	0	-106
(Gain) / Loss from settlements	0	0
Closing balance at 31 March	**-131,229**	**-95,493**

Local Government Pension Scheme assets comprised:

Assets	As at 31 March 2022 £'000	As at 31 March 2022 £'000	%	As at 31 March 2023 £'000	As at 31 March 2023 £'000	%
Equities						
Consumer	1,557			1,559		
Manufacturing	517			855		
Energy and Utilities	0			0		
Financial Institutions	600			582		
Health and Care	944			849		
Information and Technology	1,987			1,881		
Other	0			0		
		5,604	5%		5,726	6%
Debt Securities						
UK Government	8,013			4,230		
Other	2,865			2,722		
		10,879	10%		6,952	7%
Property						
UK Property	8,479			7,499		
Overseas Property	6,514			5,794		
		14,993	14%		13,293	13%
Derivatives (quoted in an active market)						
Foreign exchange	-57			149		
		-57	0%		149	0%
Cash and cash equivalents						
Cash	6,391			6,814		
		6,391	6%		6,814	7%
Private Equity						
All	7,981			8,978		
		7,981	7%		8,978	9%
Investment Funds and Unit Trusts						
Equities	40,144			38,205		
Infrastructure	67			117		
Bonds	16,202			14,208		
Other	7,417			6,948		
		63,830	58%		59,478	59%
Total		**109,620**	**100%**		**101,390**	**100%**

Basis for Estimating Assets and Liabilities

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

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

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2021/22	2022/23
Longevity Assumptions:		
Men:		
Longevity from 65 (currently aged 65) (yrs)	22.1	21.7
Longevity from 65 (currently aged 45) (yrs)	22.9	22.3
Women:		
Longevity from 65 (currently aged 65) (yrs)	24.7	24.4
Longevity from 65 (currently aged 45) (yrs)	26.1	25.9
Financial Assumptions:		
Consumer Price Index (CPI) increases	3.20%	2.85%
Rate of increases in salaries	3.70%	3.45%
Rate of increases in pensions and deferred pensions	3.20%	2.95%
Rate for discounting scheme liabilities	2.70%	4.75%

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

Impact on the Defined Benefit Obligation in the Scheme

	Local Government Pension Scheme (funded)	
	Approximate % increase to Employer Liability	Approximate monetary amount (£'000)
0.1% decrease in Real Discount Rate	2%	1,613
0.1% increase in Pension Increase Rate	2%	1,491
0.1% increase in Salary Increase Rate	0%	147
1 year increase in member life expectancy	4%	3,820

Information about the Defined benefit obligation

Funding levels are monitored on an annual basis, and the latest triennial review is based on 31 March 2019 data. The fund liability may go up or down based on this review, and a sensitivity analysis is set out within this note under "impact on the defined benefit obligation in the scheme". The total value of contributions expected to be made by the Council in 2023/24 is £2.053m.

20. Joint Operations

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

21. Partnership Working

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

The table below shows the net expenditure of the 5 shared services (4 when Tax and Benefits are considered as one) and the charge to each authority of which Three Rivers District Council's share was £2.815m in 2022/23 (£2.912m 2021/22).

2021/22 Total Cost £'000		2022/23 Provided by TRDC £'000	Provided by WBC £'000	Total Shared Services £'000
	Services			
1,841	Local Tax Collection	1,712		**1,712**
1,732	Housing Benefits	1,728		**1,728**
1,532	Finance	1,458		**1,458**
784	Human Resources		814	**814**
1,395	ICT		1,433	**1,433**
7,284	**Total Expenditure**	**4,899**	**2,247**	**7,146**
2,912	**Paid by Three Rivers District Council**	**1,996**	**819**	**2,815**
4,372	**Paid by Watford Borough Council**	**2,903**	**1,428**	**4,331**

22. Related Parties

The authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the authority.

Central Government

Central government has significant influence over the general operations of the authority – it is responsible for providing the statutory framework within which the authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the authority has with other parties (eg council tax bills, housing benefits).

Senior Officers

No Senior Officers have had material transactions with a third party.

Elected Members

No Elected Members have had material transactions with a third party.

Entities controlled or significantly influenced by the authority

Three Rivers Commercial Services is a wholly owned subsidiary of the Council. This entity holds a 50% share of Three Rivers Housing Developments LLP.

The Chief Executive and Director of Finance are both Directors for Three Rivers Commercial Services Ltd. The Chief Executive of the Council is a Director for Three Rivers Housing Developments LLP.

The Council owns a 50% share of Three Rivers Homes Limited. The Chief Executive and Director of Finance are both directors for Three Rivers Homes Limited.

The Director of Finance is a director for Broste Rivers Group, in which the council has a 12.5% stake.

The Chief Executive is the Honorary Treasurer for West Herts Crematorium. An Agreement existing between neighbouring authorities (Hertsmere, St Albans, Dacorum, Three Rivers & Watford) to constitute a Joint Committee under the Local Government Act 2000. In 2022/23, Three Rivers received a contribution of £50,000 (2021/22 £50,000).

Key Management – Agency Staff

The role of Solicitor to the Council was filled on an interim basis by an agency worker. Fees of £160,427 were paid to the agency for their services during 2022/23.

The role of Head of Electoral Services was filled on an interim basis by an agency worker. Fees of £222,588 were paid to the agency for their services during 2022/23

23. Movement in the value of Property, Plant and Equipment

2022/23	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property Plant & Equipment £'000
Cost or valuation as at 1 April	**83,246**	**9,690**	**586**	**1,424**	**0**	**2,361**	**97,307**
Additions	596	4,086	0	0	0	454	5,137
Donation	0	0	0	0	0	0	0
Revaluation increases (decreases) recognised in the Revaluation Reserve	15,210	0	0	0	0	0	15,210
Revaluation increases (decreases) recognised in the Surplus / Deficit on the Provision of Services	-1,897	-192	0	0	0	0	-2,089
Derecognition - disposals	-166	-466	0	0	0	0	-632
Derecognition - other	0	0	0	0	0	0	0
Assets reclassified	3,141	0	0	0	0	0	3,141
Other movements in cost or valuation	0	0	0	0	0	0	0
Cost or valuation as at 31 March	**100,130**	**13,119**	**586**	**1,424**	**0**	**2,815**	**118,074**
Depreciation and Impairment as at 1 April	**-3,474**	**-5,112**	**-321**	**0**	**0**	**0**	**-8,907**
Depreciation charge	-1,427	-1,207	-74	0	0	0	-2,707
Depreciation and impairment written out to the Revaluation Reserve	1,871	0	0	0	0	0	1,871
Depreciation and impairment written out to the Surplus / Deficit on Provision of Services	0	0	0	0	0	0	0
Impairment losses / (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Impairment losses / (reversals) recognised in the Surplus / Deficit on Provision of Services	0	0	0	0	0	0	0
Derecognition - disposals	2	466	0	0	0	0	468
Derecognition - other	0	0	0	0	0	0	0
Assets reclassified	0	0	0	0	0	0	0
Other movements in depreciation and impairment	0	0	0	0	0	0	0
Depreciation and impairment as at 31 March	**-3,028**	**-5,853**	**-395**	**0**	**0**	**0**	**-9,276**
Net book Value at 31 March 2022	**79,772**	**4,578**	**264**	**1,424**	**0**	**2,361**	**88,400**
Net book Value at 31 March 2023	**97,103**	**7,266**	**190**	**1,424**	**0**	**2,815**	**108,798**

2021/22	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property Plant & Equipment £'000
Cost or valuation as at 1 April	**61,319**	**10,532**	**850**	**1,424**	**0**	**9,870**	**83,995**
Additions	564	734	41	0	0	1,345	2,685
Donation	0	0	0	0	0	0	0
Revaluation increases (decreases) recognised in the Revaluation Reserve	12,450	0	0	0	0	0	12,450
Revaluation increases (decreases) recognised in the Surplus / Deficit on the Provision of Services	172	-106	0	0	0	0	65
Derecognition - disposals	-114	-38	0	0	0	0	-152
Derecognition - other	0	-1,431	-306	0	0	0	-1,737
Assets reclassified	8,854	0	0	0	0	-8,854	0
Other movements in cost or valuation	0	0	0	0	0	0	0
Cost or valuation as at 31 March	**83,246**	**9,690**	**586**	**1,424**	**0**	**2,361**	**97,307**
Depreciation and Impairment as at 1 April	**-2,557**	**-5,369**	**-565**	**0**	**0**	**0**	**-13,684**
Depreciation charge	-1,062	-1,207	-62	0	0	0	-2,331
Depreciation and impairment written out to the Revaluation Reserve	145	0	0	0	0	0	145
Depreciation and impairment written out to the Surplus / Deficit on Provision of Services	0	0	0	0	0	0	0
Impairment losses / (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Impairment losses / (reversals) recognised in the Surplus / Deficit on Provision of Services	0	0	0	0	0	0	0
Derecognition - disposals	0	33	0	0	0	0	33
Derecognition - other	0	1,431	306	0	0	0	1,737
Assets reclassified	0	0	0	0	0	0	0
Other movements in depreciation and impairment	0	0	0	0	0	0	0
Depreciation and impairment as at 31 March	**-3,474**	**-5,112**	**-321**	**0**	**0**	**0**	**-8,907**
Net book Value at 31 March 2011	**58,762**	**5,163**	**285**	**1,424**	**0**	**9,870**	**75,504**
Net book Value at 31 March 2022	**79,772**	**4,578**	**264**	**1,424**	**0**	**2,361**	**88,400**

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Wilks, Head & Eve LLP undertook valuations on behalf of the Council in 2019/20 in relation to Operational and Investment Properties and the basis of valuations is in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. All assets have been valued individually, with the final statements of account reconciled to the valuation certificates. The basis of valuing individual classes of assets owned by the Council is detailed in the Statement of Accounting Policies at Note 1.

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

Information about Depreciation Methodologies

Depreciation has been provided for all assets with a finite useful life. The basis for depreciating assets is detailed in the Statement of Accounting Policies (Note 2.15). Depreciation commences in the year following acquisition. Freehold land, Investment Properties, Assets under construction, Surplus Assets and Heritage Assets are not depreciated.

24. Movement in the value of Heritage Assets

The Council's Heritage Assets are reported in the Balance Sheet at insurance valuations which are based on market values. These insurance values are reviewed and updated as part of the rolling 5 year programme. The Council has a rolling programme of repair and restoration of its heritage assets and regularly reviews the conditions of its assets. The Council keeps a register of all its Heritage Assets and records the nature, condition and location of each asset.

2021/22		2022/23			
Total £'000		Musical Instrument £'000	Works of Art £'000	Civic Regalia £'000	Total £'000
146	Valuation at 1 April	90	41	15	**146**
0	Revaluation increases / decreases recognised in year	0	0	0	**0**
146	**Valuation at 31 March**	**90**	**41**	**15**	**146**

25. Movement in the value of Investment Properties

Investment Properties	2021/22 £'000	2022/23 £'000
Opening Balance at 1 April	**10,495**	**8,988**
Additions	40	7,950
Derecognition	0	0
Net gain (+) / losses from fair value adjustments	-1,548	-93
Assets reclassified to / from Investment Properties	0	-3,141
Other changes	0	0
Closing balance at 31 March	**8,988**	**13,704**

Fair Value Hierarchy

All the Council's investment property portfolio has been assessed as Level 2 for valuation purposes.

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

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

There were no changes the valuation techniques used during the year for Investment Properties and Surplus Assets.

Highest and Best Use of Investment Properties

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.

Valuers

The investment property portfolio has been valued at 31 March 2023 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors. The assets were valued by Avison Young, as the Council's valuing agents.

26. Movement in the value of Intangible Assets

	2021/22 £'000	2022/23 £'000
Expenditure on Software Licences	58	46
Written out in year of acquisition	-58	-46
Net Book Value at 31 March	**0**	**0**

27. Capital Expenditure, Financing and Commitments

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

Capital Financing	2021/22 £'000	2022/23 £'000
Capital Financing Requirement as at 1 April	**43,321**	**29,270**
Capital Investment:		
Property, Plant and Equipment	1,298	4,682
Assets under construction	1,345	454
Infrastructure Assets	41	0
Intangible Assets	58	46
Revenue Expenditure Funded from Capital Under Statute	875	1,434
Surplus Assets	0	0
Investment Properties	40	7,950
Long Term Debtors	0	0
	3,657	14,566
Sources of Finance:		
Capital receipts	-6,787	-6,670
Government Grants and Other Contributions (including S106)	-597	-1,806
Capital Expenditure funded from the Revenue Account	-2,136	-2,360
Repayment of loans treated as capital receipts	-8,020	-20
Minimum Revenue Provision	-168	-188
	-17,708	-11,044
Increase (+) / decrease (-) in Capital Financing Requirement	**-14,051**	**3,522**
Capital Financing Requirement at 31 March	**29,270**	**32,792**

28. Leases

Authority as Lessee

The Council has acquired a hotel and hospitality units in Wimbledon under a Finance Lease. This asset is carried as an Investment Property in the balance sheet at the following amounts:

Council as Lessee - Carrying Amounts of Asset	2021/22 £'000	2022/23 £'000
27 - 30 Hartfield Road, SW19 3SG	0	7,950
Total	**0**	**7,950**

The Council is committed to making minimum payments under this lease comprising settlement of the lon-term liability for the interest in the property acquired by the Council and finance costs that will be payable bu the authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

Council as Lessee - Finance Lease Liabilities	2021/22 £'000	2022/23 £'000
Current	0	0
Non-Current	0	7,949
Future Years Finance Costs	0	63,930
Total commitments	**0**	**71,879**

The minimum lease payments will be payable over the following periods:

Council as Lessee - Minimum Lease Payments	2021/22		2022/23	
	Finance Lease Liability £'000	Minimum Lease Payments £'000	Finance Lease Liability £'000	Minimum Lease Payments £'000
Within 1 year	-	-	0	1,450
Within 2nd - 5th years	-	-	2	5,800
6th year and beyond	-	-	7,947	64,630
Total commitments	**-**	**-**	**7,949**	**71,880**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. Continent rents were nil in 2022/23.

Finance Leases – The Council as a Lessor

As part of the South Oxhey Initiative regeneration scheme, the Council has granted long-term leases of 250 years from the lease date to Countryside Properties. The authority has a gross investment in the lease made up of the minimum lease payments expected to be received over the remaining term. There is no residual value anticipated for the properties when the leases come to an end. The Council received Lease Premiums from the lessee and will receive ground rent over the life of the lease.

The Premiums received for the leases makes up substantially all of the value of the interest in the property, with the value of the ground rents receivable being immaterial for recognition. Consequently, the Council has chosen to make a limited disclosure in this area as there is no lease debtor to recognise.

Operating Leases – The council as Lessor

The Council leases out property under operating leases for the following purposes:

- For the provision of community services, such as sports facilities and community centres
- For economic development purposes to provide suitable accommodation for local businesses

The future minimum leases payments receivable are:

Council as Lessor - Operational	2021/22 Land and buildings £'000	Total £'000	2022/23 Land and buildings £'000	Total £'000
Future Minimum leases payments receivable:				
Within 1 year	1,053	**1,053**	3,040	**3,040**
Within 2nd - 5th years	3,817	**3,817**	11,838	**11,838**
6th year and beyond	10,395	**10,395**	44,904	**44,904**
Total:	15,265	**15,265**	59,782	**59,782**

29. Long Term Debtors

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

	At 31 March 2022 £'000	At 31 March 2023 £'000
Charges to Registered Properties	16	16
Loan - Grapevine	4,185	4,185
Loan - Bury Lake Young Mariners Base	935	915
Loan - Puckeridge	0	0
Loan - Thrive Homes	0	0
Building Control	107	107
Finance Lease Receivables	11,618	5,432
Total	**16,860**	**10,655**

30. Short-Term Debtors

	At 31 March 2022 £'000	At 31 March 2023 £'000
Government Departments	429	560
Other Local Authorities	585	1,317
Health Authorities	0	0
Payments in Advance	493	3,982
Bodies external to general government (i.e. all other bodies)	5,665	4,778
	7,173	**10,637**
Less Impairment Allowance Account	-2,418	-2,364
Total	**4,755**	**8,274**

31. Creditors

	At 31 March 2022 £'000	At 31 March 2023 £'000
Receipts in Advance		
Government Departments	-6,008	-3,116
Other Local Authorities	0	0
Health Authorities	0	0
Other Entities & Individuals	-8,089	-3,130
	-14,097	**-6,246**
Creditors		
Government Departments	-4,226	-3,182
Other Local Authorities	-1,748	-3,531
Health Authorities	0	0
Other Entities & Individuals	-2,631	-418
	-8,605	**-7,132**
Short Term Creditors and RIA	**-22,702**	**-13,378**
Long Term Receipts in Advance	**0**	**0**
Total	**-22,702**	**-13,378**

32. Cash and Cash Equivalents

	As at 31 March 2022 £'000	As at 31 March 2023 £'000
Cash at bank and in hand(+)/Overdrawn (-)	8,853	2,696
Total	**8,853**	**2,696**

33. Short Term Investments

	As at 31 March 2022 £'000	As at 31 March 2023 £'000
Royal London Asset Management Cash Plus Fund	2,347	2,397
Short Term Deposits	13,000	18,285
Total	**15,347**	**20,682**

34. Financial Instruments

Financial Instruments Carrying Value

As at 31st March 2022 Short Term £000	As at 31st March 2022 Long Term £000	Financial Assets	As at 31st March 2023 Short Term £000	As at 31st March 2023 Long Term £000
		Carried at Amortised Cost		
8,853	0	Cash and Cash Equivalents	2,696	0
4,262	5,243	Debtors	4,292	5,223
13,000	0	Investments	18,285	0
26,115	**5,243**	**Total at Amortised Cost**	**25,273**	**5,223**
		Carried at Fair Value through Profit & Loss		
2,347	511	Investments	2,397	511
2,347	**511**	**Total at Fair Value through Profit and Loss**	**2,397**	**511**
493	0	Non-Financial Assets*	3,982	0
28,955	**5,754**	**Total**	**31,652**	**5,734**

As at 31st March 2022 Short Term £000	As at 31st March 2022 Long Term £000	Financial Liabilities	As at 31st March 2023 Short Term £000	As at 31st March 2023 Long Term £000
		Carried at Amortised Cost		
-9	-8,000	Borrowing	-9	-8,000
-8,606	0	Creditors	-7,131	0
-8,615	**-8,000**	**Total at Amortised Cost**	**-7,140**	**-8,000**
-14,097	-41	Non-Financial Liabilities*	-6,246	-6
-22,711	**-8,041**	**Total**	**-13,387**	**-8,006**

Financial Instruments – Income, Expenses, Gains or Losses

2021/22 Financial Liabilities Liabilities at amortised cost £'000	2021/22 Financial Assets Assets at amortised cost £'000	Assets at fair value through Other Comprehensive Income £'000	Assets at fair value through profit and loss £'000	Total £'000		2022/23 Financial Liabilities Liabilities at amortised cost £'000	2022/23 Financial Assets Assets at amortised cost £'000	Assets at fair value through Other Comprehensive Income £'000	Assets at fair value through profit and loss £'000	Total £'000
271	0	0	0	**271**	Interest Expense	812			0	**812**
0	0	0	6	**6**	Decreases in fair value				0	**0**
0	0	0	0	**0**	Losses on Derecognition					**0**
0	0	0	0	**0**	Impairment Losses		0		0	**0**
0	0	0	0	**0**	Fee expense			0	0	**0**
271	**0**	**0**	**6**	**277**	**Total expense in Surplus or Deficit on the Provision of Services**	**812**	**0**	**0**	**0**	**812**
				0						**0**
0	-876	0	0	**-876**	Interest Income		-1,014		0	**-1,014**
0	0	0	0	**0**	Interest income accrued on impaired financial assets					**0**
0	0	0	0	**0**	Increases in fair value			0	-50	**-50**
0	0	0	0	**0**	Gains on derecognition			0	0	**0**
0	-50	0	0	**-50**	Dividend Income		-58			**-58**
0	**-926**	**0**	**0**	**-926**	**Total income in Surplus or Deficit on the Provision of Services**	**0**	**-1,072**	**0**	**-50**	**-1,122**
				-649	**Net gain (-) / loss (+) for the year**					**-309**

35. Disclosure of Nature and Extent of Risk Arising from Financial Instruments

Financial Instruments – Carrying Values

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at Amortised Cost. Their Fair Value can be assessed by calculating the Present Value of the cashflows that will take place over the remaining term of the instruments using the following assumptions.

- Where an instrument will mature in the next 12 months, the carrying amount is assumed to be the approximate Fair Value.
- The 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 Balance Sheet includes the following financial instruments:

- Creditors
- Debtors
- Cash and Cash Equivalents
- Investments carried at Amortised Cost
- Investments carried at Fair Value through Profit and Loss
- Finance Leases

Disclosure of Nature and Extent of Risks arising from Financial Instruments

Long term debtors comprise loans and finance leases. Short term creditors and debtors arise from charges to and from the Council for goods and services, and short-term investments are those made in cash for less than twelve months. These instruments are carried on the balance sheet at amortised cost, which represents their fair value.

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

- Liquidity risk: the possibility that the Council might not have funds available to meet its commitments to make payments
- Market risk: the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements
- Credit risk: the possibility that other parties might fail to pay amounts due to the Council

Liquidity Risk

This is the possibility that the Council might not have funds available to meet its commitments to make payments. The Council manages its liquidity position through stringent risk management procedures (the setting and approval of Prudential Indicators and the approval of Treasury and Investment Strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Treasury Management Code of Practice. This seeks to ensure that cash is available when needed.

The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Market Risk

This is the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. A Treasury Management Strategy is formally approved annually by the Council. This identifies all treasury risks and forms the basis of the day-to-day operating guidance applied by the Treasury Accountant when making decisions on placing any surplus funds (i.e. to whom, for how long, for how much, etc.).

Credit Risk

Credit risk arises from deposits with banks and building societies as well as credit exposure to the Council's customers. The treasury policy at present allows the Council to invest with the main UK Banks and Building Societies, with a FITCH rating of F1 or higher, up to a maximum value of £5m with any one institution. Once again this evidences our prudent approach to lending of surplus funds.

Aged Debtors	At 31 March 2022 £000	At 31 March 2023 £000
Less than 3 months	252	604
Between 3 and 6 months	10	9
Between 6 month and 1 year	15	6
More than 1 year	140	51
Total	**417**	**670**

Interest rate risk

The authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the surplus or deficit on the provision of services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the surplus or deficit on the provision of services will rise
- investments at fixed rates – the fair value of the assets will fall

Following the sensitivity analysis showing a 1% increase in interest rates:

Amount at 31 March 2022 £000	Sensitivity Analysis	Amount at 31 March 2023 £000
242	Investments - 1% Increase	234
-80	Borrowings - 1% Increase	-170
162	Net impact on CIES	**64**

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

36. Provisions

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

	Balance at 31 March 2022 £'000	Additional provisions made in 2022/23 £'000	Amounts used in 2022/23 £'000	Unused amounts reversed in 2022/23 £'000	Balance at 31 March 2023 £'000
Land Charges	-87	0	0	0	-87
MMI Insurance	0	0	0	0	0
Business Rates	-1,016	-346	0	1,016	-346
Total	**-1,103**	**-346**	**0**	**1,016**	**-434**

	Balance at 31 March 2021 £'000	Additional provisions made in 2021/22 £'000	Amounts used in 2021/22 £'000	Unused amounts reversed in 2021/22 £'000	Balance at 31 March 2022 £'000
Land Charges	-87	0	0	0	-87
MMI Insurance	0	0	0	0	0
Business Rates	-1,257	-513	755	0	-1,016
Total	**-1,344**	**-513**	**755**	**0**	**-1,103**

Land Charges

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

NDR Appeals

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

37. Movement in Useable Reserves

Usable Reserves	31 March 2022 £'000	31 March 2023 £'000
General Fund	5,330	5,027
Earmarked Reserves	14,879	16,676
Useable Capital Receipts Reserve	192	1,823
Capital Grants and Contributions Reserve	8,560	10,868
Total	**28,961**	**34,395**

38. General Fund

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

	2021/22 £'000	2022/23 £'000
Balance at 1 April	**5,177**	**5,330**
Net increase / decrease before transfers to Earmarked Reserves	-6,045	1,494
Transfer to / from Earmarked Reserves	6,199	-1,797
Balance at 31 March	**5,330**	**5,027**

39. Earmarked Reserves

This note sets out the amounts set aside from the General Funding earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2022/23.

For each reserve established the Council identifies:

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

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

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

	Balance at 31 March 2021 £'000	In year movement 2021/22 £'000	Balance at 31 March 2022 £'000	In year movement 2022/23 £'000	Balance at 31 March 2023 £'000
Section 106 Commuted Sums	-1,550	182	-1,368	362	-1,006
Future Capital Expenditure	-158	0	-158	0	-158
New Homes Bonus	-4,144	2,067	-2,077	1,854	-223
Building Control	-302	-16	-318	-32	-350
Leavesden Hospital Open Space	-769	0	-769	0	-769
Environmental Maintenance Plant	-92	0	-92	0	-92
Economic Impact	-1,803	-401	-2,204	491	-1,713
High Street Innovation Fund	0	0	0	0	0
NNDR Collection Fund	-5,622	2,310	-3,312	262	-3,050
Benefits equalisation	-501	263	-238	159	-79
Commercial Reserve	-3,018	-312	-3,330	-4,662	-7,992
Grants and Contributions	-3,122	2,107	-1,015	-230	-1,245
Total Earmarked Reserves	**-21,078**	**6,199**	**-14,879**	**-1,797**	**-16,676**

40. Capital Receipts Reserve

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

	2021/22 £'000	2022/23 £'000
Balance at 1 April	**195**	**192**
Net receipts from sale of assets	705	2,078
Release of deferred capital receipts	6,079	6,223
Net receipts from repayment of loans	0	20
Receipts applied to finance capital expenditure	-6,784	-6,689
Balance at 31 March	**192**	**1,823**

41. Capital Grants Unapplied Reserve

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

	2021/22 £'000	2022/23 £'000
Balance at 1 April	**6,712**	**8,560**
Applied during the year	-620	-1,826
Recognised as income but not applied during the year	2,468	4,135
Balance at 31 March	**8,560**	**10,868**

42. Movement in Unusable Reserves

Unusable Reserves	31 March 2022 £'000	31 March 2023 £'000
Pooled Fund Adjustment Account	-3	47
Pensions Reserve	-22,013	5,895
Revaluation Reserve	44,626	60,838
Deferred Capital Receipts Reserve	11,452	5,229
Capital Adjustments Account	29,137	34,496
Collection Fund Adjustment Account	-1,833	322
Accumulated Absences Account	-275	-197
Total	**61,091**	**106,630**

43. Capital Adjustment Account

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

The Account contains accumulated gains/losses on Investment Properties.

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

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

2021/22 £'000	£'000	Capital Adjustment Account	2022/23 £'000	£'000
	23,633	**Balance as at 1 April**		**29,137**
		Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES):		
-2,331		Charges for depreciation for non-current assets	-2,707	
-106		Charges for impairment for non-current assets	-192	
172		Revaluation losses / subsequent gains on Property, Plant and Equipment	-1,897	
-58		Amortisation of Intangible Assets	-46	
-875		Revenue Expenditure funded from capital under statute	-1,434	
-119		Amounts of non-current assets written off on disposal or sale as part of the gain/ loss on derecognition	-164	
0		Removal of finance liability on derecognition of assets held under finance leases	0	
	-3,317			**-6,440**
		Adjusting amounts written out of the Revaluation Reserve:		
599		Difference between fair value depreciation and historical cost depreciation	743	
82		Accumulated gains on assets sold or scrapped	126	
	681			**869**
		Capital Financing applied in year:		
6,787		Use of the Capital Receipts Reserve to finance new capital expenditure	6,670	
0		Capital grants and contributions credited to the CIES that have been applied to capital financing	0	
597		Application of grants to capital financing from the Capital Grants Unapplied account	1,806	
0		Reversal of grants and contributions applied in previous years	0	
8,020		Repayment of loans treated as capital receipts	0	
168		Statutory provision for the financing of capital investment charged against the General Fund balance	188	
2,136		Capital expenditure charged against the General Fund balance	2,360	
0		Reversal of revenue applied to capital financing in previous years	0	
	17,708			**11,023**
	-1,548	**Movements in the market value of Investment Properties debited or credited to the CIES**		**-93**
	0	**Amounts of Investment Properties written off on disposal or sale as part of the gain/loss on derecognition**		**0**
	0	**Revaluation losses / subsequent gains on Assets held for Sale**		**0**
	0	**Impairment Losses on Assets held for Sale**		**0**
	0	**Accumulated gains on Assets held for Sale or scrapped**		**0**
	0	**Amounts of Assets held for Sale written off on disposal or sale as part of the gain/loss on derecognition**		**0**
	-8,020	**Repayment of loans treated as capital receipts**		**0**
	29,137	**Total Balance at 31 March**		**34,496**

44. Revaluation Reserve

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

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

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

2021/22		Revaluation Reserve	2022/23	
£'000	£'000		£'000	£'000
	32,711	**Balance as at 1 April**		**44,626**
12,596		Revaluation of assets	19,011	
0		Impairment of assets	-1,929	
0		Write back of accumulated depreciation on revaluations	0	
0		Write back of accumulated impairment on revaluations	0	
	12,596	Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services		**17,081**
-599		Difference between fair value depreciation and historical cost depreciation	-743	
-82		Accumulated gains on assets sold or scrapped	-126	
	-681	Amounts written off to the Capital Adjustment Account		**-869**
	44,626	**Total Balance at 31 March**		**60,838**

45. Deferred Capital Receipts

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

Deferred Capital Receipts Reserve	2021/22 £'000	2022/23 £'000
Balance as at 1 April	**17,531**	**11,452**
Amounts credited in year	0	0
Amounts released to the Usuable Capital Receipts Reserve	-6,079	-6,223
Balance as at 31 March	**11,452**	**5,229**

46. Collection Fund Adjustment Account

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

Collection Fund Adjustment Account	2021/22 £'000	2022/23 £'000
Balance as at 1 April	**-4,044**	**-1,833**
Amount by which Council Tax and Business Rate income credited to the CIES is different from the income for the year calculated in accordance with statutory requirements	2,211	2,155
Balance as at 31 March	**-1,833**	**322**

47. Accumulated Absences Account

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

Accumulated Absences Account	2021/22 £'000	2022/23 £'000
Balance as at 1 April	**-339**	**-275**
Settlement or cancellation of previous year's accrual	339	275
Amount accrued at the end of the current year	-275	-197
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement differs from remuneration chargeable in the year under statute	64	77
Balance as at 31 March	**-275**	**-197**

48. Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employments benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the CI&ES as the benefits are earned by employees accruing years of service, updating the liability recognised to reflect inflation, charging assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employers contributions to pension funds or eventually pays any pension for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Pension Reserve	2021/22 £'000	2022/23 £'000
Balance as at 1 April	**-28,559**	**-22,013**
Net charge made for retirement benefits in accordance with IAS19	-3,516	-3,328
Remeasurements of the new defined liability	10,062	31,236
Balance as at 31 March	**-22,013**	**5,895**

49. Pooled Fund Adjustment Account

2021/22 £'000		2022/23 £'000
3	**Balance at 1 April**	**0**
0	Increase in value of assets held at Fair Value through Profit and Loss	50
6	Decrease in value of assets held at Fair Value through Profit and Loss	0
0	Amounts transferred to the General Fund on disposal	0
0		
-3	**Balance at 31 March**	**47**

50. Notes to the Cashflow Statement

Non-cash Movements	2021/22 £'000	2022/23 £'000
Depreciation/amortisation of fixed assets	-2,389	-2,753
Impairment charges/revaluation losses (-) Gains (+)	65	-2,089
Retirement benefit adjustments	-3,516	-3,328
Debt write-offs and Impairment allowances	0	0
Other financial instrument adjustments	0	0
Provisions set aside in the year	241	669
Deferred capital receipts	0	0
Movement in value of Pooled Funds	-6	50
Movement in value of investment properties	-1,548	-93
Carrying amount of non-current asset sold	-119	-164
Transfers from Capital Grants Receipts in Advance	66	35
Previous years' capitalised spend written-off	0	0
Donated assets	0	0
Other non cash adjustment	102	114
Increase/decrease(-) in inventories	33	-3
Increase/decrease(-) in debtors	-80	2,663
Increase(-)/decrease in creditors	-7,904	11,308
Total adjustments for non-cash movements	**-15,053**	**6,409**

Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities

	2021/22 £'000	2022/23 £'000
- Proceeds from the sale of property, plant and equipment, investment property and intangible assets	705	2,078
Gains on loans & receivables	0	0
Capital Grants credited to surplus or deficit on the provision of services	2,402	4,100
-Cash adjustment	0	0
Total	**3,107**	**6,177**

Investing Activities	2021/22 £'000	2022/23 £'000
Purchase of property, plant and equipment, investment property and intangible assets	2,783	5,183
Purchase of short-term and long-term investments	301,000	5,285
Other payments for investing activities	0	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-6,784	-8,301
Capital grants	-2,402	-4,717
Proceeds from short-term and long-term investments	-288,000	0
Other receipts from investing activities	-8,020	-20
Total adjustments for investing activities	**-1,423**	**-2,569**

Financing Activities	2021/22 £'000	2022/23 £'000
Cash receipts of short- and long-term borrowing	0	0
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet service concession arrangements	0	0
Repayments of short- and long-term borrowing	8,000	0
Other payments for financing activities	-2,742	-1,205
Total adjustments for financing activities	**5,258**	**-1,205**

51. Contingent Assets

There are no contingent assets to disclose at 31 March 2023.

52. Contingent Liabilities

There are no contingent liabilities to disclose at 31 March 2023.

53. Going Concern

The accounts are prepared on a going concern basis; that is, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future from the date that the accounts are authorised for issue.

This account reflects the statutory requirement for the Council, as the billing authority, to establish and maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates (Business Rates).

2021/22 National Non-Domestic Rates £000	Council Tax £000	Total £000		2022/23 National Non-Domestic Rates £000	Council Tax £000	Total £000
			Income Receivable:			
	-75,248	**-75,248**	Council Tax receivable		-78,098	**-78,098**
-25,866		**-25,866**	Business Rates receivable	-26,152		**-26,152**
0		**0**	Transitional Protection Receivable	0	0	**0**
			Business rates - contribution towards previous year's deficit:			
-3,037		**-3,037**	Three Rivers District Council	-1995	0	**-1,995**
-873		**-873**	Hertfordshire County Council	-499	0	**-499**
-3,728		**-3,728**	Central Government	-2494	0	**-2,494**
-33,504	**-75,248**	**-108,752**	**Total Income**	**-31,140**	**-78,098**	**-109,238**
			Expenditure:			
			Repayment of previous years surpluses:			
	39	39	Three Rivers District Council		13	13
	236	236	Hertfordshire County Council		79	79
	33	33	Herts Police and Crime Commissioner		12	12
		0	Central Government			0
			Precepts and demands:			
11,834	9,245	21,079	Three Rivers District Council	10,707	9,645	20,352
2,959	57,023	59,982	Hertfordshire County Council	2,677	60,040	62,717
	8,259	8,259	Herts Police and Crime Commissioner		8,755	8,755
14,793		14,793	Central Government	13,384		13,384
			Charges to the Collection Fund:			
-1,177	590	-587	Bad Debts Provision increase/(decrease)	-26	288	262
-603		-603	Appeals Provision increase / (decrease)	-1,672		-1,672
94		94	Cost of Collection	93		93
-22		-22	Transitional Protection Payable	355		355
27,878	**75,425**	**103,303**	**Total Expenditure**	**25,518**	**78,832**	**104,350**
-5,626	**177**	**-5,449**	**(Surplus)/Deficit for the year**	**-5,622**	**734**	**-4,888**
9,958	633	10,591	Fund Balance brought forward	4,332	810	5,142
4,332	**810**	**5,142**	**(Surplus)/Deficit carried forward**	**-1,290**	**1,544**	**254**
			Fund Balance Allocation (indicative):			
1,733	100	**1,833**	Three Rivers District Council	-516	190	**-326**
433	620	**1,053**	Hertfordshire County Council	-129	1,182	**1,053**
	90	**90**	Herts Police and Crime Commissioner		172	**172**
2,166		**2,166**	Central Government	-645		**-645**

CF 1 Council Tax Payers

The charge for council tax is based on the total number of dwellings in each of eight bands at 1 April 1991 valuations. This is adjusted for dwellings where discounts or exemptions apply and is converted into an "equivalent number of Band D dwellings" where bands below Band D will pay proportionately less than dwellings in higher bands. A further adjustment is made for losses on collection and contributions in lieu of tax in respect of certain government properties. The table below sets out the calculation of the Council Tax Base for 2022/23.

2021/22		2022/23				
Equivalent Number of Band D Dwellings	Valuation Band	Total Number of Dwellings in Band	Discounts, Exemptions & Disabled Relief	Total Chargeable Dwellings	Conversion Faction (Proportion)	Equivalent Number of Band D Dwellings
1	A (Disabled Relief)	1	0	1	5/9	**1**
342	A	788	-245	543	6/9	**362**
765	B	2,235	-1,007	1,229	7/9	**956**
4,305	C	6,718	-1,665	5,053	8/9	**4,492**
8,504	D	9,949	-1,570	8,379	9/9	**8,379**
7,737	E	7,493	-666	6,827	11/9	**8,344**
5,589	F	4,267	-263	4,004	13/9	**5,784**
8,135	G	5,075	-219	4,856	15/9	**8,093**
2,985	H	1,591	-41	1,551	18/9	**3,101**
38,363		**38,117**	**-5,675**	**32,442**		**39,511**
-384	Less Allowance for losses on collection					**-395**
144	Add: Contribution in lieu of tax					**144**
38,124	**Tax Base for Calculation of Council Tax**					**39,260**
0	Add: Adjustment for changes during the year for successful appeals against valuations bandings, new properties, demolitions, disabled persons' relief and empty properties					**0**
38,124	**Council Tax Base for the year**					**39,260**

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

The Council set an average council tax charge for Band D dwellings of £2134.75 (£2064.07 for 2021/22).

CF2 Business Rate Payers

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

Group Movement in Reserves Statement

	Notes	General Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Unapplied £'000	Capital Grants and Contbns Unapplied £'000	Share of Joint Venture Reserve £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2021		**5,177**	**21,078**	**195**	**6,712**	**52**	**33,214**	**40,936**	**74,150**
Movement in reserves during 2021/22									
Total Comprehensive Income and Expenditure		-6,703	0	0	0	0	**-6,703**	**22,658**	15,954
Adjustments between accounting basis and funding basis under statutory provisions	9	658	0	-3	1,848	0	**2,503**	**-2,503**	0
Adjustments primarily involving the share of Joint Venture Reserve		0	0	0	0	-2	**-2**	**0**	-2
Transfers to / from earmarked reserves	39	6,199	-6,199	0	0	0	**0**	**0**	0
Increase (+) or Decrease (-) In Year		**153**	**-6,199**	**-3**	**1,848**	**-2**	**-4,203**	**20,155**	**15,952**
Balance at 31 March 2022		**5,330**	**14,879**	**192**	**8,560**	**50**	**29,011**	**61,091**	**90,102**
Movement in reserves during 2022/23									
Total Comprehensive Income and Expenditure		2,655	0	0	0		**2,655**	**48,317**	50,972
Adjustments between accounting basis and funding basis under statutory provisions	9	-1,161	0	1,631	2,308		**2,779**	**-2,779**	0
Adjustments primarily involving the share of Joint Venture Reserve						303	**303**	**0**	303
Transfers to / from earmarked reserves	39	-1,797	1,797	0	0		**0**	**0**	0
Increase (+) or Decrease (-) In Year		**-303**	**1,797**	**1,631**	**2,308**	**303**	**5,737**	**45,538**	**51,275**
Balance at 31 March 2023		**5,027**	**16,676**	**1,823**	**10,868**	**352**	**34,747**	**106,630**	**141,377**

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Group Comprehensive Income and Expenditure Statement

2021/22 Gross Expenditure £'000	2021/22 Income £'000	2021/22 Net Expenditure £'000		Notes	2022/23 Gross Expenditure £'000	2022/23 Income £'000	2022/23 Net Expenditure £'000
3,917	-2,158	1,759	Infrastructure Housing and Economic Development		4,959	-2,822	2,138
13,382	-5,803	7,580	Leisure, Environment and Communities		16,659	-7,730	8,929
33,582	-22,875	10,708	Policy and Resources		32,383	-23,343	9,040
1,860	0	1,860	Other Corporate Costs		1,883	-4,500	-2,617
52,742	**-30,835**	**21,907**	**Cost of Services**		**55,884**	**-38,394**	**17,489**
		-586	Other Operating Income	11	-1,914	0	-1,914
		822	Financing and Investment Income and Expenditure	12	1,321	417	1,738
		-15,439	Taxation and Non-Specific Grant Income	13	0	-19,969	-19,969
		6,703	**Surplus (-) or Deficit (+) on Provision of Services**	10	**55,291**	**-57,946**	**-2,655**
		-6	Share of Surplus (-) or Deficit (+) on Provision of Services by Joint Venture				-303
		6,697	**Group Surplus (-) or Deficit (+)**				**-2,958**
			Items that will not be reclassified to the Surplus (-) or Deficit (+) on the Provision of Services				
		12,596	Surplus or Deficit on revaluation of non-current assets	44			-17,081
		0	Impairment losses on non-current assets charges to the revaluation reserve	44			1,929
		-10,062	Remeasurements of the net defined benefit liability (asset)	19			-31,236
		2,534					-46,388
			Items that may be reclassified to the Surplus (-) or Deficit (+) on the Provision of Services				
		0	Surplus or deficit on revaluation of available for sale financial assets				0
		0	Other gains or losses				0
		0					0
0	**0**	**2,528**	**Other Comprehensive Income and Expenditure**				**-46,691**
		9,231					**-49,346**

Group Balance Sheet

As at 31 March 2022 £'000		Notes	As at 31 March 2023 £'000	£'000
	Long Term Assets			
88,545	Property, Plant and Equipment	23	108,944	
8,988	Investment Property	25	13,704	
0	Surplus Assets		0	
0	Heritage Assets			
0	Intangible Assets	26	0	
561	Long Term Investments		863	
11,618	Finance Lease Asset	29	5,432	
5,243	Long Term Debtors	29	5,223	
114,955	**Total Long Term Assets**			**134,166**
	Current Assets			
0	Assets Held for Sale		0	
4,755	Debtors	30	8,274	
61	Stock		58	
15,347	Short Term Investments	33	20,682	
8,853	Cash and Cash Equivalents	32	2,696	
29,016	**Total Current Assets**			**31,709**
	Current Liabilities			
-9	Short Term Borrowing	34	-9	
-22,702	Short Term Creditors and Revenue Receipts in Advance	31	-13,378	
-1,103	Provisions due within one year	36	-434	
0	Short Term Finance Liability		0	
-35,768	Short Term Capital Grants Receipts in Advance		-35,768	
-23,814	**Total Current Liabilities**			**-14,438**
	Long Term Liabilities			
0	Long Term Creditors and Revenue Receipts in Advance		0	
0	Provisions due over one year	36	0	
-8,000	Long Term Borrowing	34	-8,000	
-22,013	Pension Liability	19	5,895	
0	Long Term Finance Liability		-7,949	
0	Deferred Income		0	
-41	Long Term Capital Grants Receipts in Advance		-6	
-30,054	**Total Long Term Liabilities**			**-10,061**
90,102	**Net Assets (+) / Net Liabilities (-)**			**141,377**
	Financed from:			
28,961	**Usable Reserves**	37-41		**34,395**
61,141	**Unusable Reserves**	42-49		**106,982**
90,102	**Total Reserves**			**141,377**

Group Cash Flow

2021/22 £'000		Notes	2022/23 £'000
6,703	**Net (surplus) or deficit on the provision of services**		**-2,655**
-15,053	Adjust net surplus or deficit on the provision of services for non-cash movements	50	6,409
3,107	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	50	6,177
-5,243	Net cash flows from Operating Activities		**9,931**
-1,423	Investing activities	50	-2,569
5,258	Financing activities	50	-1,205
-1,408	Net increase (-) or decrease (+) in cash and cash equivalents		**6,157**
7,445	Cash and cash equivalents at the beginning of the reporting period		8,853
8,853	**Cash and cash equivalents at the end of the reporting period**		**2,696**

1. The Group Accounting Policies

The Group Accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2022/23 using the equity method for Joint Ventures under International Accounting Standard 28, Interests in Joint Ventures, and using the line-by-line consolidation method for subsidiaries under International Accounting Standard 27, Consolidated and Separate Financial Statements. There are no material subsidiaries or associated organisations excluded from the Group Accounts. There are no material differences in the accounting policies of the Council or any of the companies or organisations forming part of the Group Accounts.

Cross references to notes on the single entity accounts are to be used for material balances on the group accounts.

2. Three Rivers District Council's share of Joint Venture Company within the Group

Joint Ventures	Share of Ownership	Other Stakeholder	Date Incorporated
Three Rivers Homes Limited	50%	Clarendon Living Ltd	24 March 2017

Three Rivers District Council has 100% ownership in Three Rivers Commercial Services (net assets not material as at 31 March 2020) which in turn has 50% ownership in Three Rivers Development LLP. The net assets of Three Rivers Development are not material therefore this has not been consolidated as part of the group accounts. The Council also has an investment in an Associate, Broste Rivers Group Ltd, and is part of a joint committee with West Herts Crematorium as at 31 March 2020, and these have not been consolidated as they fall outside the scope of group accounts.

The table below shows 50% share for Three Rivers District Council.

2021/22 £'000	Three Rivers Homes Limited	2022/23 £'000
-172	Revenue	-167
74	Administrative Expenses	73
83	Finance Cost	83
0	Surplus on Revaluation of Investment Property	-296
10	Tax	5
-6	**(Profit)\Loss for the period**	**-303**
1,590	Property, Plant and Equipment	1,562
1,077	Investment Properties	1,373
11	Debtors (Current Assets)	14
123	Cash and Cash Equivalents (Current Assets)	35
-124	Creditors (Current Liabilities)	-42
-2,116	Creditors (Long term liabilities)	-2,078
560	**Net Assets**	**863**

3. Related Party Transactions

During the Period, there were no transactions between Three Rivers Homes Ltd and Three Rivers District Council.

4. Three Rivers Homes LTD Members' Capital Contributions (Loans)

2021/22 Amounts outstanding at 31 March 2022 £'000		2022/23 New Loans £'000	Repayments £'000	Amounts outstanding at 31 March 2023 £'000
4,186	Three Rivers Homes Ltd - Grapevine Loan			4,186
4,186		**0**	**0**	**4,186**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Chartered Institute of Public Finance and Accountancy (CIPFA)
The professional accountancy body concerned with local authorities and the public sector.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Investments
Deposits for with approved institutions.

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

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

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

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

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

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

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

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

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

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

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

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

THREE RIVERS DISTRICT COUNCIL

Three Rivers District Council
Completion Report for Those Charged with Governance

Years ended 31 March 2021, 31 March 2022, 31 March 2023

Report issued – 28 November 2024

Building a better working world

Audit Committee
Three Rivers District Council
Three Rivers House
Northway
Rickmansworth
Herts WD3 1RL

28 November 2024

Dear Audit Committee

Completion Report for Those Charged With Governance

Attached is our Completion Report for Those Charged With Governance. The purpose of this report is to provide the Audit Committee of Three Rivers District (the Authority) with a detailed complete report covering our approach and outcomes of the 2020/21, 2021/22, 2022/23 audits.

Given that Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" (the SI) imposes a backstop date of 13 December 2024 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

This decision is in line with ISA 200: Failure to Achieve an Objective 24.

If an objective in a relevant ISA (UK) cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the auditor and thereby requires the auditor, in accordance with the ISAs (UK), to modify the auditor's opinion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation). Failure to achieve an objective represents a significant matter requiring documentation in accordance with ISA (UK) 230 (Revised June 2016).4 (Ref: Para. A77&A78)

Taking the above into account, for the years ended 31 March 2023 we have determined that we cannot meet the objectives of the ISAs(UK) and we anticipate issuing a disclaimed audit report.

In completing our work for this audit year we have taken into account Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024", Local Authority Reset and Recovery Implementation Guidance. We have also taken into account the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice (including recent 2024 updates), the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. Against this backdrop, we have also considered the Committee's service expectations.

The Audit Committee, as the Authority's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Authority's wider arrangements to support the delivery of a timely and efficient audit.

We consider and report on the adequacy of the Authority's external financial reporting arrangements and the effectiveness of the Audit Committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements, and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

We draw the Audit Committee members and officers' attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly set out what is expected of audited bodies in preparing their financial statements (see Appendix F).

This report is intended solely for the information and use of the Audit Committee, and management, and is not intended to be and should not be used by anyone other than these specified parties. Yours faithfully

Janet Dawson

Partner

For and on behalf of Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website. The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (https://www.psaa.co.UK/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the **Audit Committee and management of Three Rivers District Council**. Our work has been undertaken so that we might state to the **Audit Committee and management of Three Rivers District Council** those matters we are required to state to them in this 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 **Audit Committee and management of Three Rivers District Council** for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 Executive Summary

Executive Summary – System wide and local context

Context for the audit – Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector need to work together to address this. Reasons for the backlog across the system have been widely reported and include:

- Lack of capacity within the local authority financial accounting professions
- Increased complexity of reporting requirements within the sector
- Lack of capacity within audit firms with public sector experience
- Increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed

DLUHC has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop and implement measures to clear the backlog. Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" (the SI), together with the updated NAO Code of Audit Practice 2024 and the Local Authority Reset and Recovery Implementation Guidance, which have all been developed to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)), consist of three phases:

- Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024.
- Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
- Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

As a result of the system wide implementation of backstop dates we anticipate issuing a disclaimed audit opinion on the Authority's 2022/23 accounts. The proposed disclaimer of the Council's 2022/23 accounts impacts the audit procedures that we have planned and undertaken to gain assurance on the 2022/23 financial statements and the form of the audit report.

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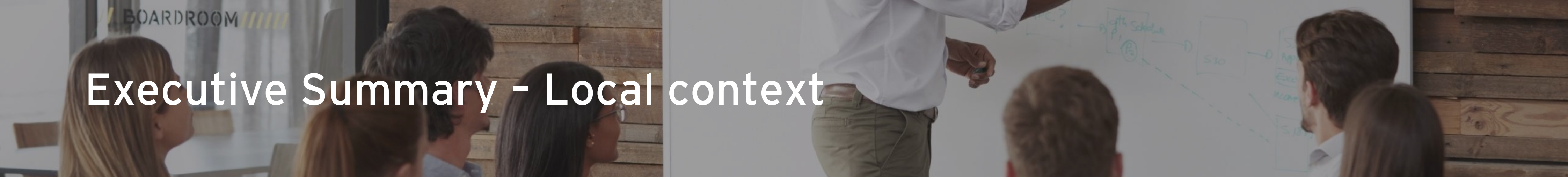

Executive Summary – Local context

Local Background and Context

The position at the Authority has developed over recent years resulting in unaudited financial statements for 31 March 2021, 2022, and 2023.

The main reasons for the Authority's financial statements not being prepared, audited and signed to date include:

- Due to significant issues in staffing in the finance team and poor records and information to support the figures within the financial statements, the audit of the Council's 2019/20 financial statements was significantly delayed and there were numerous audit amendments required to the financial statements.
- We identified a number of control deficiencies around lack of review of capital accounting, lack of review of underlying data used for valuations work, lack of management review of accounts, lack of Capital Financing Requirement (CFR) record keeping to determine MRP, and lack of record keeping of approval of updated earmarked reserves budget. These matters were all set out in our Audit Results Report for 2019/20 and recommendations made for improvement.
- As a result of the above, the 2019/20 audit was only concluded in March 2024.
- The Authority prepared and published draft financial statements before the completion of the 2019/20 audit in March 2024. Management has subsequently chosen to amend the 2020/21, 2021/22 and 2022/23 financial statements to reflect the changes and improvements required and identified in 2019/20. We understand that the changes were finalised in October 2024. We have not reviewed the changes made. Therefore, the Authority has not been in a position to present draft statements of account for audit within the regulatory timeframe in recent years.
- The post pandemic timelines resulted in audit teams trying to move delayed audits onto completion, which used a significant amount of our finite audit resource leading to a lack of capacity to move onto the 2020/21 audit year.
- As a result, with acknowledgement of the wider reset proposals to move to the most recent year of audit (which at that point in time was 2023/24), we concluded it was not practical to schedule the 2020/21 audit. Therefore, for the reasons listed above we did not have the audit resource necessary to perform the 2020/21, 2021/22 and 2022/23 audits for the Authority before the backstop date.

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Executive Summary – Report structure and work completed

Report structure and work completed

This report covers the work we have completed to meet the requirements of the International Standards on Auditing (UK&I), (ISAs) and the Local Audit Reset and Recovery Implementation Guidance (LARRIGs) along with the National Audit Office Value for Money Code (NAO VFM Code). It has been split into the following sections.

Section 1 – Executive Summary – this section setting out the national and local context and the structure of our report.

Section 2 – Work Plan – We have completed the following planning tasks:

- Required independence procedures.
- Set a level of materiality.
- Issued letters of inquiry to Management, Those Charged with Governance, the Head of Internal Audit and the Monitoring Officer.
- Updated our understanding of the business, including through review of responses to inquiry letters, minute review and in discussion in our internal planning meeting,
- Identified significant, inherent and other areas of higher risk or focus.
- Considered any other matters that may require reporting to regulators or which may result in a modification to the audit report e.g. non-compliance with laws and regulations, objections, significant weaknesses in arrangements for value for money, any matters that may result in the use of the auditor’s powers.

Section 3 – Results and findings - Work completed to issue the disclaimer, findings and results:

- Review of the financial statements.
- Consideration of any matters that came to light during our planning and review procedures in relation to laws and regulations, fraud, related parties, litigation and claims, significant changes to contracts and systems, service organisations, which we report as appropriate.
- Reporting on any other matters that may require the use of the auditor’s powers, formal reporting or a modification to the auditor’s report e.g. non-compliance with laws and regulations, objections, significant weaknesses in arrangements for value for money, any matters that may result in the use of the auditor’s powers.

Section 4 – Value for money reporting

- The value for money report covering the years ended 31 March 2021, 31 March 2022 and 31 March 2023.

Section 5 - Appendices

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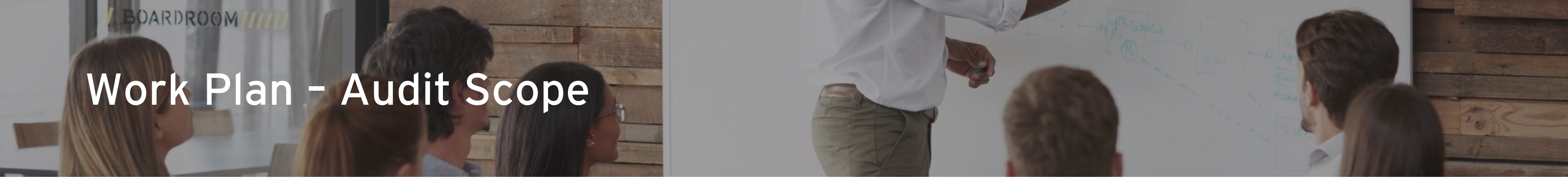
02 Work Plan



Work Plan – Audit Scope

Audit scope

This Completion report covers the work that we performed in relation to:

- Our audit opinion on whether the financial statements of the Authority give a true and fair view of the financial position as at 31 March 2021; 31 March 2022, 31 March 2023 and of the income and expenditure for the years then ended; and
- Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 4.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Authority's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

Given that SI (2024) 907 imposes a backstop date of 13 December 2024 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

This decision is in line with ISA 200: Failure to Achieve an Objective 24.

If an objective in a relevant ISA (UK) cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the auditor and thereby requires the auditor, in accordance with the ISAs (UK), to modify the auditor's opinion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation). Failure to achieve an objective represents a significant matter requiring documentation in accordance with ISA (UK) 230 (Revised June 2016).4 (Ref: Para. A77&A78)

Taking the above into account, for the years ended 31 March 2021; 31 March 2022; 31 March 2023 we have determined that we cannot meet the objectives of the ISAs(UK) and we anticipate issuing a disclaimed audit report.

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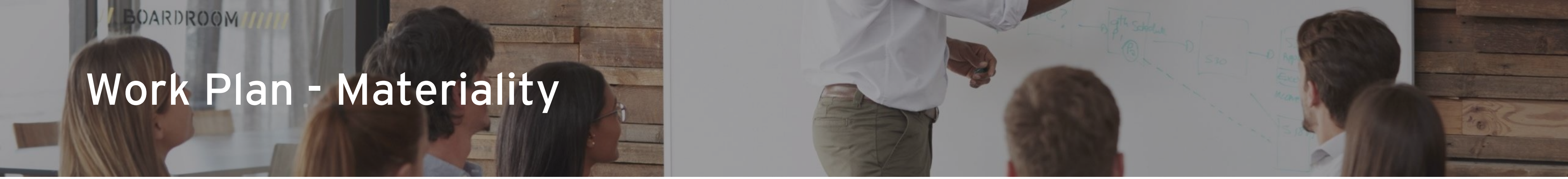

Work Plan - Materiality

Materiality

Planning materiality		Performance materiality		Audit differences	
£1.05m	Materiality for y/e 31 March 2021 has been set at £1.05m, which represents 2% of 2021 gross expenditure on provision of services.	£0.8m	Performance materiality for y/e 31 March 2021 has been set at £0.8m, which represents 75% of planning materiality.	£0.05m	We will report all uncorrected misstatements relating to the primary statements greater than £0.05m for y/e 31 March 2021; £0.05m for y/e 31 March 2022; £0.05m for y/e 31 March 2023. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee.
£1.05m	Materiality for y/e 31 March 2022 has been set at £1.05m, which represents 2% of 2022 gross expenditure on provision of services.	£0.53m	Performance materiality for y/e 31 March 2022 has been set at £0.53m, which represents 50% of planning materiality.	£0.05m	
£0.94m	Materiality for y/e 31 March 2023 has been set at £0.94m, which represents 2% of 2023 gross expenditure on provision of services.	£0.47m	Performance materiality for y/e 31 March 2023 has been set at £0.47m, which represents 50% of planning materiality.	£0.05m	

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In order to ascertain the significance of issues in the draft financial statements we have set materiality based on the 2019/20 audit year. We have considered updating this materiality for any key changes or known factors from that year. We determined that our audit procedures would be performed using a materiality as shown above for each relevant year. This level of materiality remains appropriate for the actual results for the financial year.

These materiality levels have been set based on the main Authority financial statements – we have not considered group materiality in relation to 2022/23. These levels are being used to assess our response to any issues identified in the Authority's financial statements.

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Work Plan – Significant, inherent and other risk areas

The following 'dashboard' summarises the significant accounting and auditing matters identified as part of our planning work. It seeks to provide Those Charged with Governance with an overview of our initial risk identification for the years covered by this report.

Audit risks and areas of focus

Risk/area of focus	Applicable years	Risk identified	Change from PY	Details
Incorrect Accounting for Manual Accruals – Risk of fraud in revenue and expenditure recognition	All years covered by this report	Fraud risk/Significant risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. Manual accruals are an area where estimation is a key factor in ensuring appropriate levels of accruals are included in the financial statements. Therefore due to the judgements involved it is one of the areas where this risk could manifest and one of the relevant accounts we associate revenue and expenditure recognition risk to.
Misstatement due to fraud or error	All years covered by this report	Fraud risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Valuation of Other Land and Buildings in PPE and Investment properties	All years covered by this report	Significant risk	Increase In risk from inherent risk	Management is required to provide material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. Detailed valuation work will be undertaken by the Authority's valuers Wilks, Head and Eve. We will review the methodology and assumptions used as part of the valuations to ensure they are appropriate.
Inappropriate capitalisation of revenue expenditure	All years covered by this report	Fraud risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.

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Work Plan – Significant, inherent and other risk areas

The following 'dashboard' summarises the significant accounting and auditing matters identified as part of our planning work. It seeks to provide Those Charged with Governance with an overview of our initial risk identification for the years.

Audit risks and areas of focus

Risk/area of focus	Applicable years	Risk identified	Change from PY	Details
Valuation of Pension Fund Assets and Liabilities	All years covered by this report	Inherent risk	No change in risk or focus	The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.
New Areas of High Value Activity	All years covered by this report	Inherent risk	No change in risk or focus	As part of our procedures, we will review proposed accounting for the new leisure centre and the loan to Thrive Homes and their proposed presentation on the Narrative Statement and Statement of Accounts. We will also monitor progress with the planned income strip deal and housing joint venture over the course of this year's audit, with a view to being able to engage with accounting impacts in the following year effectively.
Lack of prudence in estimation of Minimum Revenue Provision (MRP)	All years covered by this report	Inherent risk	New risk	In 2019/20, the Authority did not include a Minimum revenue Charge in its draft statements and did not maintain sufficient records to accurately calculate its Capital Financing Requirement or MRP. There is a risk that the Authority has not accounted for CFR and MRP in accordance with the CIPFA code.

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Work Plan - Independence

The FRC Ethical Standard 2019 and ISA (UK) 260 ‘Communication of audit matters with those charged with governance’, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	**Final stage**
► The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us; ► The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ► The overall assessment of threats and safeguards; ► Information about the general policies and process within EY to maintain objectivity and independence	► In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ► Details of non-audit/additional services provided and the fees charged in relation thereto; ► Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ► Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner ► Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ► Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and ► An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Work Plan - Independence

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Janet Dawson, your Audit Engagement Partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in your company. Examples include where we have an investment in your company; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES and the services have been approved in accordance with your policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

At the time of writing, the current ratio of non-audit fees to audit fees is approximately nil:1. No additional safeguards are required.

Self review threats

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self-interest threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your company. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

EY Transparency Report 2023

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2023 and can be found here: EY UK 2023 Transparency Report.

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03 Results and findings

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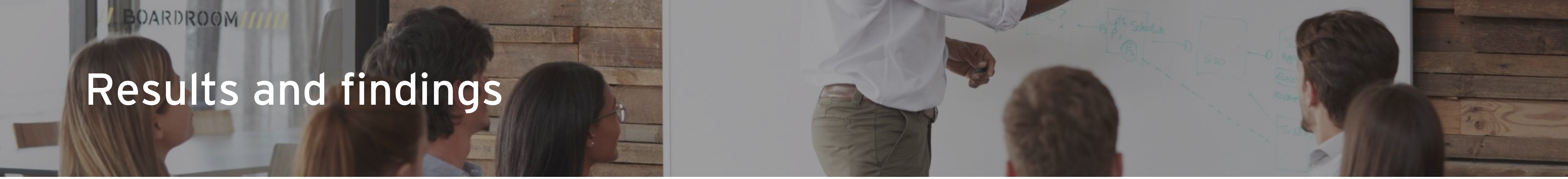

Results and findings

Status of the audit

Our audit work in respect of the Authority opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- Completion of subsequent events procedures;
- Receipt of a signed management representation letter

Given that the audit process is still ongoing, we will continue to consider existing and new information which could influence our final audit opinion, a current draft of which is included later in this section.

Value for Money

Our value for money (VFM) work is complete and reported in Section 4 of this report. We had identified no risks of significant weaknesses in arrangements. Having updated and completed the planned procedures in these areas we did not identify a significant weakness. See Section 4 of the report for further details.

Audit differences

We performed our work on the draft financial statements that were prepared and published by the Authority before the completion of the 2019/20 audit in March 2024.

In the financial statements published at the time of our work we identified differences summarised here:

- 6 opening balance differences noted between the 2019/20 and 2020/21 financial statements
- 1 opening balance difference noted between the 2020/21 and 2021/22 financial statements
- Opening balance differences noted for all balances of 2022/23 financial statements
- Current liabilities and therefore net assets are totalled incorrectly within the 2022/23 balance sheet
- We performed a high-level overall analytical review (OAR) between the 2020/21, 2021/22, and 2022/23 financial statements and found 21 balances, 22 balances and 14 balances, respectively, varied more than our testing threshold for which no explanation is available.
- The 2022/23 draft financial statements presented for audit did not include a Cashflow Statement, Collection Fund and Group accounts.

The Authority has subsequently chosen to amend their 2020/21, 2021/22 and 2022/23 financial statements to reflect the changes and improvements required and identified in the course of the 2019/20 audit. We understand that the changes were finalised in October 2024. We have not reviewed the changes made.

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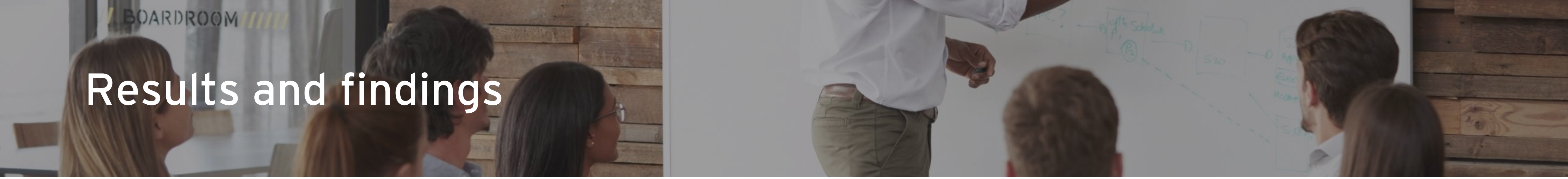

Results and findings

Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial report of Three Rivers District Council. We concluded we would disclaim the audit and therefore have not completed detailed audit testing on these areas but instead have reported any matters that came to light from the work we did complete.

We request that you review these and other matters set out in this report to ensure:

- There are no further considerations or matters that could impact these issues
- You concur with the resolution of the issue
- There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee.

Other Reporting Issues

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We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We have completed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts. We have no matters to report as a result of this work.

We did not receive any questions or objections to the Authority's financial statements from any member of the public following the inspection period.

Control observations

During the audit, we did not identify any significant deficiencies in internal control.

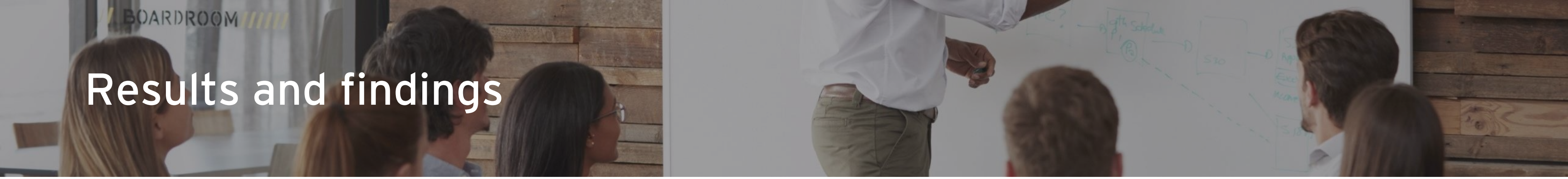
Independence

Further to our review of independence in section 2 of this report we have not identified any issues to bring to your attention..

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").

We did not identify any issues which required us to issue a report in the public interest.



Results and findings

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations and
- Group audits.

We have no further matters to report.

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Draft Audit Report 2020/21

DRAFT

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THREE RIVERS DISTRICT COUNCIL

Disclaimer of Opinion

We were engaged to audit the financial statements of Three Rivers District Council 'the Authority' and its subsidiaries (the 'Group') for the year ended 31 March 2021. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement
- the related notes 1 to 53 and Group notes 1 to 4
- Collection Fund and the related notes CF1 to CF2 .

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The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

We do not express an opinion on the accompanying financial statements of Group and Authority**.** Because of the significance of the matter 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 on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907), which came into force on 30 September 2024, requires the accountability statements for this financial year to be approved not later than 13th December 2024. This requirement meant that we were unable to obtain sufficient appropriate audit evidence to provide a basis for our opinion as we had insufficient resources in the time available to perform all necessary procedures to support the local government audit reset.

The audit of the 2019/20 financial statements for Three Rivers District Council was not completed until 4 March 2024. As a result of the delays to the previous year's audit together with the wider requirements of the local audit system reset, we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the 2020/21 financial statements before the 13th December 2024 backstop date.

Therefore, we are disclaiming our opinion on the financial statements.

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Our opinion on the financial statements

Matters on which we report by exception

Notwithstanding our disclaimer of opinion on the financial statements, performed subject to the pervasive limitation described above, we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Group and Authority.

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014
- 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
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014
- we are not satisfied that the Group and Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects.

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on page 3, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the Group financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Group and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Group and the Authority either intends to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Group and Authority's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because 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 these financial statements.

We are independent of the Group and Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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Draft Audit Report 2020/21 (cont)

DRAFT

Our opinion on the financial statements

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

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in April 2021**,** as to whether Three Rivers District Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Three Rivers District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

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

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

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

Certificate

We certify that we have completed the audit of the accounts of Three Rivers District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

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

The following footnote does not form part of our Auditor's Report.

Additional information related to the disclaimer of opinion is set out in Completion Report for Those Charged with Governance dated 28 November 2024, available on the Authority's website, which includes further explanations about the implementation of the statutory instrument which led to the disclaimer of our opinion on the financial statements.

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DRAFT

Our opinion on the financial statements

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THREE RIVERS DISTRICT COUNCIL

Disclaimer of Opinion

We were engaged to audit the financial statements of Three Rivers District Council ('the Authority' and its subsidiaries ('the Group')) for the year ended 31 March 2022. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement
- the related notes 1 to 53 and Group notes 1 to 4
- Collection Fund and the related notes CF1 to CF2

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

We do not express an opinion on the accompanying financial statements of the Group and the Authority. Because of the significance of the matter 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 on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 requires the accountability statements for this financial year to be approved not later than 13th December 2024.

The audit of the 2020/21 financial statements for Three Rivers District Council was not completed for the reasons set out in our opinion on those financial statements dated xxxx. As a result of the delays to the previous year's audit together with the wider requirements of the local audit system reset, we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the 2021/22 financial statements before the 13th December 2024 backstop date.

Therefore, we are disclaiming our opinion on the financial statements.

Draft Audit Report 2021/22 (cont)

DRAFT

Our opinion on the financial statements

Matters on which we report by exception

Notwithstanding our disclaimer of opinion on the financial statements, performed subject to the pervasive limitation described above, we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Group and the Authority.

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and
- Accountability Act 2014 (as amended)
- we are not satisfied that the Group and the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in these respects.

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Responsibility of the Chief Financial Officer

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on page 3, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the Group financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Group and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Group and the Authority either intends to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Group and the Authority's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

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Draft Audit Report 2021/22 (cont)

DRAFT

Our opinion on the financial statements

However, because 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 these financial statements.

We are independent of the Group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in December 2021**,** as to whether Three Rivers District Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Three Rivers District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

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

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

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

Certificate

We certify that we have completed the audit of the accounts of Three Rivers District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

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

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Draft Audit Report 2022/23

DRAFT

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THREE RIVERS DISTRICT COUNCIL

Disclaimer of opinion

We were engaged to audit the financial statements of Three Rivers District Council 'the Authority' and its subsidiaries (the 'Group') for the year ended 31 March 2023. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cashflow Statement
- the related notes 1 to 55 and Group notes 1 to 4 including a summary of significant accounting policies
- Collection Fund and related notes CF1 and CF2

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

We do not express an opinion on the accompanying financial statements of the Group and the Authority. Because of the significance of the matter 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 on these financial statements.

Basis for disclaimer of opinion

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 requires the accountability statements for this financial year to be approved not later than 13th December 2024.

The audit of the 2021/22 financial statements for Three Rivers District Council was not completed for the reasons set out in our opinion on those financial statements dated xxxx.
The backstop date and the wider requirements of the local audit system reset meant we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the 2022/23 financial statements.

Therefore, we are disclaiming our opinion on the financial statements.

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Our opinion on the financial statements

Matters on which we report by exception

Notwithstanding our disclaimer of opinion on the financial statements, performed subject to the pervasive limitation described above, we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Group and the Authority.

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
  we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- we are not satisfied that the Group and the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in these respects.

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on page 3, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Group and the Authority's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because 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 these financial statements.

We are independent of the Group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Draft Audit Report 2022/23 (cont)

DRAFT

Our opinion on the financial statements

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

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in January 2023, as to whether Three Rivers District Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Three Rivers District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

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

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

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

Certificate

We certify that we have completed the audit of the accounts of Three Rivers District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

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

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04 Value for Money

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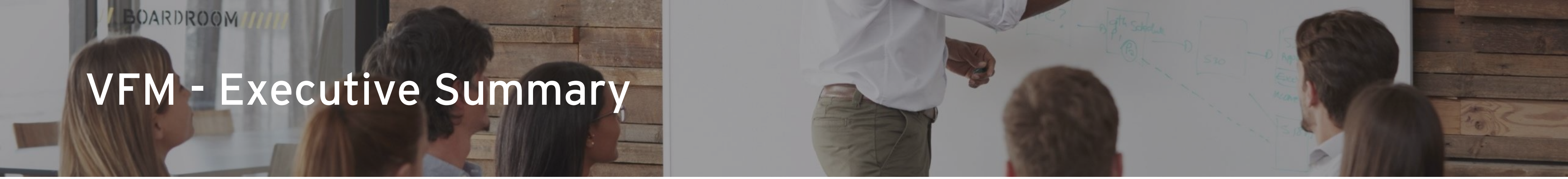

VFM - Executive Summary

Purpose

Auditors are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a ‘conclusion’ or ‘opinion’, but where significant weaknesses are identified we will report by exception in the auditor’s opinion on the financial statements. In addition, auditors provide an annual commentary on arrangements published as part of the Auditor’s Annual Report. In doing so, we comply with the requirements of the 2020 Code of Audit Practice (the Code) and Auditor Guidance Note 3 (AGN 03). The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the Financial Reporting Council (FRC), as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. As part of the NAO consultation issued on 8 February 2024, there is a proposal to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. However, the consultation states that where auditors have begun or already undertaken work that no longer falls under the reduced scope (if agreed once the consultation closes), they may still report on it in accordance with Schedule 4. We are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code to ensure a smooth transition to the 2023/24 audit year when auditors are required to meet the full Code reporting responsibilities.

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The purpose of this commentary is to explain the work we have undertaken during the period 01 April 2020 to 31 March 2023 and highlight any significant weaknesses identified along with recommendations for improvement. The commentary covers our findings for audit years 2020/21, 2021/22 and 2022/23. The NAO has confirmed that where VFM reporting is outstanding for more than one year, the auditor can issue one report covering all years.

The report sets out the following areas which have been assessed up to the point of issuing this interim report:

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- An explanation of the planned responsive audit procedures to the significant risks identified;
- Findings to date from our planned procedures; and
- Summary of arrangements over the period covered by this report (Appendix E).

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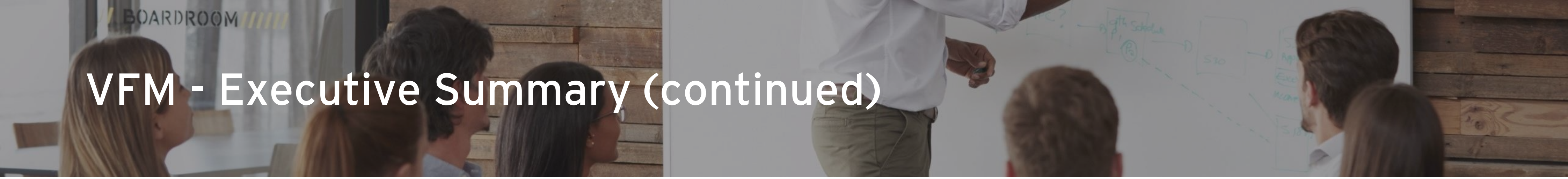

VFM - Executive Summary (continued)

Risks of Significant Weakness

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- meetings with the Director of Finance;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.

We completed our risk assessment procedures and did not identify any significant weaknesses in the Council's VFM arrangements.

Reporting

Our commentary for 2020/21, 2021/22 and 2022/23 is set out over pages 32 to 35. The commentary on these pages summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2020/21, 2021/22 and 2022/23. Appendix E includes the detailed arrangements and processes underpinning the reporting criteria.

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weaknesses identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weaknesses identified

Value for Money Commentary

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified

The Council is required to have arrangements in place to ensure proper resource management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the Annual Governance Statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the Council is expected to have in place during the years ended 31 March 2021, 31 March 2022 and 31 March 2023. Our risk assessment did not identify any risk of significant weakness in arrangements to secure financial sustainability.

Persistent high inflation in the recent year, rising interest rates, and the impact of the cost of living crisis on residents has resulted in a number significant pressures across the Council's budgets. Mitigation measures continue to be in place to bring down the forecast revenue overspend before year end, which have been agreed by the Mayor and Portfolio Holders. The Council has a comprehensive budget monitoring process in place which is carried out in full four times a year (periods 3,6,8 and 10). Regular budget monitoring reports are presented to both the Council's Management Board, Finance Scrutiny Committee and Cabinet throughout the year. The Council identified the pay award as the most significant risk for the 2023/24 budget, which is managed through the Service and Budget Planning process for 2024/25 to 2026/27.

The Council has a robust process of estimating the recurring and non-recurring expenditure and sources of funding. This process starts with the preparation of the Council Plan which sets out on a high level the projects that the Council will focus on. The Council also prepares a Medium-Term Financial Plan ('MTFP'), which identifies the factors that may impact the cost of pursuing the projects. The MTFP provides Members with information on the overall financial position of the Council over the following three years and brings together the previous budget set by the Council, the budget monitoring activities carried out during the current year and the latest developments in funding, legislation and service delivery. The MTFP also includes an analysis of reserves level for each period and shows how much the unallocated reserve balance will be at the end of each year. The MTFP is updated to take account of known changes across the MTFP period each time a budget monitoring report is taken to a committee.

The Council retained a prudent minimum balance of the general fund of £2 million, as per the unaudited accounts at the end of each year covered in this report. The latest forecast indicates that general balances will remain well above the risk assessed level of £2 million over the MTFP period after taking account of meeting the budgeted deficit from general balances in 2024/25, 2025/26 and 2026/27.

The Council has an additional earmarked reserve, the Economic Impact Reserve ('EIR'), to manage risk. This is forecast to be £1.435 million at the end of March 2024 and is available to manage future economic downturn or loss of business rates. It is assumed that £0.478 million will be utilised from the EIR over the MTFP (2024/25 – 2026/27) to manage the reduction in income from the leisure management contract following the legacy impact of COVID-19 on activity levels.

TRDC has maintained an ambitious Capital Investment Programme. The management of financial risks is supported by robust budget estimates that acknowledge the real pressures experienced by the Council. These estimates are reinforced by effective financial policies and controls, alongside strong financial and budgetary management. Detailed budget estimates for anticipated cost pressures, as well as mitigating actions and savings, were produced in 2020/21, 2021/22 and 2022/23, with these estimates undergoing review and challenge by the Council's leadership.

The MTFP presented to the Council on 21 February 2023 indicates a budget requirement (net expenditure) for 2023/24 of £13.641 million. This increased slightly to £13.970 for 2024/25, as per the MTFP for 2024/25 – 2026/27 presented in January 2024 at the Policy and Resources Committee.

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Value for Money Commentary (continued)

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services *(continued)*

No significant weakness identified

The future for local government funding remains uncertain. The conclusion of reviews of Fair Funding, Business Rates and New Homes Bonus, initially expected to come into effect in 2020/21, remain outstanding and are not expected for the 2024/25 planning cycle. The Council has made a provision for the expected outcome of these reviews within the MTFP, however, this uncertainty continues to make medium term financial planning far more challenging. Alongside this, councils are continuing to manage the ongoing effects associated with the COVID-19 Pandemic which has resulted in longer term income losses, particularly around leisure and parking.

The current inflationary environment creates further challenges as the Council manages the impact of increases in the prices of energy, fuel and contracts which have impacted budgeting from 2022/23. Inflation remains pervasively high at the start of 2023/24 and the impact of this will be monitored throughout the year and incorporated into the MTFP through the budget planning process. Proactive financial stewardship has ensured that the Council is in a strong financial position to move forward and react to all of these challenges.

The challenges the Council is facing over the medium term are significant and it is critical that the Council continues its scenario assessment of the savings requirement and continues to identify relevant schemes to achieve the annual savings requirements to minimise the use of reserves where possible.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2020/21, 2021/22 and 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

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Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

No significant weakness identified

The Council is required to have arrangements in place to ensure proper risk management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the Annual Governance Statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the Council is expected to have in place during the years ended 31 March 2021, 31 March 2022 and 31 March 2023. We did not identify a risk of significant weakness in arrangements in place to ensure sound governance.

The Council published their draft 2020/21 financial statements for audit on 21 July 2021, the draft 2021/22 financial statements on 31 July 2022 and the draft 2022/23 financial statements on 31 May 2023. All three publishing dates are in line with the Accounts and Audit regulations and the relevant amendments. The Council advertised and held an inspection periods for members of the public in line with these regulations. At the time of our VFM arrangements work, management was in the process of updating the already published accounts for all three years due to the recent finalisation of the 2019/20 audit, which resulted in adjustments that impact subsequent years' financial statements. We understand that the Council achieved this by end of October 2024. We verified that the Council has carried out bank reconciliations during the year.

TRDC delivers a range of priorities against a backdrop of financial constraint, which required to demonstrate continuous improvement, efficiency and customer focus. The management of risk, including opportunity risk, is essential to ensure the achievement of the Council's objectives. Service and project managers are responsible for identifying risks on an ongoing basis and for maintaining and reviewing Service and Project Risk Registers. The requirement to consider risk is also included in reports to committees and officers taking delegated decisions. The Strategic Risk Register is reported at least bi-annually to the Policy and Resources Committee and the Financial and Budgetary Risk Register is reported quarterly to the Audit Committee.

The quarterly monitoring report to Corporate Management Team and Policy and Resources Committee enables officers and members to respond to emerging risks – the effectiveness was evidenced during 2020/21 and 2021/22 as the Council agreed an in year budget changes to respond to the financial impact of COVID-19. During 2022/23, the reporting framework was enhanced to provide greater transparency through organising appendices by service committee.

With regards to commercial activities, the Council created a Commercial Risk Earmarked Reserve to manage the timing of cashflows and risks in relation to commercial ventures, such as the 2022/23 acquisition of the headlease on a commercial investment in three hospitality units.

The Council's Annual Governance Statement outlines core governance arrangements, including an Action Plan demonstrating adherence to the seven principles of good governance. The Head of Internal Audit has provided reasonable assurance over the adequacy and effectiveness of the Council's overall internal control environment for the 2021/22 and 2022/23 financial years and satisfactory assurance for the 2020/21 year.

According to the Council's constitution, all Councilors and the Mayor collectively serve as the ultimate policy makers, responsible for strategic and corporate management functions.

Conclusion: **Based on the work performed, the Council had proper arrangements in place in 2020/21, 2021/22 and 2022/23 to make informed decisions and properly manage its risks.**

Value for Money Commentary (continued)

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

No significant weakness identified

The Council is required to have arrangements in place to ensure economy, efficiency and effectiveness, and the responsibility for these arrangements and reporting on the design and operation of these arrangements via the Annual Governance Statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the Council is expected to have in place during the years ended 31 March 2021, 31 March 2022 and 31 March 2023. We did not identify a risk of significant weakness in arrangements in place to ensure economy, efficiency and effectiveness.

The Council has a procurement manager that manages the procurement of contracts throughout the Council. The Head of Democracy and Governance supports the Chief Executive in ensuring that the Council complies with its procurement procedures, purchasing and commissioning arrangements, and that there are robust arrangements for supervising contracts, where services have been outsourced or commissioned from another agency, and monitoring the quality and timely delivery of those services. Contract procedure rules, as outlined in the council's constitution, promote good practice and public accountability in procurement processes. These rules apply to all Council employees involved in any procurement process, including partnerships and subcontractors. Regular monitoring meetings ensure adherence to expected standards and continued value for money. No weaknesses came to our attention in the Council's procurement procedures from 2020/21 through to 2022/23 financial years.

The Council's Leadership Corporate Framework sets the values that underpin all of the Council's work. The Council's vision is to manage a well-run council that delivers efficient and effective services, prioritising the Council's statutory responsibilities

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

Quarterly performance monitoring is reviewed by the Corporate Management Team and is reported to all Members through the Members' Information Bulletin. There are a high number of target indicators both quarterly and annually across all areas. The performance indicators are grouped by theme showing how work has contributed to the delivery of the Corporate Framework.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2020/21, 2021/22 and 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

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05 Appendices

Appendix A – Management representation letter

Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

Management Rep Letter

[To be prepared on the entity's letterhead] *[Date]*

Ernst & Young

This letter of representations is provided connection with your audit of the [*consolidated and parent*] Authority financial statements of *[name of entity]* ("the [Group and] authority") for the year ended *[balance sheet date]*. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and parent Authority financial statements give a true and fair view of (or 'present fairly, in all material respects,') the [Group and] authority financial position of *[name of entity]* as of *[balance sheet date]* and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the [Group and] the Authority, CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20xx/xx (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)**.**

We understand that the purpose of your audit of our [consolidated and parent] Authority financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist. Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the [Group and the parent] Authority, the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20xx/xx (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)].
2. We acknowledge, as members of management of the [Group and] authority, our responsibility for the fair presentation of the consolidated and parent Authority financial statements. We believe the [consolidated and parent] Authority financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the [Group and parent] Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20xx/xx (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the [Group and] authority financial statements are appropriately described in the [Group and] authority financial statements**.**
4. As members of management of the [Group and] authority, we believe that the [Group and] authority have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with [*[applicable financial reporting framework]* for the Group and] *[applicable financial reporting framework]* for the Authority that are free from material misstatement, whether due to fraud or error.

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Appendix A – Management representation letter

Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

Management Rep Letter

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5. *[When there are unadjusted audit differences in the current year]* We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and parent Authority financial statements taken as a whole. We have not corrected these differences because [specify reasons for not correcting misstatement].
6. [When the comparative figures have been restated] The comparative amounts have been restated to reflect the below matter(s) and appropriate note disclosure of this (these) restatement(s) has (have) also been included in the current year's consolidated and parent Authority financial statements. *[Add a paragraph providing a brief description of each matter giving rise to a restatement and the amount(s) concerned.]* There have been no significant errors or misstatements, or changes in accounting policies, other than the matters described above, that would require a restatement of the comparative amounts in the current year's consolidated and parent Authority financial statements. Other differences in the amounts shown as comparative amounts from the amounts in the consolidated and parent Authority financial statements for the year ended *[date]* are solely the result of reclassifications for comparative purposes.
7. We confirm the [Group and] authority does not have securities (debt or equity) listed on a recognized exchange.
8. We have confirmed to you any changes in service organizations within the [Group and] authority since the last audited financial year.

B. Non-compliance with laws and regulations, including fraud

1. We acknowledge that we are responsible to determine that the [Group and] authority's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws or regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.
3. We have disclosed to you the results of our assessment of the risk that the [consolidated and parent] Authority financial statements may be materially misstated as a result of fraud.
4. *[When management is aware of the occurrence of non-compliance with laws or regulations, or has received allegations of non-compliance with laws and regulations.]* We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with laws and regulations, including fraud, known to us that may have affected the [Group or] Authority (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), including non-compliance matters:

- Involving financial improprieties
- Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the [consolidated and parent] Authority financial statements
- Related to laws or regulations that have an indirect effect on amounts and disclosures in the [consolidated and parent] Authority financial statements, but compliance with which may be fundamental to the operations of the [Group and] authority's business, its ability to continue in business, or to avoid material penalties

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Management representation letter

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Management Rep Letter

- Involving management, or employees who have significant roles in internal control, or others
- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the [consolidated and parent] Authority financial statements.
3. We have made available to you all minutes of the meetings of shareholders, directors and committees of directors (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the *[period]* to the most recent meeting on the following date: *[list date]*.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the [Group and] authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the [period] end. These transactions have been appropriately accounted for and disclosed in the [consolidated and parent] Authority financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with [applicable financial reporting framework].
6. We have disclosed to you, and the [Group and] authority has complied with, all aspects of contractual agreements that could have a material effect on the [consolidated and parent] Authority financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the [consolidated and parent] Authority financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

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Appendix A – Management representation letter

Management representation letter

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Management Rep Letter

8. We have disclosed to you, and provided you full access to information and any internal investigations relating to, unauthorized access to our information technology systems that has a material effect on the [consolidated and parent] Authority financial statements, including disclosures.

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D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the [consolidated and parent] Authority financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note *[X]* to the consolidated and parent Authority financial statements all guarantees that we have given to third parties.

E. Going Concern

1. Note *[X]* to the consolidated and parent Authority financial statements discloses all the matters of which we are aware that are relevant to the Group and authority's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than the events described in Note *[X]* to the [consolidated and parent] Authority financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the consolidated and parent Authority financial statements or notes thereto.

G. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst parent Authority, subsidiary undertakings and associated undertakings.

H. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the information contained within the Narrative Statement and also the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

I. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and the [Group and] authority have reflected these in the consolidated and parent financial statements.

Yours faithfully,

____

(Chief Financial Officer/Finance Director)

____

(Chairman of the Audit Committee)

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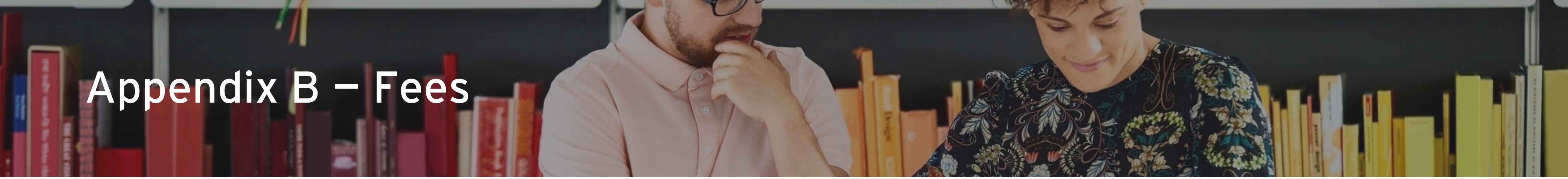

Appendix B – Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

The original fees for these years were based on the following assumptions:

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- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Authority; and
- The Authority has an effective control environment
- The Authority complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See https://www.psaa.co.UK/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/. In particular the Authority should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full on the previous page.

Due to the reset, the above clearly will not be achieved and we will be liaising with PSAA Ltd to discuss and agree fees.

	2022/23	2021/22	2020/21
	£	£	£
Total Fee – Code Work	36,908	35,084	34,084
Other - scale variations to be determined	tbc	tbc	Tbc
Total audit	**tbc**	**tbc**	**tbc**

All fees exclude VAT

Note 1 - PSAA Ltd, in line with the joint statement issued DLUHC (as at that date) and the FRC is responsible for the determination of the final audit fee in respect of 2022/23.

In doing so, PSAA Ltd will apply the principles that where auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, including where their procedures were necessary to conclude the audit by the legislatively imposed backstop date by way of a modified or disclaimed opinion and the body is due to pay the applicable fee.

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Appendix C — Required communications with the Audit Committee

We have detailed the communications that we must provide to the audit committee.

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of: ► The planned scope and timing of the audit ► Any limitations on the planned work to be undertaken ► The planned use of internal audit ► The significant risks identified When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	This Completion report for Those Charged with Governance
Significant findings from the audit	► Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ► Significant difficulties, if any, encountered during the audit ► Significant matters, if any, arising from the audit that were discussed with management ► Written representations that we are seeking ► Expected modifications to the audit report ► Other matters if any, significant to the oversight of the financial reporting process ► Findings and issues regarding the opening balance on initial audits (delete if not an initial audit)	This Completion report for Those Charged with Governance

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Appendix C — Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements	This Completion report for Those Charged with Governance
Misstatements	▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management	This Completion report for Those Charged with Governance
Fraud	▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud ▶ Any other matters related to fraud, relevant to Audit Committee responsibility	This Completion report for Those Charged with Governance

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Appendix C — Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity	This Completion report for Those Charged with Governance
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence ▶ Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.	This Completion report for Those Charged with Governance

Appendix C — Required communications with the Audit Committee (cont'd)

Required communications	What is reported?	Our Reporting to you When and where
	▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence	This Completion report for Those Charged with Governance
External confirmations	▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures	This Completion report for Those Charged with Governance
Consideration of laws and regulations	▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	This Completion report for Those Charged with Governance
Internal controls	▶ Significant deficiencies in internal controls identified during the audit	This Completion report for Those Charged with Governance

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Appendix C — Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
	► Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements	This Completion report for Those Charged with Governance
Representations	Written representations we are requesting from management and/or those charged with governance	This Completion report for Those Charged with Governance
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	This Completion report for Those Charged with Governance
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	This Completion report for Those Charged with Governance
Auditors report	► Key audit matters that we will include in our auditor's report ► Any circumstances identified that affect the form and content of our auditor's report	This Completion report for Those Charged with Governance

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Appendix D - Non-Compliance with Laws and Regulations (NOCLAR)

Non-Compliance with Laws and Regulations includes:

Any act or suspected act of omission or commission (intentional or otherwise) by the entity (including any third parties under the control of the entity such as subsidiaries, those charged with governance or management or an employee acting on behalf of the company), either intentional or unintentional, which are contrary to the prevailing laws or regulations

Management Responsibilities:

"It is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity's financial statements."

ISA 250A, para 3

"The directors' report must contain a statement to the effect that... so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information."

ISA 250A, para 3

"Management is responsible for communicating to us on a timely basis, to the extent that management or those charged with governance are aware, all instances of identified or suspected non-compliance with laws and regulations ..."

Audit Engagement Letter

Management's responsibilities are also set out in the International Ethics Standard Board of Accountants' International Code of Ethics (IESBA Code) Para 360.08

Auditor Responsibilities

The International Ethics Standard Board of Accountants' International Code of Ethics (IESBA Code) section 360 sets out the scope and procedures in relation to responding to actual or suspected non-compliance with laws and regulations.

Professional accountancy organisations who are members of the International Federation of Accountants (IFAC), such as the Institute of Chartered Accountants in England and Wales (ICAEW) are required to adopt the IESBA Code of Ethics.

We as your auditor are required to comply with the Code by virtue of our registration with ICAEW.

"If the auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with laws and regulations, the auditor shall obtain:

An understanding of the nature of the act and the circumstances in which it has occurred; and

Further information to evaluate the possible effect on the financial statements

The auditor shall evaluate the implications of the identified or suspected non-compliance in relation to other aspects of the audit, including the auditor's risk assessment and the reliability of written representations, and take appropriate action."

ISA 250A, paras 19 and 22

Examples of Non-Compliance with Laws and Regulations (NOCLAR)

Matter	Implication
Suspected or known fraud or bribery	Potential fraud/breach of anti-bribery legislation
Health and Safety incident	Potential breach of section 2 of the Health and Safety at Work Act 1974
Payment of an unlawful dividend	Potential breach of Companies Act 2006
Loss of personal data	Potential GDPR breach
Allegation of discrimination in dismissal	Potential non-compliance with employment laws
HMRC or other regulatory investigation	Suspicion of non-compliance with laws/regulations
Deliberate journal mis-posting or allegations of financial impropriety	Potential fraud / breach of Companies Act 2006
Transacting business with sanctioned individuals	Potential breach of sanctions regulations

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Appendix D - Non-Compliance with Laws and Regulations (NOCLAR) (cont'd)

What are the implications of NOCLAR matters arising?

Depending on the nature and significance of the NOCLAR matter the following steps are likely to be required, involving additional input from both management and audit.

This can have an impact on overall achievability of audit timeline and fees.

Across our portfolio of audits we have seen a steady increase in NOCLAR matters that need to be addressed as part of the audit over the past 3 years

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Management response:

- Timely communication of the matter to auditors (within a couple of days)
- Determine who will carry out any investigation into the matter - in-house or external specialists or mix of both
- Scope the investigation, in discussion with the auditors
- Evaluate findings and agree next steps
- Determine effect on financial statements including disclosures
- Prepare a paper, summarising the outcome of the investigation and management's conclusions
- Communicate the outcome to Those Charged With Governance (TCWG) and to us as your auditors. Report to regulators where required.

Key Reminders:

- Make sure that all areas of the business are aware of what constitutes actual or potential non-compliance and associated requirements
- Communicate with us as your auditors on a timely basis - do not wait for scheduled audit catch-ups
- Engage external specialists where needed
- Ensure that your investigation assesses any wider potential impacts arising from the matter, not just the matter itself.
- Plan upfront and consider any impact on overall accounts preparation and audit timeline - discuss the implications with us as your auditor

Audit response:

- Initial assessment of the NOCLAR matter and its potential impact
- Initial consultation with risk team to determine responsive procedures and the involvement of specialists
- Understand and agree scope of management's investigation with support from specialists as needed
- Evaluate findings and undertake appropriate audit procedures
- Determine audit related impact including accounting and disclosure and audit opinion implications
- Document and consult on the outcome of our procedures
- Communicate the outcome with management, TCWG and where necessary other auditors within the group or regulators

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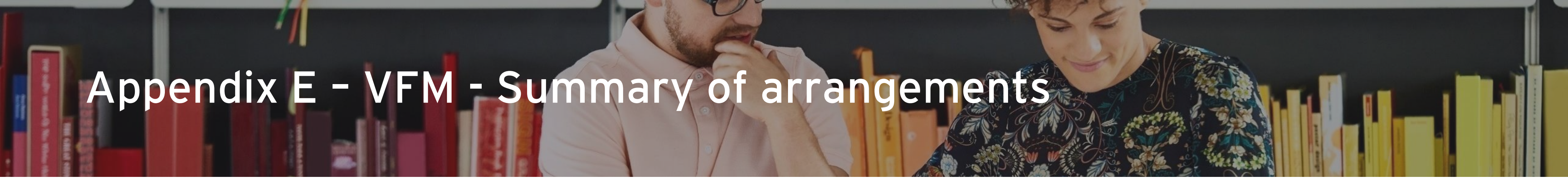

Appendix E – VFM - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the years 2020/21 to 2022/23.

Reporting criteria considerations	Arrangements in place
How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	The Council prepares and monitors a rolling three-year Medium-Term Financial Plan (‘MTFP’), comprising a working budget for the current year and indicative budgets for the following years. Three main directorates have been identified: Infrastructure Housing & Economic Development; Leisure, Environment & Communities (Leisure, Wellbeing and Health in 2020/21 and 2021/22); and Policy & Resources. The Council has a comprehensive budget monitoring process which is carried out in full four (4) times a year (periods 3, 6, 8 and 12). Period 8 budget monitoring is part of the budget setting reports. Budget managers enter all known variances into the Collaborative Planning tool and meet with the Finance Business Partners to highlight risks to financial performance. As part of budget monitoring, budgets are adjusted for future years where known pressures are emerging and for any actions taken as a result of rebalancing the budgets in year. A formal bid process takes place in September each year where budget managers are invited to submit Project Initiation Documents (PIDs) for identified pressures to feed into the following year’s MTFP. Budgetary risks are reported as part of budget monitoring. Budget monitoring reports go to service committees for specific services, as a whole to Policy and Resources Committee and then on to full Council for scrutiny by members. The management of financial risks is supported by robust budget estimates that acknowledge the real pressures experienced by the Council. These estimates are reinforced by effective financial policies and controls, alongside strong financial and budgetary management. Detailed budget estimates for anticipated cost pressures, as well as mitigating actions and savings, were produced in 2020/21, 2021/22 and 2022/23, with these estimates undergoing review and challenge by the Council’s leadership.

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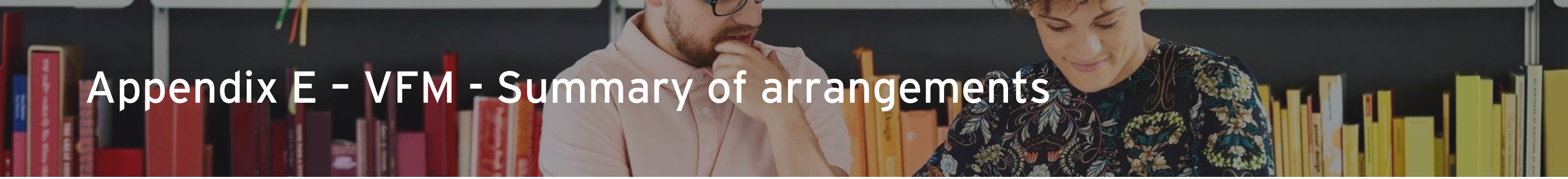

Appendix E - VFM - Summary of arrangements

Financial Sustainability *(continued)*

We set out below the arrangements for the financial sustainability criteria covering the years 2020/21, 2021/22 and 2022/23.

Reporting criteria considerations	Arrangements in place
How the body plans to bridge its funding gaps and identifies achievable savings	Each year in early autumn the Council reviews the current MTFP to identify the latest projected gaps for the following financial year. A decision is taken at the Council's Joint Leadership Team on the level of increases in fees and charges to be brought forward for the following financial year based on inflation levels at the end of the summer. This process was updated last financial year to bring forward Fees and Charges increases to December's Council meeting to allow implementation, where sensible to do so, from the 1st of January. Alongside Fees and Charges, members of the Corporate Management Team (CMT) are asked to bring forward options for savings that are then taken forward, along with any approved PIDs for growth, to Joint Leadership Team for discussion and agreement for inclusion in the administration's draft budget. Following the local government finance settlement in December, these are then worked up into the proposed budget report for Policy and Resources Committee (P&R) in January and then on to full Council for approval. The CMT then set out the service implications of any reductions being proposed. Looking ahead over the next three years, the MTFP has been prepared against the continued backdrop of uncertainty over funding, increasing pressure on services and continuing expectations from stakeholders for service provision and inflation.
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	The provision of services and budget decisions drive the Council's corporate plan. Draft service plans are prepared in the autumn alongside early proposals on the following year's budget and then finalised following the budget decision in February. Through the annual Service Plans, the Council will identify and prioritise those programmes and projects that are expected to have the greatest beneficial impact on sustainable growth in the district and provide support for the most vulnerable in the Council's communities. This is then appropriately balanced with the resources needed to deliver the Council's core day to day services with the aim to develop, grow and improve. The MTFP provides Members with information on the overall financial position of the Council over the following three years and brings together the previous budget set by the Council, the budget monitoring activities carried out during the current year and the latest developments in funding, legislation and service delivery. The development of the MTFP is supported by annual budget consultations and provide input as to the Council's work and areas of expenditure. The Council has retained a prudent minimum balance of the general fund of £2 million. At the same time, the Council has maintained an ambitious Capital Investment Programme.

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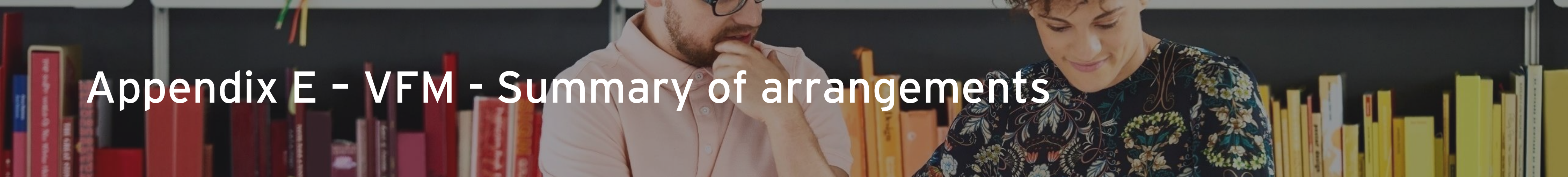

Appendix E – VFM - Summary of arrangements

Financial Sustainability *(continued)*

We set out below the arrangements for the financial sustainability criteria covering the years 2020/21, 2021/22 and 2022/23.

Reporting criteria considerations	Arrangements in place
How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system	The Council integrates the planning and approval of its Capital and Treasury Management Strategy alongside the budget each year. As part of budget preparation each year, there is a salary re-alignment exercise that looks at the whole salary budget to check that it correctly reflects the position on the ground. Requests to vary posts, fill vacant posts and for job evaluations come through Senior Leadership team and require Finance approval.
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	The Leadership Team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability. The Head of Finance produces a financial and budgetary risk report, which is presented to the Audit Committee for review and scrutiny. This report advises the Committee on the latest position in respect of the evaluation of financial risks facing the Council for discussion and any recommendations or comments they wish to make. The recommendations allow the Committee to review the financial risks faced by the Council and record any comments it wishes to make in respect of individual risks. The quarterly monitoring report to Corporate Management Team and Policy and Resources Committee enables officers and members to respond to emerging risks – the effectiveness was evidenced during 2020/21 and 2021/22 as the Council agreed in year budget changes to respond to the financial impact of COVID-19. During 2022/23 the reporting framework was enhanced to provide greater transparency through organising appendices by service committee. An annual assessment is made for the prudent minimum level of General Balances and this forms the basis of the budget planning process. In addition, the authority holds earmarked reserves to manage specific risks. In making this assessment Officers use the CIPFA Financial Resilience index to benchmark against other local authorities.

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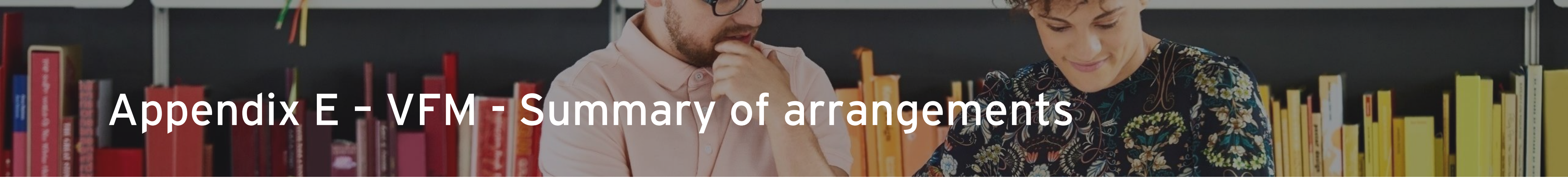

Appendix E – VFM – Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the years 2020/21, 2021/22 and 2022/23.

Reporting criteria considerations	Arrangements in place
How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	To gain assurance over the effective operation of internal controls, the Council is part of the Hertfordshire wide Shared Internal Audit Service ('SIAS'), which provides a full internal audit service to the Council. The Audit Committee approves the annual audit plan and receives quarterly updates on the progress of delivery of the audit plan and key findings, audit recommendations and proposed audit plan amendments. Where audit recommendations are not implemented in a timely manner, the committee may summon Heads of Services before the Committee to explain any delays. The SIAS annual report is taken to the Audit Committee summarising the internal audit activity for the year. The Council has its own Fraud Team who monitor fraud risks and carry out fraud prevention, monitoring and investigation work. An annual fraud report is taken to the Audit Committee. The fraud manager has responsibility for preparing the Annual Governance Statement, informed by internal audit reports, which is approved by the Audit Committee. The Council has a formal Governance Group which meets before each Audit Committee and includes SIAS representatives and the Council's Statutory Officers. The Councils Statutory Officers meet informally on a monthly basis. The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of councillors, the officers who have responsibility for the development and maintenance of the governance environment, the Annual Report of the Head of Assurance for the SIAS and also by comments made by the external auditors and other review agencies and inspectorates. Members receive half-yearly reports where corrective action has been detailed and monitored where necessary. The monthly budget monitoring system incorporates an update on financial and budgetary risks, a quantitative evaluation of fee income and the position on reserves and balances.
How the body approaches and carries out its annual budget setting process	The formal budget setting process begins in the autumn with CMT reviewing the overall budget position and any pressures put forward in PIDs during September. CMT then work to identify budget options for discussion with the Council's Joint Leadership Team ('JLT') which communicates the proposals to Policy and Resources Committee and Full Council. The budget management process is ongoing throughout the year. When potential overspending is identified during the financial year, members of the CMT are tasked with finding savings in year to reduce the projected overspend for the current and future years. The budget setting process and support for strategic financial matters is delivered by the Director of Finance and Head of Finance. The Finance Business Partner team provides dedicated support to Heads of Service and budget managers with financial planning and monitoring.

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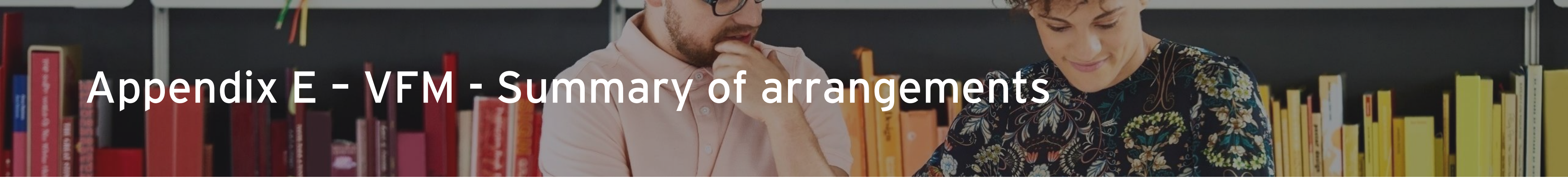

Appendix E – VFM – Summary of arrangements

Governance *(continued)*

We set out below the arrangements for the governance criteria covering the years 2020/21, 2021/22 and 2022/23.

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Reporting criteria considerations	Arrangements in place
How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed	All budget managers have access to the Council's financial systems to enable them to actively monitor their budgets. Key income budgets are reported monthly to CMT. Full budget monitoring happens on a quarterly (Month 3, 6, 8 and 12) basis. Finance Business Partners meet regularly with Budget Managers to discuss emerging issues within budgets and provide advice. Budget management is actively discussed at CMT and reports are taken through the Council's Committee system so that scrutiny of budgets by members other than the administration takes place. Performance Indicators are reported through CMT and JLT to Committees on a quarterly basis and scrutiny is provided through the committee system. The Council has a Shareholder and Commercial Investments Committee which provides more detailed review of significant joint ventures and investments and reports into Policy and Resources Committee and on to full Council for decision making.
How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee	The Council's Constitution contains the principles for taking informed and transparent decisions which are subject to effective scrutiny for risk management purposes. The Council's principles are to be rigorous and transparent about how decisions are taken and to listen and act on the outcomes, to use good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs. All reports supporting decision making are required to be signed off by the finance and legal teams and are reviewed by the CMT and the JLT before they are submitted to the relevant Committee. All reports contain relevant financial, legal, property, HR, equalities and sustainability implications. Effective challenge is provided by the Council's committee system which provides for scrutiny of decisions. TRDC also has a Shareholder and Commercial Ventures Scrutiny Panel, which reviews and scrutinises the commercial investments that the Council makes.
How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)	The Council has a code of conduct in place defined in part 5 of Council's Constitution. The Council's Monitoring Officer is responsible for ensuring officer or member behaviour are maintained in accordance with the principles of the Code of Conduct. Awareness of responsibilities forms part of member and officer training and the Committee Team reminds Members of their obligations. Officers' and Members' roles and responsibilities are laid out in the Code of Conduct.

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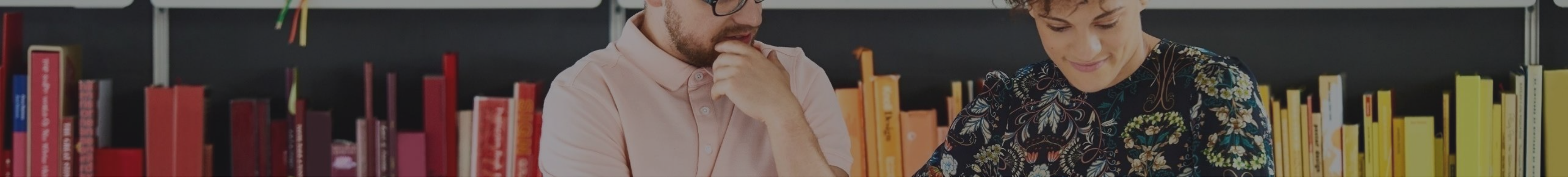
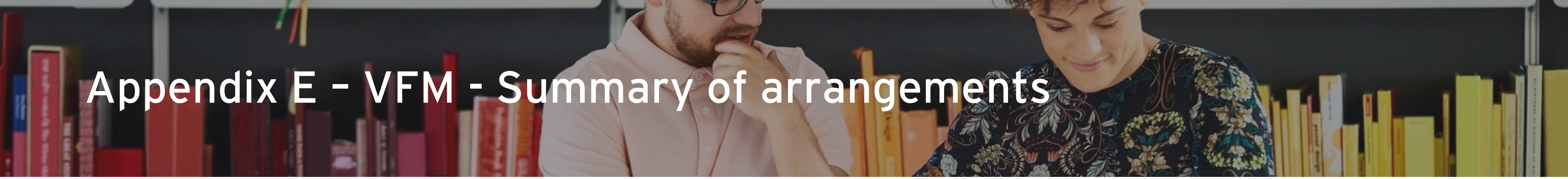


Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the years 2020/21, 2021/22 and 2022/23.

Reporting criteria considerations	Arrangements in place
How financial and performance information has been used to assess performance to identify areas for improvement	Performance Monitoring includes quarterly and annual performance reporting which is assessed at Corporate Management Team meetings and circulated to elected members via the Members Information Bulletin. Performance is RAG rated and commentary is included across all areas to ensure performance is assessed and action is taken against Red or in some cases Amber rated performance indicators. The Joint Leadership Team will also consider the performance report should an issue or action arise for discussion with elected members and senior officers. Actions are recorded in the commentary and reviewed in the next quarterly reporting to see if there are improvements. Quarterly performance monitoring is reviewed by the Corporate Management Team and is reported to all Members through the Members' Information Bulletin. The Strategic Service and Financial Planning Framework providers for Members' scrutiny of performance and performance targets for all services, alongside budget monitoring and review.
How the body evaluates the services it provides to assess performance and identify areas for improvement	The Council evaluates each service area, reviewing and updating progress against key areas and reviewing performance indicators through the annual financial and services planning process. The Corporate Framework is also reviewed every three years. Annually, an overview of achievements is recorded to support improvements for the future. An annual residents survey is also conducted to evaluate services to assess performance. This helps to identify areas for improvement when scores are lower. Projects are also assessed at regular project management board and recorded on a projects register. Individual services run specific surveys to assess performance and use the results from Performance Monitoring to make improvements.
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve	The Senior Leadership Team ensure senior representation at our significant partnerships including, for example, the Local Strategic Partnership and Hertfordshire Growth Board. The Corporate Management Team receive feedback from partners and can provide input into key pieces of work or strategies that are developed to ensure Three Rivers delivers its role effectively with its partners. Performance is monitored through the relevant service plan and Heads of Services. A register of 'Outside Bodies' is also maintained and reviewed annually for involvement of elected members on strategic boards or external organisations.



Appendix E - VFM - Summary of arrangements

Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the years 2020/21, 2021/22 to 2022/23.

Reporting criteria considerations	Arrangements in place
How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits	Service Level Agreements or Contracts are put in place and ensure performance monitoring is included and ensure standards are met or service delivered. Regular monitoring meetings also take place to ensure the organisation is meeting the expected standards and that it continues to be value for money. The Procurement team also offer support in the process to ensure compliance with legislation. Three Rivers District Council has a shared service for Revenues and Benefits, ICT, Finance, Procurement, and Human Resources with Watford Borough Council. Both Councils also share the statutory post of Chief Financial Officer - the Shared Director of Finance. From April 2014, the Governance arrangements for shared services changed to a lead authority model. Three Rivers District Council are responsible for providing Finance and Revenues and Benefits, whilst Watford Borough Council are responsible for the provision of ICT, Procurement and Human Resources. The Shared Services Operational Board consisting of representatives of senior management from both Councils is responsible for these services. The role of the Board covers: ‣ Monitoring performance and dealing with complaints from either authority. ‣ Resolving conflicts between competing interests amongst the authorities. ‣ Reviewing the governance arrangements. ‣ Dealing with matters referred up to it by the Operations Board. ‣ Having overall supervision of the Shared Service. ‣ Receiving annual reports on each service within the shared service. ‣ Community engagement.

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Appendix F – PSAA Statement of Responsibilities

As set out on the next page our fee is based on the assumption that the Authority complies with PSAA's Statement of Responsibilities of auditors and audited bodies. In particular the Authority should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

Preparation of the statement of accounts

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- *prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;*
- *ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.*
- *assign responsibilities clearly to staff with the appropriate expertise and experience;*
- *provide necessary resources to enable delivery of the plan;*
- *maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;*
- *ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;*
- *ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and*
- *during the course of the audit provide responses to auditor queries on a timely basis.*

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.

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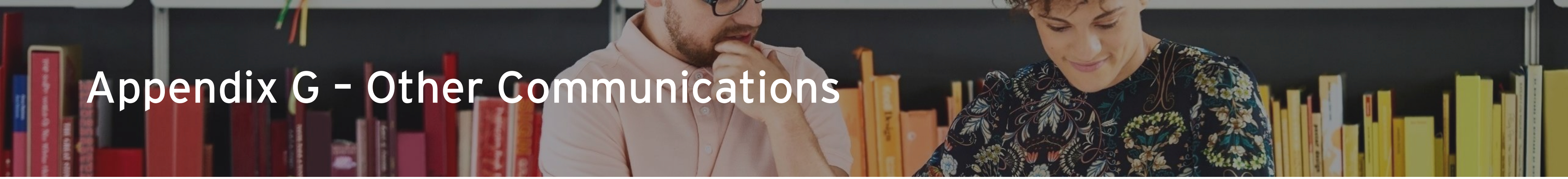

Appendix G – Other Communications

EY Transparency Report 2023

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2023 and can be found here: EY UK 2023 Transparency Report.

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EY | Building a better working world

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Ernst & Young LLP

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Local Audit Backlog – Rebuilding Assurance during the Recovery Period

Background

Local authorities and other local bodies, including police, fire, transport and waste authorities, as well as national parks, provide vital public services to local communities. Timely, high-quality financial reporting and audit is vital for supporting decision-making and accountability of those local public bodies. External assurance gives local taxpayers and elected representatives confidence in the financial management of their local public body.

On 31 July 2024 the Ministry of Housing, Communities and Local Government (MHCLG) issued a **Statement** that set out measures to be applied to clear the significant backlog of unsigned audit opinions of English local public bodies.

This announcement came after only 1% of local public bodies published audited accounts on time for 2022/23. Without decisive action, it was widely acknowledged that the backlog would continue to grow and undermine local accountability and governance.

In September 2024, the Financial Reporting Council (FRC) published a briefing: **Local Audit Backlog Rebuilding Assurance**. The briefing explains how the recovery period may operate in practice for local public bodies that receive disclaimed audit opinions primarily because of statutorily imposed backstop dates limiting the scope of the audit. It has been prepared so that finance teams, elected members and other interested parties can understand what the recovery period may look like in practice.

This paper summarises the main messages from the FRC's briefing.

The overarching objective of the measures is to clear the backlog of outstanding audit opinions and reduce the likelihood of this position returning.

Measures to address the backlog

The Government's approach to clear the backlog of local audits and embed timely audit comprises two parts:

- **Reset measures -** clearing the backlog of historical audit opinions up to and including financial year 2022/23.
- **Recovery period -** a period that reduces the likelihood of the backlog re-emerging through the implementation of backstop dates.

The measures have been developed collaboratively by all organisations involved in regulation and oversight of local public body financial reporting and audit ('system partners') to clear the backlog of outstanding audit opinions.

On 30 September 2024 **The Accounts and Audit Regulations 2015** (which set out the approval and publication requirements for LG audits in England) were amended via **The Accounts and Audit (Amendment) Regulations 2024**, to introduce backstop dates by which point local public bodies must publish audited accounts.

Exhibit 1: Backstop dates

- For years up to and including 2022/23 – 13 December 2024
- 2023/24 – 28 February 2025
- 2024/25 – 27 February 2026
- 2025/26 – 31 January 2027
- 2026/27 – 30 November 2027
- 2027/28 – 30 November 2028

A new draft **Code of Audit Practice** (the Code) has also been published[1] by the National Audit Office (NAO) that requires auditors to give their opinion in time to enable local public bodies to comply with the backstop date. The Code will apply to audits which have not been certified complete at the time it comes into effect, and to the audits of local public bodies from 2024/25, until it is replaced after five years. The Code also requires auditors to carry out full scope audit of Value for Money (VFM) arrangements for 2023/24 onwards.

[1]The new draft Code of Audit Practice was laid in Parliament on 9 September 2024 and will take immediate effect once it has received Parliamentary approval.

Rebuilding assurance

The backstop dates enable auditors to rebuild assurance over multiple years rather than performing all work in a single year. Auditors will make prioritisation decisions to issue audit opinions ahead of backstop dates and, as a result, they may not be able to obtain evidence over all balances. This means it could take several years for disclaimed opinions to be lifted.

A local public body's financial statements include the following:

- Opening balances brought forward from the prior year, including, for example, cash, general fund and ringfenced reserves, property valuation and pension liability / asset valuations;
- Closing balances;
- In-year expenditure, income, reserves and cash-flow movements;
- Comparative figures from the prior year; and
- Explanatory notes to the financial statements.

The objective of the auditor is to obtain sufficient evidence to conclude that they have reasonable assurance that the financial statements, as a whole, are free from material misstatement.

Where an auditor is unable to gain enough evidence or is unable to reach this conclusion based on the evidence gathered, they will issue a modified opinion, or a disclaimed opinion where the issues are pervasive.

Where the opinion on the prior year audit has been disclaimed, the auditor will not have assurance over:

- Opening balances brought forward from the prior year (the prior year closing balance); and
- Comparative figures.

It is also unlikely that the auditor will be able to obtain sufficient evidence to conclude they have reasonable assurance over the in-year expenditure, income, reserves and cash flow movements without assurance over the opening balances, as illustrated in the example below:

If a body has £100 at the end of the year but the auditor does not know whether the body had £50 or £10 at the start of the year, the auditor will not know whether the body has gained £50 or £90 during the year.

This may also impact on subsequent years. Where the auditor does not have assurance over in-year movements, they will also not have assurance over those figures when they are shown as comparatives in the following year.

Rebuilding assurance

In normal circumstances, in the year after a disclaimed opinion is issued, an auditor would perform work to assure all the opening balances and prior year comparatives in a single year.

The recovery period has been designed to allow auditors to recover from disclaimed opinions in a way that does not cause timeliness issues to recur. The backstop arrangements may create time constraints that impede the auditor from completing all the necessary audit procedures, in a single year, to support their opinion. There may also be several years prior to the current year for which the auditor has issued a disclaimed opinion. In these circumstances, significant challenges exist in both the preparation and auditing of opening balances.

When designing approaches to rebuild assurance over multiple years, auditors will need to decide which balances to prioritise each year to deliver the optimal pathway to returning, as soon as possible, to a position where they are able to complete audits in full and the opinion is not influenced by backstop dates. The testing may be different from normal as the auditors may need different evidence to conclude that they have reasonable assurance over the balances.

To help auditors meet their requirements under the Local Audit and Accountability Act 2014 and the Code of Audit Practice, the National Audit Office (NAO) has published a package of guidance: **Local Audit Reset and Recovery Implementation Guidance** (LARRIGs). LARRIGs are prepared and published with the endorsement of the Financial Reporting Council (FRC) and are intended to support the reset and recovery of local audit in England.

Local public bodies should not be unfairly judged for modified or disclaimed opinions beyond their control.

The measures have been designed to enable any limitation of scope of the audit to be a result of the system-imposed backstop and not any actions of management, as the latter may lead to significant consequences for a local public body. In circumstances where the local public body has significantly delayed the publication of their statement of accounts or withheld audit evidence, the auditor may use their judgement to determine that management's failure to meet the backstop date represents a management-imposed limitation of scope.

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Rebuilding assurance

Key to success is effective communication between the auditor and the audited body, including those charged with governance.

All audit engagements are different, and local circumstances will influence the scale of work needed for auditors to make a timely return to removing disclaimed opinions.

Proposals on the audit approach to be adopted and the timeline for returning to unmodified opinions will be presented to those charged with governance. The development of this audit approach is likely to be an iterative process and refined over successive audit cycles.

Recovery from the backlog is a shared endeavour between auditors and local public bodies. Accounts preparers have a vital part to play, providing good quality draft financial statements supported by comprehensive working papers and supporting evidence to auditors. The success of these proposals relies on both auditors and accounts preparers working closely together to agree jointly-owned delivery plans for each year's audit. Audit Committees should ensure that they are planning and able to play their full part in the process .

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AZETS

Three Rivers District Council

Audit findings interim progress report

Year ended 31 March 2024

November 2024

Contents

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Introduction

Adding value through the audit

All our clients demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to the Council through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way, we aim to help the Council promote improved standards of governance, better management and decision making and more effective use of resources.

Purpose

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

This Audit Findings interim progress report highlights the progress of the audit to date for the benefit of those charged with governance, as required by International Standard on Auditing (UK) 260 and the National Audit Office Code of Practice 2020 (the ‘Code’) and associated Auditor Guidance Notes. The contents of this report relate only to those matters which have come to our attention during the conduct of our normal audit procedures to date and have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) (ISAs (UK)), which is directed towards forming and expressing an opinion on the financial statements that have been prepared on behalf of management with the oversight of those charged with governance. Under the Code we are also required to consider your arrangements for securing economy, efficiency and effectiveness in your use of resources and to report any significant weaknesses we identify. Where, as part of our testing, we identify control weaknesses, we will report these to you. However, our audit is not designed to test all internal controls or identify all areas of control weakness.

As such, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We would like to take this opportunity to record our appreciation for the kind assistance provided by your team during our audit.

This report has been prepared for the sole use of those charged with governance, should not be quoted in whole or in part without our prior written consent, and should not be relied upon by third parties. No responsibility is assumed by Azets Audit Services to any third parties**.** We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Introduction

Under International Standards on Auditing (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice 2020 ('the Code') we are required to report whether, in our opinion:

- *The Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the period; and*
- *The Council's financial statements, have been properly prepared in accordance with the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in the UK (the 'CIPFA Code) 2023/24 and the Local Audit and Accountability Act 2014.*

We are also required to report on whether the other information included in the Statement of Accounts (including the Narrative Report and Annual Governance Statement) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Council responsibilities

The Council has responsibility for:

- Preparing financial statements which give a true and fair view, in accordance with the applicable financial reporting framework and relevant legislation;
- Preparing and publishing, along with the financial statements, an annual governance statement and narrative report;
- Maintaining proper accounting records and preparing working papers to an acceptable professional standard that support its financial statements and related reports disclosures; and
- Ensuring the proper financial stewardship of public funds, complying with relevant legislation and establishing effective arrangements for governance, propriety and regularity.

Our expectations and requirements

In our audit plan, we set out the following requirements to enable us to deliver the audit in line with the agreed fee and timetable:

- Draft financial statements to be produced to a good quality by the deadlines you have agreed with us. These should be complete including all notes, the Narrative Statement, and the Annual Governance Statement;
- The provision of good quality working papers at the same time as the draft financial statements. These will be discussed with you in advance to ensure clarity over our expectations;
- The provision of agreed data reports at the start of the audit, fully reconciled to the values in the accounts, to facilitate our selection of samples for testing;
- Ensuring staff are available and on site (as agreed) during the period of the audit;
- Prompt and sufficient responses to audit queries within two working days (unless otherwise agreed) to minimise delays.

Status of the audit

Auditor reporting delays for previous periods and the impact on our audit

In our audit plan we reported that we will not be able to fully complete our audit, issue our auditor’s report and certify the closure of the audit until your predecessor auditor has completed their audit for the year ended 31 March 2023. Once the 2023 audit has been completed, we will need to review the predecessor auditor’s audit file and consider the impact on our audit of any modifications to their auditor’s report.

We also reported that, once the 2023 audit and earlier years has been completed, we will need to revisit our planning procedures and audit plan to assess whether any additional procedures are required over and above those we have previously identified in our audit plan. Should additional procedures or changes to the plan be required, we will report these to you. The cost of additional work to revisit planning upon completion of the prior year audits will also be reported to you.

Since issuing our audit plan, the Government has consulted on introducing a statutory “audit backstop” for public sector audits. The *Accounts and Audit (Amendment) Regulations 2024* came into effect on 30 September 2024. This legislation provides the following statutory backstop dates:

- 13 December 2024 — Audits from 2015/16 to 2022/23
- 28 February 2025 — 2023/24 audit
- 28 February 2026 — 2024/25 audit
- 31 January 2027 — 2025/26 audit
- 30 November 2027 — 2026/27 audit
- 30 November 2028 — 2027/28 audit

Providing the Council has met the minimum requirements for producing the 2022/23 accounts (and earlier years), including the statutory inspection period, we anticipate the predecessor audit will have completed their audit by 13 December 2024.

There is therefore a risk that issues not yet identified in the open audit years could arise in the completion of those audits which might impact on our 2023/24 audit year. There is a further risk that, the implementation of the “audit backstop” may mean the prior period opinions might be qualified by a limitation of scope or disclaimed in full. In this eventuality there is likely to be:

- limited assurance available over opening balances
- significant transactions, accounting treatments and management judgements that have not been subject to audit for one or more years, or at all.

Based on discussions to date we are expecting the audit opinions for 2022/23 and earlier years to be disclaimed by the 13 December backstop date. We do not anticipate that we will be able to gain any assurance from the work of the predecessor auditor in respect of the prior year comparatives or the closing balances at 31 March 2023 and 31 March 2022.

Due to the limited time between that backstop date and the 2023/24 backstop date of 28 February 2025, we are therefore unlikely to have time to gain sufficient assurance over opening balances, closing balances and in year transactions. We anticipate that this missing assurance will be pervasive such that we will need to give a disclaimed opinion for 2023/24.

The 2023/24 audit

Auditor reporting delays for previous periods and the impact on our audit

We have considered the impact on our audit on the basis of a presumed disclaimer opinion for 2022/23 and 2021/22.

Our planning takes into account the guidance contained in the Local Audit Reset and Recovery Implementation Guidance (LARRIG), numbers 1 to 5. LARRIGs are prepared and published by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General (C&AG) who has power to issue guidance to auditors under Schedule 6 paragraph 9 of the *Local Audit and Accountability Act 2014* (the Act). LARRIGs are prepared and published with the endorsement of the Financial Reporting Council (FRC) and are intended to support the reset and recovery of local audit in England. The guidance in LARRIGs supports auditors in meeting their requirements under the Act and the Code of Audit Practice published by the NAO on behalf of the C&AG.

Our planning also takes into account the guidance contained in the FRC's document Local Audit Backlog Rebuilding Assurance. Alongside the backlog measures, the Government has announced its intention to 'overhaul the local audit system', with a further update on these plans in Autumn 2024.

The FRC's guidance states: "*Recovery from the backlog is a shared endeavour between auditors and local bodies. Accounts preparers have a vital part to play, providing good quality draft financial statements supported by comprehensive working papers and supporting evidence to auditors. The success of these proposals relies on both auditors and accounts preparers working closely together to agree jointly-owned delivery plans for each year's audit. Chartered Institute of Public Finance and Accountancy (CIPFA) are responsible for the production of guidance to support accounts preparers.* ***Audit Committees should ensure that they are planning and able to play their full part in the process***."

The Council's financial statements include the following:

- The opening balances brought forward from the prior year, which include cash, general fund and ringfenced (e.g. Housing Revenue Account) reserves and the property valuation and pension liability / asset valuation at the start of the year;
- The closing balances, which include cash, general and ringfenced fund reserves and the property and pension valuations at the end of the year
- The in year expenditure, income, reserves and cash flow movements
- The comparative figures from the prior year; and
- Explanatory disclosure notes

The objective of the auditor is to obtain sufficient evidence to conclude that they have reasonable assurance that the financial statements as a whole are free from material misstatement. Where an auditor is unable to gain enough evidence or is unable to reach this conclusion based on the evidence gathered, they are required to issue a modified opinion. Auditors will disclaim their opinion where they lack the evidence to support an opinion.

	Material but not pervasive	Material and pervasive
Financial statements are materially misstated	Qualified	Adverse
Auditor is unable to obtain sufficient evidence to conclude on whether the financial statements are materially misstated	Qualified	Disclaimer

The 2023/24 audit

In an audit following a disclaimer, the auditor will not have assurance over

- The opening balances brought forward from the prior year (the prior year’s audited closing balance); and
- The comparative figures

It is also unlikely that the auditor will be able to obtain sufficient evidence to conclude they have reasonable assurance over the in-year income, expenditure, cash flow and reserves FRC | Local Audit Backlog: Rebuilding Assurance 4 movements without assurance over the opening balances. To use a very simple example: if a body has £100 at the end of the year but the auditor does not know whether the body had £50 or £10 at the start of the year, the auditor will not know whether the body has gained £50 or £90 during the year.

In normal circumstances, where a disclaimer is issued, an auditor would effectively have to perform work to assure all the opening balances and prior year comparatives in a single year.

The Recovery period has been designed to allow auditors to rebuild assurance for balances related to 2022/23 or earlier over multiple audit cycles, reducing the risk of the backlog recurring. Because auditors will need to make prioritisation decisions to issue audit opinions ahead of the backstop dates, they may not be able to obtain evidence to support all balances nor all in-year and comparative expenditure, income, cash flow and reserves movements.

The knock-on impact of the auditor not having assurance over in-year movements means they will also not have assurance over those figures when they are shown as comparatives in the following year.

When designing approaches to rebuild assurance over multiple years, auditors will need to decide which balances to prioritise each year so as to deliver the optimal pathway to returning, as soon as possible, to a position where they are able to complete audits in full and the opinion is not influenced by backstop dates. One potential audit approach would be for an auditor to prioritise obtaining assurance over all year-end balances as quickly as possible.

For some balances, which are cumulative in nature, auditors may need assurance over the opening position to conclude on the closing position. An example is the usable reserves, where the closing position equals the opening balance plus the net movements in year. This means they may perform testing on income, expenditure, capital additions and other reserve movements (such as minimum revenue provision) from 2022/23 and other earlier years subject to a disclaimed audit opinion.

We have considered our initial approach to the 2023/24 audit taking into account the statutory guidance and our knowledge of the Council, together with the 2023/24 work we have been able to complete to date. We have held meetings with the Chief Finance Officer and Chief Executive, as well as made enquiries of the Chair of the Audit Committee to inform our planning and fieldwork. We have held regular meetings with the finance team. We reported in our progress report, earlier in the year, the work we had been able to undertake during our planning and interim visits.

We set out over the next few pages the work we anticipate being able to undertake ahead of the 28 February 2025 backstop date. Due to the limited time between that backstop date and the 2023/24 backstop date of 28 February 2025, we are therefore unlikely to have time to gain sufficient assurance over opening balances, closing balances and in year transactions. We anticipate that this missing assurance will be pervasive such that we will need to give a disclaimed opinion for 2023/24.

Our financial statements audit explained

Oct - Dec → Jan - Mar → 31 March 2024 → July-November 2024 → 6 November 2024 → December 2024 → By 28 February 2025

Planning

- Identify changes in your business environment
- Determine materiality
- Scope the audit
- Risk assessment
- Planning meetings with management
- Planning requirements checklist to management
- Issue audit plan

Interim

- Document design control and effectiveness
- Discuss audit plan with Audit Committee
- Early testing

Period end: 31 March

Final accounts

- Regular updates with management
- Conclusion of planning procedures
- Development of recovery plan and 2023/24 testing programme
- Report observations on other risk areas, management judgements

Audit Committee

- Discuss interim audit findings progress with the Audit and Risk Committee

Completion

- Subsequent events procedures
- Update recovery build back plan
- Draft Audit Findings report
- Discuss with management

Sign off

- Management representation letter
- Sign financial statements
- Discuss audit findings with Audit and Risk Committee
- Sign auditor's report
- Issue certificate once all Code requirements completed.

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

The 2023/24 audit: planned procedures

Activity	Status / requirement	Planned work	Issues, impact and actions	Progress	Findings
Receipt and review of updated financial statements 2023/24	Management have informed us the statements currently online require updating.	We will review the draft financial statements once received.	TBC	TBC	TBC
Review of predecessor audit file(s)	Review of work undertaken in prior year file(s)	Once the predecessor auditor has issued their opinion for 2022/23, 2021/22, and 2020/21, we will request access to the prior year files	TBC	TBC	TBC
Update of materiality for final accounts	Auditor to consider the materiality applied at planning upon receipt of the draft financial statements and update accordingly	We will update our materiality considerations on receipt of the draft financial statements	TBC	TBC	TBC
Update of scoping document for audit	To be updated on receipt of the financial statements	We will consider this upon receipt of the draft financial statements and updated materiality considerations	TBC	TBC	TBC
Post statements consistency review	Upon receipt of the draft financial statements, we will review the internal consistency and casting of the statements and agreement to the prior year unaudited / disclaimed statements to confirm year-on-year consistency	We will review the draft financial statements once received	TBC	TBC	TBC

The 2023/24 audit: planned procedures

Activity	Requirement	Planned work	Issues, impact and actions	Progress	Findings
Completion of planning procedures	We are required to complete the planning procedures that it was not possible to complete in the earlier audit visits and reconfirm our planning risk assessment. As set out in our progress report dated May 2024, a number of planning procedures were not able to be completed during our earlier audit visits.	This will include consideration of updated responses to management enquiries, enquiries of those charged with governance, the monitoring officer and others.	**TBC**	**TBC**	**TBC**
Review of Annual Governance Statement and Narrative Report	We are required to consider whether the information published in this other information is inconsistent with our audit and other knowledge of the Council	We will review the other information provided but are unlikely to be able to formally provide an opinion on this aspect due to the anticipated disclaimer for 2023/24	**TBC**	**TBC**	**TBC**
Agreement of financial statements to the general ledger / trial balance	We are required to ensure the accounts accurately reflect / can be reconciled to the general ledger and are fully mapped to the Trial Balance	Upon receipt of the final draft statements, we will confirm closing balances reconcile to the general ledger and are fully mapped to the TB.	**TBC**	**TBC**	**TBC**
IT General controls	Under ISA315 we are required to consider the general controls in place regard IT	Work has been completed.	Recommendations to strengthen the arrangements in place are contained later in this report	**Green**	**Amber**

The 2023/24 audit: planned procedures

Activity	Requirement	Planned work	Issues, impact and actions	Progress	Findings
Agreement of opening balances to the prior year unaudited accounts	We are required to confirm the Council's opening position agrees to the previously reported closing position	We will agree the opening ledger position to the prior year unaudited accounts. However, in the event of a disclaimed opinion for the prior year, this will not provide assurance over the opening figures but will only confirm there is continuity between the two sets of unaudited accounts.	**TBC**	**TBC**	**TBC**
Group accounts	We have requested from management group accounts and consolidation working paper to enable us to review the group arrangements and finalise group materiality at final accounts.	This was originally requested in October 2023 during the planning phase however is outstanding at the time of writing this report. This work will now be performed using the draft 2023/24 group accounts once it is received from Management.	**TBC**	**TBC**	**TBC**
Cash and bank	Audit of the cash and bank balances on the balance sheet	We aim to audit the closing and opening cash and bank position and agree these to external confirmations	**TBC**	**TBC**	**TBC**

The 2023/24 audit: planned procedures

Activity	Requirement	Planned work	Issues, impact and actions	Progress	Findings
Investments	Audit of the short and long-term investments held by the Council	We aim to audit the opening and closing investments and agree these to external confirmations	TBC	TBC	TBC
Borrowings	Audit of the short and long-term borrowing held by the Council	We aim to audit the opening and closing borrowing balances and agree these to external confirmations	TBC	TBC	TBC
Journals: response to significant risk of management override of control	Audit of the Council's journals throughout 2023/24	We aim to audit the journals processed by the Council during the year	TBC	TBC	TBC
Review of the commercial income strip's accounting treatment: response to "other risk" in the audit plan	The Council has entered a complex and financially significant income strip scheme. This requires the recognition of an asset, a significant finance lease liability and management judgement on accounting for various transactions related to this scheme.	We have requested a paper from management detailing their assessment of the commercial income strip and setting out the accounting rationale and key assumptions. At the time of writing this report, this is still outstanding.	TBC	TBC	TBC
Management letter of representation	We are required to obtain from management a signed letter of representation	We will request this from management near the conclusion of the audit	TBC	TBC	TBC

The 2023/24 audit: possible further procedures

The late production of the financial statements for 2023/24 and the limited time available between the date of writing and the statutory backstop date means there is unlikely to be sufficient time available to complete these procedures. Should there be sufficient time available during the limited audit window ahead of the statutory backstop, we will aim to undertake procedures in respect of the following.

Activity	Requirement	Planned work	Issues, impact and actions	Progress	Findings
Property, Plant and Equipment - operational land and buildings: response to significant risk of valuation of other land and buildings	Audit of the valuation of operational land and buildings in the financial statements.	Should time allow we will audit the valuation of these assets.	TBC	TBC	TBC
Investment properties: response to significant risk of valuation of investment properties	A full valuation of the investment property portfolio should have been obtained for 2023/24	Should time allow we will audit the valuation of these assets.	TBC	TBC	TBC
Income	Grant income, taxation income, fees and charges income, rental income	Audit of these in year areas	TBC	TBC	TBC
Expenditure	General expenditure and housing benefit expenditure	Audit of these in year areas	TBC	TBC	TBC
Payroll	Employee remuneration	Audit of in year payroll transactions	TBC	TBC	TBC
Collection fund	Collection fund account	Audit of the collection fund account	TBC	TBC	TBC

The 2023/24 audit: possible further procedures

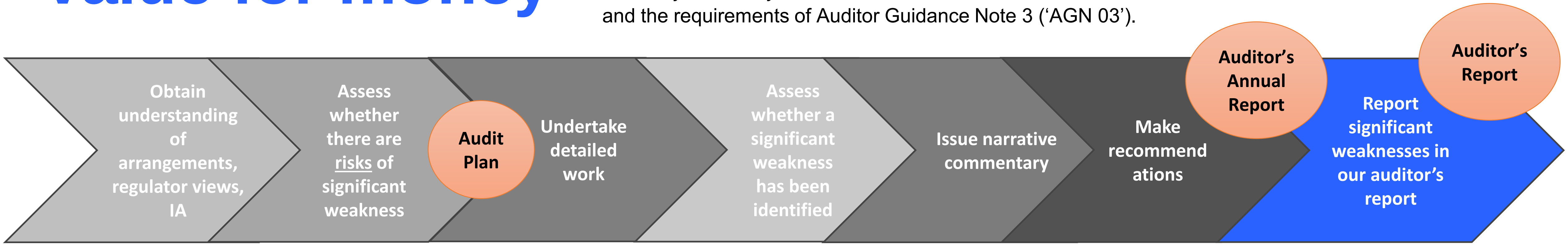
Activity	Requirement	Planned work	Issues, impact and actions	Progress	Findings
Pension liability: response to significant risk in the valuation of pension liabilities	We do not currently have assurance from the pension fund auditor. Our understanding is, should assurance be forthcoming, it will be limited as the current pension fund auditor was not the auditor at the previous triennial valuation. It is not clear whether the previous pension fund auditor is able to provide assurance dating back to the triennial valuation	We consider it unlikely we will be able to obtain assurance over this balance in 2023/24 and it is likely it will not be possible to audit this closing balance until the next triennial valuation in 2025/26.	We do not anticipate obtaining assurance over this balance in 2023/24	N/A	Red
Payables and receivables	Audit of the Council's debtors and creditors	Should time allow we will aim to audit these areas. This is contingent upon the Council being able to provide breakdowns of the closing balances	TBC	TBC	TBC
Cash flow statement and related notes	Audit of the cash flow statement and related notes	As the cash flow statement is inherently tied to opening balances, over which we anticipate having no assurance, we do not consider it likely that we will be able to undertake this work in 2023/24	We do not anticipate obtaining assurance over this balance in 2023/24	TBC	Red

The 2023/24 audit: possible further procedures

Activity	Requirement	Planned work	Issues, impact and actions	Progress	Findings
Movement in Reserves statement	Audit of the Movement in Reserves statement	As the Movement in Reserves statement is inherently tied to opening balances, over which we anticipate having no assurance, we do not consider it likely that we will be able to undertake this work in 2023/24	We do not anticipate obtaining assurance over this balance in 2023/24	TBC	Red
Reserve movements and adjustment notes	Audit of the reserve movements from the prior year, including Adjustment to funding basis	As these accounting entries are inherently tied to opening balances, over which we anticipate having no assurance, we do not consider it likely that we will be able to undertake this work in 2023/24	We do not anticipate obtaining assurance over this balance in 2023/24	N/A	Red

Value for money

We are required to consider whether the Council has established proper arrangements to secure economy, efficiency and effectiveness in its use of resources, as set out in the NAO Code of Practice and the requirements of Auditor Guidance Note 3 (‘AGN 03’).



We will complete our work on the Council’s arrangements for securing value for money during the final accounts window. To date, we have not identified any areas of significant weakness. Once the findings are reported by the predecessor auditor for 2022/23, we will update our planning assessment accordingly. Our detailed narrative commentary will be contained in our Auditor’s Annual Report which will be issued following completion of the audit.

Reporting criteria	Planning – risk of significant weakness identified?	Final – significant weakness identified?	Key recommendations made?	Other recommendations made?
Financial sustainability How the body plans and manages its resources to ensure it can continue to deliver its services	**No**	**TBC**	**TBC**	**TBC in AAR**
Governance How the body ensures it makes informed decisions and properly manages risk	**No**	**TBC**	**TBC**	**TBC in AAR**
Improving economy, efficiency and effectiveness How the body uses information about its costs and performance to improve the way it manages and delivers its services	**No**	**TBC**	**TBC**	**TBC in AAR**

Internal control recommendations

The matters reported here are limited to issues we have identified during the course of our audit which we feel are of sufficient importance to merit reporting to you under the auditing standards.

Assessment	Issue	Recommendation	Management response
Other deficiency	It has been confirmed that the system administrator, who is part of the finance team, has the authority to create and remove access and adjust permissions which results in a segregation of duties (SoD) deficiency. Inappropriate (can include segregation of duties conflicts) or excessive access may be granted to new or modified users to applications relevant to financial reporting processes.	To mitigate this risk, it is recommended to enhance the segregation of duties by assigning the responsibility and privileged rights to provision access to the IT team. Where provision of access and access rights remains within the Finance team, the risk can be partially mitigated with the introduction of log and/or peer reviews.	Management has agreed to implement an action to address the recommendation.
Other deficiency	Shared accounts which have admin privileges and are not attributable to an individual with no secure storage are present. Access to systems relevant to financial reporting processes is not attributable to individual users, thus reducing the ability to monitor appropriate and/or inappropriate activities in the system.	We recommend that the organisation should limit the use of shared accounts. Where shared accounts are required, their access should be limited to their purpose and have strict password controls in place.	Management has agreed to implement an action to address the recommendation.
Other observations	The password configurations within the Finance system did not match the password policy. Weak password management controls result in an increased likelihood of brute-force attack (i.e. a password cracking method used by cyber-criminals used to determine account credentials).	We recommend that the password configuration should updated be to be in line with the password policy of 12 characters and complexity enabled.	Management has agreed to implement an action to address the recommendation.

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Key: **Significant deficiency** in internal control **Other deficiency** in internal control **Other observations**

Internal control recommendations

The matters reported here are limited to issues we have identified during the course of our audit which we feel are of sufficient importance to merit reporting to you under the auditing standards.

Assessment	Issue	Recommendation	Management response
Other observations	As part of the IT general control and cyber security review performed, we were initially informed that no terms of reference exist for the Corporate Management Team and the IT Steering Group by personnel in IT. However, management have subsequently provided these and stated they had always been in place.	Management should ensure all members of the groups are aware of the terms of reference, objectives and purpose of each committee.	Management has raised awareness of these.
Other observations	The Council do not have Information Asset Registers in place. The creation of the Information Security Risk Assessment that will provide a comprehensive register of Information Assets, has not yet been actioned.	A comprehensive asset register should be created for all Informational Assets, as expected. This should be completed by identifying information assets and documenting key areas such as asset name, source of data, description and classification, retention periods and security measures such as who has access and permissions. An Information Asset Owner should be assigned to each asset to monitor risks. The Information Asset Register should be regularly reviewed and updated.	Management has agreed to implement an action to address the recommendation.

Key: **Significant deficiency** in internal control **Other deficiency** in internal control **Other observations**

Independence and ethics

The Ethical Standards and ISA (UK) 260 require us to give you full and fair disclosure of matters relating to our independence. In accordance with our profession's ethical requirements and further to our audit plan issued confirming audit arrangements we confirm that there are no further facts or matters that impact on our integrity, objectivity and independence as auditors that we are required or wish to draw to your attention. We consider an objective, reasonable and informed third party would take the same view.

We confirm that Azets Audit Services and the engagement team complied with the FRC's Ethical Standard. We confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements. In addition, we have complied with the National Audit Office's Auditor Guidance Note 01, which sets out supplementary guidance on ethical requirements for auditors of public sector bodies.

In particular:

- **Non-audit services**: We provide assurance services as set out below that the Housing Benefit claim does not provide a conflict
- **Contingent fees**: No contingent fee arrangements are in place for any services provided
- **Gifts and hospitality**: We have not identified any gifts or hospitality provided to, or received from, any member of the Council, senior management or staff
- **Relationships**: We have no other relationships with the Council, its directors, senior managers and affiliates, and we are not aware of any former partners or staff being employed, or holding discussions in anticipation of employment, as a director, or in a senior management role covering financial, accounting or control related areas.

Assurance service fees

Service	Fee £	Threats identified	Safeguards
Housing Benefit HBAP	£28,000	Self-interest (recurring fee)	The level of this recurring fee in and of itself is not considered a significant threat to independence, given the low level of the fee compared to the total fee for the audit and in particular compared to Azets' UK turnover as a whole. The fee is fixed based on the volume of work required, with no contingent element. These factors, in our view, mitigate the perceived self-interest threat to an acceptable level.

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AZETS

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RG1 1AZ

My Ref :	As applicable
Your Ref :	As applicable
Date :	24 November 2024
Contact :	Alison Scott
Email :	Alison.scott@threerivers.gov.uk
Department :	Finance

Dear Janet

Letter of Representation – 2020/21 Financial Statements

This letter of representations is provided in connection with your audit of the consolidated and Council financial statements of Watford Borough Council ("the Group and Council") for the year ended 31 March 2021. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and Council financial statements give a true and fair view of the Group and Council financial position of Watford Borough Council as of 31 March 2021 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and for the Council CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)

We understand that the purpose of your audit of our consolidated and Council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and the Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and Council financial

statements. We believe the consolidated and Council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022) and are free of material misstatements, including omissions. We have approved the consolidated and Council financial statements.

3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.

4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022) for the Group and the Council that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic and the effects of the conflicts and related sanctions in Ukraine, Russia and Belarus on our system of internal controls

5. You have not identified any unadjusted audit differences.

6. The comparative amounts have been restated to reflect the below matters and appropriate note disclosure of these restatements have also been included in the current year's consolidated and parent Authority financial statements.

   - Long-term debtor balance recognised
   - Earmarked Reserve adjustment

   There have been no significant errors or misstatements, or changes in accounting policies, other than the matters described above, that would require a restatement of the comparative amounts in the current year’s consolidated and parent Authority financial statements. Other differences in the amounts shown as comparative amounts from the amounts in the consolidated and parent Authority financial statements for the year ended 2021 are solely the result of reclassifications for comparative purposes.

7. We confirm the Group and Council do not have securities (debt or equity) listed on a recognized exchange.

8. We have confirmed to you any changes in service organizations within the Group and Council since the last audited financial year.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible for determining that the Group and Council’s activities are conducted in accordance with laws and regulations and

that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.

4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Group or Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

- involving financial statements;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or Council's financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group or Council's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the consolidated and Council financial statements.

3. We have made available to you all minutes of the meetings of the Group, and committees held through the year to the most recent meeting on the following date: 26/09/2024 and of the Council, and committees held through the year to the most recent meeting on the following date: 26/09/2024.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets,

liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and Council financial statements.

5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and Council financial statements in the event of non-compliance, including all covenants, conditions, or other requirements of all outstanding debt.

7. From the date of our last management representation letter through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact on the Group and Council financial statements, in each case or in the aggregate, and ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and Council financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent. There are no guarantees that we have given to third parties for the Council and the Group.

E. Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council’s assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.

2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.

3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.

4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

F. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the value of Land & Buildings, Surplus Assets and Investment Properties and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

G. Estimates

1. We confirm that the significant judgments made in making the accounting estimates for accrued income and expenditure and bad debt provision have taken into account all relevant information of which we are aware.

2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the accounting estimates for accrued income and expenditure and bad debt provision.

3. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

4. We confirm that appropriate specialized skills or expertise has been applied in making the valuation of non-current assets

5. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial.

H. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

I. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

J. Contingent Liabilities

We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).

We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance

K. Going Concern

1. Note 53 to the consolidated and Council financial statements disclose all the matters of which we are aware that are relevant to the Group and Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

L. Subsequent Events

1. As described in Note 6 to the consolidated and Council financial statements, here have been no events subsequent to year end which require adjustment of or disclosure in the consolidated and Council financial statements or notes thereto.

M. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.

2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst the Council, subsidiary undertakings and associated undertakings.

N. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement and the Annual Governance Statement.

2. We confirm that the content contained within the other information is consistent with the financial statements.

3. We confirm that the Annual Governance Statement for 2020/21 is a true reflection, in all material respects, of the governance arrangements and the effectiveness of those arrangements in 2020/21 and includes disclosure of all significant governance issues and findings relating to that financial year, through to the date of this letter.

O. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered, including the impact resulting from the commitments made by the Group and Council, and reflected in the consolidated and Council financial statements.

2. The key assumptions used in preparing the consolidated and Council financial statements are, to the extent allowable under the requirements of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)., aligned with the statements we have made in the other information or other public communications made by us.

Yours faithfully,

_____________________ _____________________

(Chief Finance Officer) (Chairman of the Audit Committee)

Yours sincerely/faithfully (depending on whether addressee's name is known. Use faithfully if not)

Alison Scott
Director of Finance

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Three Rivers House
Northway
Rickmansworth
WD3 1RL

Janet Dawson
Ernst & Young
R+ 2 Blagrave Street
Reading
RG1 1AZ

My Ref : As applicable
Your Ref : As applicable
Date : 24 November 2024
Contact : Alison Scott
Email : Alison.scott@threerivers.gov.uk
Department : Finance

Dear Janet

Letter of Representation – 2021/22 Financial Statements

This letter of representations is provided in connection with your audit of the consolidated and Council financial statements of Watford Borough Council ("the Group and Council") for the year ended 31 March 2022. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and Council financial statements give a true and fair view of the Group and Council financial position of Watford Borough Council as of 31 March 2022 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and for the Council CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)

We understand that the purpose of your audit of our consolidated and Council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and the Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and Council financial

statements. We believe the consolidated and Council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022) and are free of material misstatements, including omissions. We have approved the consolidated and Council financial statements.

3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.

4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022) for the Group and the Council that are free from material misstatement, whether due to fraud or error.

5. You have not identified any unadjusted audit differences.

6. There have been no significant errors or misstatements, or changes in accounting policies, other than the matters described above, that would require a restatement of the comparative amounts in the current year's consolidated and parent Authority financial statements. Other differences in the amounts shown as comparative amounts from the amounts in the consolidated and parent Authority financial statements for the year ended 2022 are solely the result of reclassifications for comparative purposes.

7. We confirm the Group and Council do not have securities (debt or equity) listed on a recognized exchange.

8. We have confirmed to you any changes in service organizations within the Group and Council since the last audited financial year.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible for determining that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.

3. We have disclosed to you the results of our assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.

4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Group or Council (regardless of the source or form and including without limitation, any allegations by “whistleblowers”), including non-compliance matters:

- involving financial statements;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or Council’s financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group or Council’s activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the consolidated and Council financial statements.

3. We have made available to you all minutes of the meetings of the Group, and committees held through the year to the most recent meeting on the following date: 26/09/2024 and of the Council, and committees held through the year to the most recent meeting on the following date: 26/09/2024.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council’s related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and Council financial statements.

5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority

Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and Council financial statements in the event of non-compliance, including all covenants, conditions, or other requirements of all outstanding debt.

7. From the date of our last management representation letter through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact on the Group and Council financial statements, in each case or in the aggregate, and ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and Council financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent. There are no guarantees that we have given to third parties for the Council and the Group.

E. Ownership of Assets

4. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.

5. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.

6. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.

7. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

F. Use of the Work of a Specialist

8. We agree with the findings of the specialists that we engaged to evaluate the value of Land & Buildings, Surplus Assets and Investment Properties and have adequately considered the qualifications of the specialists in determining the

amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

G. Estimates

9. We confirm that the significant judgments made in making the accounting estimates for accrued income and expenditure and bad debt provision have taken into account all relevant information of which we are aware.

10. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the accounting estimates for accrued income and expenditure and bad debt provision.

11. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

12. We confirm that appropriate specialized skills or expertise has been applied in making the valuation of non-current assets

13. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial.

H. Retirement benefits

14. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

I. Reserves

15. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

J. Contingent Liabilities

We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).

We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance

K. Going Concern

1. Note 55 to the consolidated and Council financial statements disclose all the matters of which we are aware that are relevant to the Group and Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

L. Subsequent Events

1. As described in Note 6 to the consolidated and Council financial statements, here have been no events , subsequent to year end which require adjustment of or disclosure in the consolidated and Council financial statements or notes thereto.

M. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.

2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst the Council, subsidiary undertakings and associated undertakings.

N. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement and the Annual Governance Statement.

2. We confirm that the content contained within the other information is consistent with the financial statements.

O. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered, including the impact resulting from the commitments made by the Group and Council, and reflected in the consolidated and Council financial statements.

2. The key assumptions used in preparing the consolidated and Council financial statements are, to the extent allowable under the requirements of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)., aligned with the statements we have made in the other information or other public communications made by us.

Yours faithfully,

(Chief Finance Officer) (Chairman of the Audit Committee)

Yours sincerely/faithfully (depending on whether addressee's name is known. Use faithfully if not)

Alison Scott
Director of Finance

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Three Rivers House
Northway
Rickmansworth
WD3 1RL

Janet Dawson
Ernst & Young
R+ 2 Blagrave Street
Reading
RG1 1AZ

My Ref : As applicable
Your Ref : As applicable
Date : 24 November 2024
Contact : Alison Scott
Email : Alison.scott@threerivers.gov.uk
Department : Finance

Dear Janet

Letter of Representation – 2022/23 Financial Statements

This letter of representations is provided in connection with your audit of the consolidated and Council financial statements of Watford Borough Council ("the Group and Council") for the year ended 31 March 2022. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and Council financial statements give a true and fair view of the Group and Council financial position of Watford Borough Council as of 31 March 2022 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and for the Council CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)

We understand that the purpose of your audit of our consolidated and Council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and the Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and Council financial

statements. We believe the consolidated and Council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022) and are free of material misstatements, including omissions. We have approved the consolidated and Council financial statements.

3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.

4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022) for the Group and the Council that are free from material misstatement, whether due to fraud or error.

5. You have not identified any unadjusted audit differences.

6. There have been no significant errors or misstatements, or changes in accounting policies, other than the matters described above, that would require a restatement of the comparative amounts in the current year's consolidated and parent Authority financial statements. Other differences in the amounts shown as comparative amounts from the amounts in the consolidated and parent Authority financial statements for the year ended 2022 are solely the result of reclassifications for comparative purposes.

7. We confirm the Group and Council do not have securities (debt or equity) listed on a recognized exchange.

8. We have confirmed to you any changes in service organizations within the Group and Council since the last audited financial year.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible for determining that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.

3. We have disclosed to you the results of our assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.

4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Group or Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

- involving financial statements;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or Council's financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group or Council's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the consolidated and Council financial statements.

3. We have made available to you all minutes of the meetings of the Group, and committees held through the year to the most recent meeting on the following date: 26/09/2024 and of the Council, and committees held through the year to the most recent meeting on the following date: 26/09/2024.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and Council financial statements.

5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority

Accounting in the United Kingdom 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and Council financial statements in the event of non-compliance, including all covenants, conditions, or other requirements of all outstanding debt.

7. From the date of our last management representation letter through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact on the Group and Council financial statements, in each case or in the aggregate, and ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and Council financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent. There are no guarantees that we have given to third parties for the Council and the Group.

E. Ownership of Assets

4. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council’s assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.

5. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.

6. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.

7. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

F. Use of the Work of a Specialist

8. We agree with the findings of the specialists that we engaged to evaluate the value of Land & Buildings, Surplus Assets and Investment Properties and have adequately considered the qualifications of the specialists in determining the

amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

G. Estimates

9. We confirm that the significant judgments made in making the accounting estimates for accrued income and expenditure and bad debt provision have taken into account all relevant information of which we are aware.

10. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the accounting estimates for accrued income and expenditure and bad debt provision.

11. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

12. We confirm that appropriate specialized skills or expertise has been applied in making the valuation of non-current assets

13. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial.

H. Retirement benefits

14. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

I. Reserves

15. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

J. Contingent Liabilities

We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).

We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance

K. Going Concern

1. Note 55 to the consolidated and Council financial statements disclose all the matters of which we are aware that are relevant to the Group and Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

L. Subsequent Events

1. As described in Note 6 to the consolidated and Council financial statements, here have been no events , subsequent to year end which require adjustment of or disclosure in the consolidated and Council financial statements or notes thereto.

M. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.

2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst the Council, subsidiary undertakings and associated undertakings.

N. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement and the Annual Governance Statement.

2. We confirm that the content contained within the other information is consistent with the financial statements.

O. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered, including the impact resulting from the commitments made by the Group and Council, and reflected in the consolidated and Council financial statements.

2. The key assumptions used in preparing the consolidated and Council financial statements are, to the extent allowable under the requirements of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)., aligned with the statements we have made in the other information or other public communications made by us.

Yours faithfully,

(Chief Finance Officer)   (Chairman of the Audit Committee)

Yours sincerely/faithfully (depending on whether addressee's name is known. Use faithfully if not)

Alison Scott
Director of Finance

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