

AUDIT COMMITTEE

NOTICE AND AGENDA

For a meeting to be held on Thursday, 19 February 2026 at 7.30 pm at Penn Chamber, Three Rivers House, Rickmansworth.

Members of the Audit Committee:-

Councillors:

Tony Humphreys (Chair)
Harry Davies
Lisa Hudson
Stephen King
David Major

Keith Martin (Vice-Chair)
Ciaran Reed
Mike Sims
Cheryl Stungo

*Joanne Wagstaffe, Chief Executive
Wednesday, 11 February 2026*

1. APOLOGIES FOR ABSENCE

2. MINUTES OF PREVIOUS MEETING

(Pages 5 - 8)

To confirm, as being a correct record, the minutes of the Audit Committee, held on 27 November 2025.

3. NOTICE OF ANY OTHER BUSINESS

Items of other business notified under Council Procedure Rule 30 to be announced, together with special circumstances that justify their consideration as a matter of urgency. The Chair to rule on the admission of such items.

4. DECLARATIONS OF INTEREST

To receive any declarations of interest.

5. Statement of Accounts Update 2024/25

(Pages 9 - 154)

This report provides an update on the status of the Statement of Accounts for 2024/25. The report provides an overview of revisions to the statements which have been made following the external audit process. The report confirms that Final Accounts will be published ahead of the statutory backstop date.

Appended to the report is a copy of the draft Letter of

Representation for approval.

Recommendation

The Committee is recommended to:

- i. Note that the Director of Finance will authorise for issue the final Statement of Accounts 2024/25 by 27 February 2026.
- ii. Approve the Letter of Representation

6. EXTERNAL AUDITOR'S UPDATE (Pages 155 - 262)

Recommendations – Appendix I.

7. WORK PROGRAMME (Pages 263 - 266)

Recommendation

That the Committee consider and makes necessary changes to its Work Programme.

8. OTHER BUSINESS - if approved under item 3 above

9. EXCLUSION OF THE PRESS AND PUBLIC

If any confidential business is approved under item 3, it will also be necessary to specify the class of exempt or confidential information in the additional item(s) and a resolution be passed in the following terms:

“that under Section 100A (4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item(s) of business on the grounds that they involve the likely disclosure of exempt information as defined under the respective paragraphs 1 to 7 of Part 1 of Schedule 12A to the Act.”

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

The Council welcomes contributions from members of the public on agenda items at the Audit Committee meetings. Details of the procedure are provided below:

For those wishing to speak:

Members of the public are entitled to register and identify which item(s) they wish to speak on from the published agenda for the meeting. Those who wish to register to speak are asked to register on the night of the meeting from 7pm. Please note that contributions will be limited to one person speaking for and one against each item for not more than three minutes.

In the event of registering your interest to speak on an agenda item but not taking up that right because the item is deferred, you will be given the right to speak on that item at the next meeting of the Committee.

Those wishing to observe the meeting are requested to arrive from 7pm.

In accordance with The Openness of Local Government Bodies Regulations 2014 any matters considered under Part I business only of the meeting may be filmed, recorded, photographed, broadcast or reported via social media by any person.

Recording and reporting the Council's meetings is subject to the law and it is the responsibility of those doing the recording and reporting to ensure compliance. This will include the Human Rights Act, the Data Protection Legislation and the laws of libel and defamation.

The meeting may be livestreamed and an audio recording of the meeting will be made.

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Audit Committee MINUTES

Of a meeting held in the Penn Chamber, Three Rivers House, Rickmansworth, on Thursday, 27 November 2025 from 7.30 pm - 8.45 pm.

Present: Councillors

Tony Humphreys (Chair) Harry Davies, Lisa Hudson, Stephen King, David Major, Ciaran Reed, Mike Sims and Raj Khiroya (In place of Keith Martin)

Officers in Attendance:

Michelle Howell, Interim Head of Finance
Roberth Thurlow, Chief Accountant
Anita Hibbs, Committee Officer

External in Attendance:

Leigha Brittnell, Hertfordshire County Council (HCC)
Reshma Ravikumar, Azets
Paul Grady, Azets

AC22/25 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Keith Martin, substitute being Councillor Raj Khiroya.

AC23/25 MINUTES OF PREVIOUS MEETING

The minutes of the Audit Committee held on 25 September 2025 were confirmed as a correct record and signed by the Chair of the meeting.

AC24/25 NOTICE OF ANY OTHER BUSINESS

There was no other business.

AC25/25 DECLARATIONS OF INTEREST

There were no declarations of interest.

AC26/25 DRAFT CAPITAL STRATEGY & TREASURY MANAGEMENT POLICY 2026-27

The Interim Head of Finance introduced the report.

Members emphasised that the primary purpose of holding heritage assets should be their preservation, with knowledge and appreciation as secondary objective. There was also a review of business cases related to capital projects, with attention to Minimum Revenue

Provision (MRP) rates and external auditor feedback indicating a conservative approach to MRP levels. The officer explained the process of reviewing capital projects and their impact on revenue budgets, confirming ongoing monitoring and adherence to auditor recommendations. Members requested clearer annotations in future reports to better understand the breakdown of large capital figures, highlighting the need for transparency in major project expenditures. The conversation also touched on the complexity of financial graphs related to loan requirements and liabilities, underscoring challenges in interpreting financial data presented.

Councillor Tony Humphreys moved the recommendation as set out in the report.

The Committee noted the report.

RESOLVED:

That the report is noted and any recommendations are made to be considered by the Director of Finance and Policy and Resources Committee to allow the final strategy to be approved by Budget Council in February 2026.

AC27/25 TREASURY MANAGEMENT - MID- YEAR REPORT 2025-26

The Chief Accountant introduced the report.

The Committee discussed the financial status and management of the Council's borrowing and cash assets. Key points include concerns about the increase in borrowing by approximately £16 million, with specific attention to an £8 million external loan and the interest costs associated with it. Members questioned the rationale behind paying interest when the Council holds significant assets, suggesting that it may represent inefficient financial management. The officer explained that the loan was taken for specific projects, such as local authority housing fund schemes and the South Oxhey Leisure Centre, and that the interest rate of 2.41% is offset by higher returns on cash holdings, resulting in a net positive financial position. The discussion also covered the Council's policy on cash holdings, highlighting a £10 million limit within banks to mitigate risk, with an emphasis on daily monitoring by the treasury team to avoid exceeding this limit. Questions about financial reporting transparency and the need for better documentation and annotations in reports were raised to aid scrutiny. Additionally, there was clarification on a finance lease liability of £46,365 million, which remains consistent across two fiscal years due to inflation adjustments.

Councillor Tony Humphreys moved the recommendation as set out in the report.

The Committee noted the report.

RESOLVED:

The committee is invited to note the Treasury Management Mid-Year Report 2025-26.

AC28/25 INTERNAL AUDIT PROGRESS REPORT

Leigha Brittnell, from HCC introduced the report.

The Committee discussed the status of outstanding audit recommendations from the 2019-2025 period, focusing on housing benefit overpayments and other service areas such as cyber security and asset management. Concerns were raised about the timeliness and accountability of implementing the recommendations, with recurring delayed actions and lack of clear milestones. Members expressed frustration over the ongoing nature of these issues and debated mechanisms to improve oversight, including the possibility of inviting heads of service to meetings when deadlines are missed and requesting written updates on progress. Officers acknowledged the challenges posed by service restructuring and local government reorganisation (LGR) but emphasised ongoing efforts to monitor delivery closely. Councillor

Ciaran Reed proposed a scheduling of an additional Audit Committee meeting in February to provide a timely update before the March meeting, aiming to avoid possible delays caused by upcoming elections. Officers agreed to seek more detailed information from heads of service about outstanding recommendations and to circulate this information to Audit Committee members for review, with the option to call service heads to future meetings if responses are unsatisfactory.

Councillor Tony Humphreys moved the recommendation as set out in the report with the proposed amendment to include *scheduling an additional Audit Committee meeting in February, and a more detailed update on outstanding recommendations from heads of service to be circulated to the Committee by the Interim Head of Finance.*

The Committee noted the report and recommendations and agreed the proposed amendment.

RESOLVED:

For Members to:

- Note the Internal Audit Progress Report for the period to 14 November 2025
- Approve amendments to the Audit Plan as at 14 November 2025
- Agree changes to the implementation date for 8 audit recommendations (paragraph 2.5) for the reason set out in Appendices 3 to 5
- Agree removal of implemented audit recommendations (Appendices 3 to 5)
- *A more detailed update from Heads of Service to be circulated to the Committee by the Interim Head of Finance.*

AC29/25 TRDC EXTERNAL AUDITORS ANNUAL REPORT - 2024-2025

Paul Grady and Reshma Ravikumar from Azets introduced the report.

The Committee and external auditors discussed the Council's financial health and risk management. Key points include concerns about the depletion of general fund reserves amid unfavourable macroeconomic conditions, though the Council's reserves are currently at a reasonable level, and risk mitigation arrangements are deemed adequate. Members discussed the minimum revenue provision (MRP), with the current MRP close to but above minimum benchmarks, suggesting moderate financial prudence without excessive caution that could hinder delivery. A significant focus was placed on the Wimbledon asset, a long-term income strip investment with mitigations in place due to stable tenancy by Travelodge and structured lease arrangements. The issue of consistent slippage in the capital programme was raised, with approximately £9.3 million underspending highlighted, primarily linked to delays in the local authority housing fund projects. While slippage is considered typical in capital projects, the Council is encouraged to investigate whether this is due to overambitious budgeting or implementation issues, and to improve monitoring and mitigation strategies. Additionally, questions were raised about the Council's contractual commitments extending beyond the anticipated LGR in 2027, with confirmation that a contracts register exists to track these obligations, which will inform future decision making and risk assessment.

The Committee noted the report.

AC30/25 FINANCIAL AND BUDGETARY RISKS

The Interim Head of Finance introduced the report.

Members raised concerns regarding the retention of key officers within teams, especially in light of the upcoming LGR. The main risk identified is the potential loss of experienced staff, which could undermine the transition to the new authority due to the loss of critical knowledge. They emphasised the need for a more detailed retention strategy, and mentioned possible incentives to encourage staff to stay. Despite these concerns, the current situation at Three

Rivers is positive, with low turnover and good team morale maintained through effective communication and management. The officer highlighted the importance of ongoing engagement and monitoring to address any emerging issues promptly. Additionally, the conversation touched on the financial aspect, noting that the recent pay award of 3.2% exceeded the initially budgeted 2%, but contingency funds are sufficient to cover this variance. Future budget reviews will continue to consider pay awards to ensure accurate financial planning.

Councillor Tony Humphreys moved the recommendation as set out in the report.

The Committee reviewed the risk register and commented on the report.

RESOLVED:

That the Committee review the risk register and make any comments it wishes to make against individual risks.

AC31/25 WORK PROGRAMME

The Committee discussed the scheduling of the next meeting, currently scheduled for 24 March. There was consensus to bring the meeting forward to February to better align with the statement of accounts timeline, with the preferred day being Thursday, and avoid any clash with other meetings. Additionally, training for Members was addressed, with a change from in-person to online training sessions planned, scheduled on different evenings by the Interim Head of Finance.

The Committee noted the work programme.

RESOLVED:

That the Committee consider and makes necessary changes to its work programme.

AC32/25 OTHER BUSINESS - IF APPROVED UNDER ITEM 3 ABOVE

None

AC33/25 EXCLUSION OF THE PRESS AND PUBLIC

CHAIR

Statement of Accounts 2024/25
– Update Report
19/02/2026

- **AUDIT COMMITTEE**

PART I

**Statement of Accounts 2024/25 - Update
DoF**

1 Summary

- 1.1 This report provides an update on the status of the Statement of Accounts for 2024/25.
- 1.2 The report provides an overview of revisions to the statements which have been made following the external audit process.
- 1.3 The report confirms that Final Accounts will be published ahead of the statutory backstop date.
- 1.4 Appended to the report is a copy of the draft Letter of Representation for approval.

2 Recommendation

- 2.1 The Committee is recommended to:
 - 2.1.1 Note that the Director of Finance will authorise for issue the final Statement of Accounts 2024/25 by 27 February 2026.
 - 2.1.2 Approve the Letter of Representation

Report prepared by: Robert Thurlow, Chief Accountant

3 Details

- 3.1 The reissued draft statement of accounts for 2024/25 was published on 29th September 2025.
- 3.2 External audit of the accounts began on 30th September 2025, and a draft Audit Completion Report [ACR] was issued on 2nd February 2026.
- 3.3 The ACR identifies a number of adjustments to the draft statements which management have agreed to make. The adjustments include:
 - 3.3.1 Amendments to the disclosure of Prior Period Adjustments
 - 3.3.2 An adjustment to the recognition of Housing Benefit subsidy
 - 3.3.3 An additional prior period adjustment due to miscalculation of the impact of revaluation on investment properties
 - 3.3.4 Classification corrections between debtors and creditors
 - 3.3.5 A correction for Land & Buildings additions incorrectly treated as REFCUS expenditure.
 - 3.3.6 Adjustments for mathematical and typographical errors arising from the process to transfer values from the working papers to the published document.

3.4 Work to finalise the post-audit statements is ongoing with detailed review to be completed prior to publication. An updated version of the statement of accounts is provided at Appendix 1.

4 Policy/Budget Reference and Implications

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

5 Financial Implications

5.1 There are no direct financial implications arising from this report

Data Quality

Data sources:

None used in the preparation of this report

Background Papers

APPENDICES / ATTACHMENTS

Appendix 1: Statement of Accounts 2024/25

Appendix 2: Draft Letter of Representation 2024/25.

Three Rivers District Council

Draft Statement of Accounts 2024/25

Final XX February 2026

Contents	1
Statement of Responsibilities	3
Authorisation of the Statement of Accounts	4
Alison Betts, Director of Finance	4
Narrative Statement	5
Annual Governance Statement	13
Explanation of Core Financial Statements	44
Core Financial Statements	45
Movement in Reserves Statement	45
Comprehensive Income and Expenditure Statement	46
Balance Sheet	47
Cash Flow Statement	48
Notes to the Financial Statements	49
1. Expenditure and Funding Analysis	49
2. Accounting Policies	50
3. Accounting Standards that have been issued but not yet adopted	70
4. Critical Judgements in Applying Accounting Policies	70
5. Prior Period Adjustments	71
6. Events after the Balance Sheet date	77
7. Assumptions Made About the Future and Other Major Sources of Uncertainty	78
8. Adjustments in the Expenditure and Funding Analysis	80
9. Adjustments between accounting basis and funding basis under regulations	81
10. Analysis of Income and Expenditure by Nature	82
11. Other Operating Expenditure	83
12. Financing and Investment Income and Expenditure	83
13. Taxation and Non Specific Grant Income	83
14. Members Allowances	84
15. Audit Fee	84
16. Senior Officer Remuneration	85
17. Exit Packages	87
18. Grants	88
19. Defined Benefit Pension Scheme	89
20. Partnership Working	94
21. Related Parties	95
22. Movement in the value of Property, Plant and Equipment	96
23. Movement in the value of Heritage Assets	99
24. Movement in the value of Investment Properties	99
25. Movement in the value of Intangible Assets	100
26. Capital Expenditure, Financing and Commitments	101
27. Leases	102

Contents

28.	Long Term Debtors	104
29.	Short-Term Debtors	104
30.	Creditors	105
31.	Cash and Cash Equivalents	105
32.	Short Term Investments	105
33.	Financial Instruments	106
34.	Disclosure of Nature and Extent of Risk Arising from Financial Instruments	110
35.	Provisions	112
36.	Movement in Useable Reserves	113
37.	General Fund	114
38.	Earmarked Reserves	114
39.	Capital Receipts Reserve	115
40.	Capital Grants Unapplied Reserve	116
41.	Movement in Unusable Reserves	116
42.	Capital Adjustment Account	116
43.	Revaluation Reserve	118
44.	Deferred Capital Receipts	118
45.	Collection Fund Adjustment Account	119
46.	Accumulated Absences Account	119
47.	Pension Reserve	119
48.	Pooled Fund Adjustment Account	120
49.	Notes to the Cashflow Statement	121
50.	Contingent Assets	122
51.	Contingent Liabilities	122
52.	Going Concern	123
	Collection Fund	124
	CF 1 Council Tax Payers	125
	CF2 Business Rate Payers	126
	Group Accounts	127
	Group Movement in Reserves Statement	127
	Group Comprehensive Income and Expenditure Statement	128
	Group Balance Sheet	129
	Group Cash Flow	130
	Notes to the Group Accounts	131
	1. The Group Accounting Policies	131
	2. Three Rivers District Council's share of Joint Venture Company within the Group	131
	3. Related Party Transactions	132
	4. Three Rivers Homes LTD Members' Capital Contributions (Loans)	132

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 draft Statement of Accounts presents a true and fair view of the financial position of Three Rivers District Council as at 31 March 2025 and its income and expenditure for the year ended 31 March 2025.

Signed
Alison Betts, Director of Finance

Date

Signed
Councillor A Humphries, Chair of Audit Committee

Date

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 Three Rivers District Council and to continue to develop it.

The following Statement of Accounts give an overview of the Council's finances for 2024/25. 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) 2024 was laid before parliament on in September 2024 and came into force on 30 September 2024. This requires local authorities to publish draft accounts for 2024/25 by 30 June 2025 and commence the public inspection period on or before the first working day of July 2025. The deadline for conclusion of the audit and publication of audited accounts is 27 February 2026.

This final statement of accounts was authorised for issue by the Section 151 Officer on XX February 2026.

Signed
Alison Betts, Director of Finance

Date:

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:



Provide responsive and responsible local leadership



Expand our position as a great place to do business

A great place to live, work and visit



Support and enable sustainable communities



Achieve net carbon zero and be climate resilient

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 provides for member scrutiny of performance and performance targets of all service, alongside budget monitoring and review.

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

3. Financial Outlook

This section covers the 2024/25 year end position and looks forward to 2025/26 and the related Medium Term Financial Plan (MTFP) for 2025/26 to 2027/28.

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 development of the MTFP is supported by annual budget consultations and provides input as to the Council's work and areas of expenditure. The Council has retained above the prudent minimum balance of the General Fund of £2.000m.

In addition to the General Fund Reserve, the Council has an Economic Impact Reserve.

The overall MTFP indicates a budget requirement (net expenditure) for 2025/26 of £14.677m. Funding for this will come from a number of sources. The table below sets out the summary of the MTFP plus forecast funding.

Financial Statement - Summary	2025/26 Forecast £000	2026/27 Forecast £000	2027/28 Forecast £000
<u>Committee - Net Cost Of Services</u>			
General Public Services and Economic Development	5,534	5,307	5,316
Climate Change, Leisure and Community	2,001	2,116	2,114
Policy and Resources	4,885	5,226	5,481
Sub-Total	12,419	12,649	12,911
<u>Other</u>			
Parish Precepts	2,612	2,665	2,718
Interest Payable & Borrowing costs	755	825	865
Interest Received	(1,110)	(1,060)	(1,010)
Sub-Total	2,258	2,430	2,573
Net Expenditure	14,677	15,078	15,484
Funding	2025/26 Forecast £	2026/27 Forecast £	2027/28 Forecast £
Council Tax Base (No.)	40,038.90	40,439.30	40,843.70
Council Tax Base Increase (%)	0.47	0.99	0.99
Band D Council Tax (£)	206.36	212.53	218.88
Council Tax Increase - TRDC (%)	2.99	2.99	2.99
Council Tax (£)	(8,262)	(8,595)	(8,940)
<i>Parish Precepts (£)</i>	<i>(2,612)</i>	<i>(2,665)</i>	<i>(2,718)</i>
Total Taxation (£)	(10,875)	(11,259)	(11,658)
Business Rates (£)	(3,000)	(2,695)	(2,495)
Collection Fund Surplus (£)	125	0	0
New Homes Bonus Grant (£)	(116)	0	0
Government Funding (£)	(419)	(445)	(445)
Total Grant Funding (£)	(3,411)	(3,140)	(2,940)
Total Taxation & Grant Funding (£)	(14,286)	(14,399)	(14,598)
(Surplus)/Deficit Before Use of Earmarked Reserves	391	679	886
Planned Use of Reserves:			
Economic Impact Reserve	(348)	0	0
(Surplus) / Deficit to be funded from General Balances	44	679	886

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 2025/26 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. The 2023 revaluation had a considerable impact on Three Rivers and the forecast takes a prudent approach given a higher than average risk of appeals.

Business Rates Pooling

For 2025/26 there will be a business rate pool for Hertfordshire, of which Three Rivers will be a member.

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 2025/26, based on the final settlement, the Council expects to receive £0.116m.

Council Tax for 2025/26

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 2025/26 and subsequent years.

Council Tax Base

The Council Tax base for 2025/26 was set at the Council meeting on the 10 December 2024 and totalled 40,038.9 Band D equivalents assuming a collection rate of 99%.

Local Council Tax Reduction Scheme

For 2024/25 the Council has introduced a banded council tax reduction scheme for those on low incomes in order to prepare for the introduction of Universal Credit. The scheme has been designed to be cost neutral when compared to the previous scheme at an overall level.

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.

Capital Programme

The latest capital programme included in MTFP shows schemes totalling £14.829m in 2025/26 including rephasing from 2024/25, £4.332m in 2026/27, and £4.294m in 2027/28.

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

- Local Authority Housing Fund - £5.720m
- Disabled Facility Grants - £1.850m
- Waste and Recycling Vehicles - £2.663m
- Replacement Grounds Maintenance Vehicles – £1.777m
- Sustainability Schemes - £1.500m

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 and Local Authority Housing Fund. The Council can also attract partnership funding from other local authorities and agencies such as lottery funding.

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.

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 potential within the local area; especially those that attract additional investment into the local area from regional or national agencies.
- Schemes that provide additional or improved services to the Council's residents, in line with the Council's Strategic Plan.

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 original budget included a planned contribution from the General Fund of £0.764m after allowing for carry forwards from 2023/24 of £0.527m. After allowing for carry forwards from 2023/24, the final draw down on reserves for 2024/25 is £0.124m. In addition to the drawdown of general reserves there is a contribution from the Economic Impact Reserve of £0.148m. As a result of the outturn, the General Fund Reserve balance stand at £4.409m at the end of the year with the balance on Economic Impact Reserve being £1.383m at year end. This gives total unearmarked reserves of £5.542m at 31st March 2025.

Climate Change, Leisure & Housing	Original Budget £000	Original Budget Plus 2023/24 Carry Forwards £000	Latest Budget £000	Actual Spend £000
Housing	423	423	450	297
Leisure	1,220	1,220	1,033	950
Sustainability and Climate	309	389	400	259
Total	1,952	2,033	1,883	1,506

General Public Services, Community Safety & Infrastructure	Original Budget £000	Original Budget Plus 2023/24 Carry Forwards £000	Latest Budget £000	Actual Spend £000
Community Partnerships	1,022	1,030	1,070	1,062
Economic Development and Planning Policy	524	524	570	711
Public Services	2,935	2,982	3,211	3,246
Total	4,481	4,535	4,850	5,020

Policy & Resources	Original Budget £000	Original Budget Plus	Latest Budget £000	Actual Spend £000
		2023/24 Carry Forwards £000		
Resources and Leader	6,989	7,130	7,716	8,460
Garages and Shops	(1,300)	(1,300)	(1,277)	(1,224)
Investment Properties	(950)	(950)	(950)	(877)
Vacancy Provision	(180)	(180)	(180)	0
Salary Contingency	712	712	225	0
Total	5,270	5,411	5,533	6,359

Corporate Costs	Original Budget £000	Original Budget Plus	Latest Budget £000	Actual Spend £000
		2023/24 Carry Forwards £000		
Corporate Costs	2,456	2,456	2,406	1,295
Total	2,456	2,456	2,406	1,295

Total Net Expenditure	14,159	14,436	14,673	14,180
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Capital Activity

Capital expenditure is incurred on assets that benefit the community over a number of years. Capital expenditure for 2024/25 is shown below:

Capital Programme 2024/25 £000	Latest Approved	Year End Actual	Variance £000
	Budget £000	Expenditure £000	
General Public Services, Community Safety & Infrastructure	5,056,041	2,829,904	- 2,226,137
Climate Change, Leisure & Housing	3,714,843	2,855,688	- 859,155
Policy and Resources	1,318,528	676,271	- 642,257
Committee Capital Programme	10,089,412	6,361,863	- 3,727,549
Major Projects			
South Oxhey Initiative	-	-	-
Local Authority Housing Fund	9,758,225	4,038,122	- 5,720,103
Property Investment Board	46,635	44,711	- 1,924
Total Capital Programme	19,894,272	10,444,695	- 9,449,577

The Council planned to complete capital schemes valued at £19.894m in 2024/25. The Council completed and funded £10.445m worth of capital work. The main variance related to a delay in the completion of the delivery of housing on previous garage sites which will now complete after 31 March 2025. In total, £9.304m has been reprofiled into 2025/26 and future years.

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, albeit it is anticipated that further information will be available for the 2026/27 planning cycle. Alongside this the Council has experienced a significant change in its non-domestic rates base as a result of the 2023 revaluation. The Council has increased its appeals provision due to the likelihood of appeals as a result of the revaluation and holds additional resources in its Collection Fund Reserve to mitigate against this. 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 2024/25. 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 2024/25

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 2024/25 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 2025 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;

18.

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
- 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 responsible budget 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.

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 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

20. During 2024/25 the senior management comprised of the Chief Executive, Director of Finance, Associate Director Legal and Democratic Services, Associate Director for Corporate, Customer and Community, Associate Director for Environment. Financial control was the responsibility of the Director of Finance. This combined management with heads of service met fortnightly as the Corporate Management Team to review and progress the key objectives of the council. From February 2024 the following changes were made to the leadership structure of the council. The Head of Finance was also the Chief Finance Officer/Section 151 Officer for Watford Borough Council and seconded to Watford for 80% of her time.

21. 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

- 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.
- 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.
- 28 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.
- 29 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

- 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. 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 governance framework and falls within the remit of the Risk Management corporate group.
- 33 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 Council's internal arrangements are communicated throughout the Council, 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

- 34 Three Rivers District Council has a shared service for Revenues and Benefits, ICT, Finance, Procurement and Human Resources with Watford Borough Council.
- 35 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.

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.

Partnership Arrangements

37 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 District Council and seven other Hertfordshire local authorities. They are Dacorum Borough Council, Borough of Broxbourne, Hertsmere, East Herts Council, North Herts District Council, Welwyn and Hatfield Council and Stevenage Borough Council.

West Herts Crematorium is served by a joint committee between Three Rivers District Council, Dacorum Borough Council, St Albans, Hertsmere, and Watford Borough councils, with Three Rivers District Council taking on lead authority from 1 April 2024.

REVIEW OF EFFECTIVENESS

38 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 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

39 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.

40 The Full Council comprises all 39 Members. They met six times during 2024/25. 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. Two extraordinary meetings were held during 2024/25.

The Policy and Resources Committee

41 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.

42 Policy and Resources Committee met seven times during 2024/25.

The Service Committees

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

- General Public Services, Community Safety & Infrastructure; and
- Climate Change, Leisure and Housing.

44 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

45 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

46 Members Allowances are reviewed each year by the Independent Remuneration Panel who then make recommendations to Full Council. From April 2023 allowances increased by 5%. In December 2023 Full Council agreed recommendations from the panel again to increase Member allowances by 5% from April 2024. Further to this, in December 2024, Full Council agreed to increase Basic and Special Responsibility Allowances from 1 April 2025 by the 12-month Consumer Price Index (CPI), as at September 2024, and to index

changes to these allowances in future years by the 12-month CPI as at the previous September, for a period of four years. In addition to this a two-type Care Allowance scheme was approved.

47 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

48 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

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

50 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

51 Audit Committee comprised nine members and met six times during 2024/25.

52 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

53 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.

54 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.

55 In line with Public Sector Internal Audit Standards, an Annual Assurance Statement and Internal Audit Report is compiled and presented to the first Audit Committee of each year, which:

- Includes an opinion on the overall adequacy and effectiveness of the Council's financial and non financial systems;
- Disclosed any qualifications to that opinion, together with any reasons for the qualification;
- Draws attention to any issues which are judged particularly relevant to the preparation of the Annual Governance Statement.

56 The SIAS Assurance Annual Report June 2025 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 2024/25.
- 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

57 External auditors 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.

In 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 confirmed in December 2022 by PSAA for Three Rivers District Council from 2023/24 is Azets Audit Services. The financial year 2023/24 was the first year to be audited by Azets Audit Services.

58 In September 2024, the newly appointed Minister of State for Local Government and English Devolution wrote to councils setting out the intention to lay secondary legislation to implement backstop proposals. The backstop for all accounts up to and including 2022/23 was proposed as 13 December 2024 with a further five backstop dates as follows:

- 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

59 In November 2024, Audit Committee were presented with the Completion Report for the 2020/21, 2021/22 and 2022/23 financial years by Ernst & Young LLP. The report detailed the work completed to provide a disclaimed opinion for the 2020/21, 2021/22 and 2022/23 accounts by the statutory backstop date of 13 December 2024. The report also summarised work undertaken to assess the Council's Value for Money (VfM) arrangements across three key criteria: financial sustainability, governance arrangements and use of information to achieve economy, efficiency and effectiveness. EY confirmed that they had identified no risks of significant weaknesses in arrangements for VfM.

60 In February 2025, Audit Committee were presented with the Audit Completion Report 2023/24. The final report outlined the work that had been completed on the 2023/24 accounts audit including the Value for Money assessment. Key areas had been listed for the 2023/24 audit, but assurance could not be provided due to disclaimed prior year audits and therefore a disclaimed audit opinion was issued for the 2023/24 accounts.

The Financial Management Code of Practice

61 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.

62. Appendix 2 is a self-assessment against the FM Code and includes actions for improvement and enhancement of current practices.

SIGNIFICANT GOVERNANCE ISSUES

61. The 'normal' running of Council business has and can be controlled through the governance framework detailed in this report. For 2024/25 the following significant governance issue was identified from the Management Assurance Statements.

62. Local Government Reorganisation - Hertfordshire is currently expected to be part of the currently proposed round of Local Government Reorganisation to move to unitary government from April 2028. This will bring additional risks around staffing and day to day service operation in the period leading to and post reorganisation and require additional consideration of long term commitments, contract and partnership arrangements. These risks will be managed using the Council's Risk Management framework.

63 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

64 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.

65 It is our opinion that the Council's governance arrangements in 2024/25 were sound and provide a robust platform for achieving the Council's priorities and challenges in 2025/26.

Signed _____

Date _____

Leader of the Council

Signed _____

Date _____

Chief Executive – Joanne Wagstaffe

TRDC Annual Governance Statement 2024/25 Action Plan

No.	Issue	Action	Resolved	Updates
1	<p>Local Government Reorganisation</p> <p>Hertfordshire is currently expected to be part of the currently proposed round of Local Government Reorganisation to move to unitary government from April 2028.</p> <p>This will bring additional risks around staffing and day to day service operation in the period leading to and post reorganisation and require additional consideration of long term commitments, contract and partnership arrangements.</p>	<p>Comprehensive staff communications, reassurance and support throughout the process.</p> <p>Active recruitment when posts are vacant with strong succession planning in place.</p> <p>Continue to work in partnership with other Hertfordshire LAs on operational services (e.g. waste) to ensure continuity of services up to, during and post reorganisation.</p> <p>Consideration of reorganisation implications in all contract planning and procurement.</p> <p>Identification and management of risks through the Councils Risk Management Framework.</p>		

TRDC Annual Governance Statement 2023/24 Action Plan

No.	Issue	Action	Resolved	Updates
1	Business Rate Revaluation.	The Council is working closely with LG Futures on its business rate income and has sufficient resources within the Collection Fund Reserve to manage any difference between the level of growth assumed in the MTFS and the floor under the business rate retention system. Three Rivers had the highest increase in business rates as a result of the national revaluation exercise. This was largely due to the increase in Warners Brothers valuation. This gives the Council a significant business rate appeal risk which could impact on the MTFS.		<p>The Council has made significant provision for revaluation as part of its assessment of business rate income.</p> <p>The Government has announced the reset of business rates and fair funding. The Collection Fund Reserve remains strong to manage the risks of changes in resource levels and allow a smoothed transition to any new funding levels.</p>

Financial Management Code Compliance Self-Assessment 2024/25

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 2024/25, the Finance Business Partnering model continue to further strengthen 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 Page 41	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				
Page 42	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

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
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
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
Page 43	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 Page 44	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 2020/21, 2021/22 and 2022/23 accounts has impacted on the timeliness of financial reporting. The implementation of the backstop dates resulted in a disclaimed audit opinion for 2021/22, 2022/23 and 2023/24. Officers will work with external audit to rebuild assurance through the 2024/25 audit onwards.	AMBER

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
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**THREE RIVERS DISTRICT COUNCIL
ANNUAL GOVERNANCE
STATEMENT 2024/25**

**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 through 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.

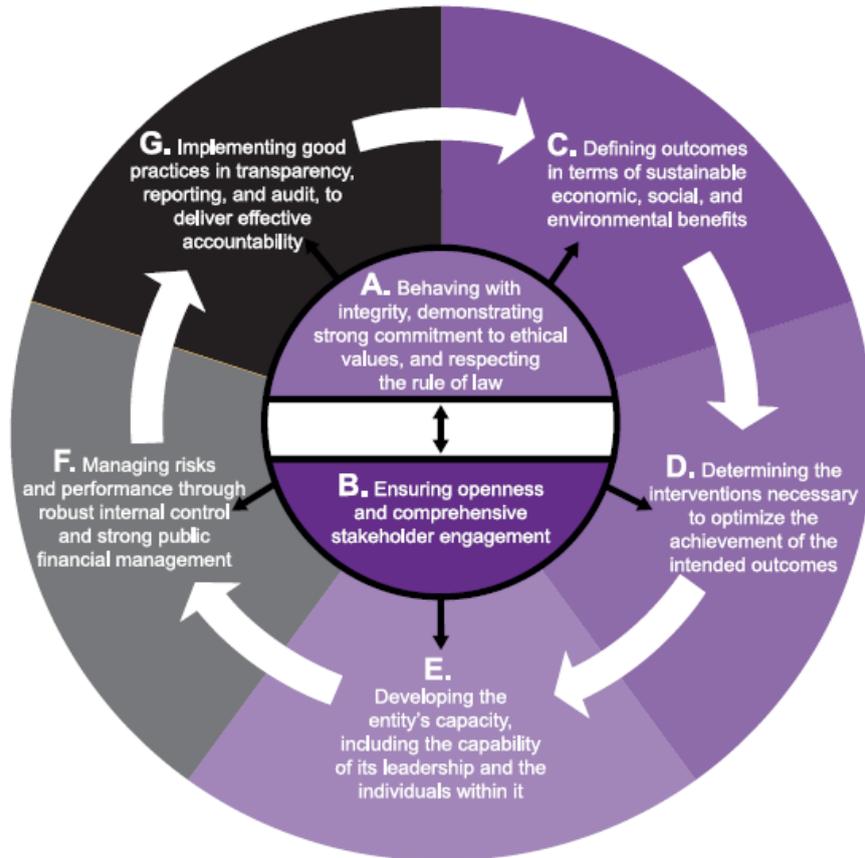
G. *Implementing good practices in transparency, reporting, and audit to deliver effective accountability*

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.

June 2025

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, 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

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, and Heads of Service					Committee Meetings, Agendas and Minutes Monthly Budget Monitoring Reports Audit Committee Financial Procedure Rules Contract Procedure Rules	

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	Earmarked Reserves	Capital Receipts Unapplied	Capital Grants and Contbns Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2023 Restated		5,027	16,676	1,823	10,868	34,395	106,651	141,046
Movement in reserves during 2023/24								
Total Comprehensive Income and Expenditure		4,269	0	0	0	4,269	3,354	7,623
Adjustments between accounting basis and funding basis under statutory provisions	9	-1,209	0	-18	5,700	4,473	-4,473	0
Transfers to / from earmarked reserves (restated)	37/38	-3,556	3,556	0	0	0	0	0
Increase (+) or Decrease (-) In Year		-495	3,556	-18	5,700	8,742	-1,120	7,623
Balance at 31 March 2024 Restated		4,532	20,232	1,805	16,569	43,138	105,530	148,668
Movement in reserves during 2024/25								
Total Comprehensive Income and Expenditure		-1,701	0	0	0	-1,701	-2,638	-4,340
Adjustments between accounting basis and funding basis under statutory provisions	9	4,105	0	13	-3,314	805	-4,320	-3,516
Impact of Consolidation of West Herts Crematorium			768			768	6,810	7,578
Transfers to / from earmarked reserves	37/38	-2,528	2,528	0	0	0	0	0
Increase (+) or Decrease (-) In Year		-124	3,296	13	-3,314	-129	-149	-278
Balance at 31 March 2025		4,409	23,527	1,818	13,254	43,009	105,382	148,391

Comprehensive Income and Expenditure Statement

2023/24 Restated				2024/25			
Gross Expenditure	Income	Net Expenditure	Notes	Gross Expenditure	Income	Net Expenditure	
£'000	£'000	£'000		£'000	£'000	£'000	
10,484	-5,560	4,924		15,822	-9,532	6,290	
10,145	-4,279	5,867		7,844	-4,779	3,064	
30,300	-23,924	6,376		30,089	-20,264	9,825	
2,374	-37	2,337		2,583	0	2,583	
53,303	-33,800	19,503		56,337	-34,575	21,762	
		-778	Other Operating Income	11	0	-1,510	-1,510
		-761	Financing and Investment Income and Expenditure	12	8,050	-4,961	3,089
		-21,833	Taxation and Non-Specific Grant Income	13	0	-21,640	-21,640
		-4,269	Surplus (-) or Deficit (+) on Provision of Services		64,387	-62,685	1,701
			Items that will not be reclassified to the Surplus (-) or Deficit (+) on the Provision of Services				
		-10,118	Surplus or Deficit on revaluation of non-current assets	43			2,346
		0	Impairment losses on non-current assets charges to the revaluation reserve	43			0
		6,764	Remeasurements of the net defined benefit liability (asset)	19			292
		-3,354					2,638
			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	Other Comprehensive Income and Expenditure				2,638
		-7,623	Total Comprehensive Income and Expenditure				4,340

Balance Sheet

At 31 March 2023 Restated £'000	At 31 March 2024 Restated £'000		Notes	At 31 March 2025 £'000
Long Term Assets				
108,798	117,156	Property, Plant and Equipment	23	130,999
48,654	48,614	Investment Property	25	44,949
0	0	Surplus Assets	23	37
146	146	Heritage Assets	24	146
0	0	Intangible Assets	26	0
511	511	Long Term Investments	28	511
5,432	5,460	Finance Lease Asset	27	1,719
5,223	8,545	Long Term Debtors	28	8,469
168,764	180,432	Total Long Term Assets		186,830
Current Assets				
8,274	10,778	Debtors	29	11,340
58	26	Stock		27
20,682	23,117	Short Term Investments	32	25,993
2,696	1,431	Cash and Cash Equivalents	31	10,819
31,709	35,352	Total Current Assets		48,179
Current Liabilities				
-9	-9	Short Term Borrowing	30	-256
-13,378	-11,245	Short Term Creditors and Revenue Receipts in Advance	30	-21,358
-434	-3,074	Provisions	35	-3,975
-56	-72	Short Term Finance Liability		-95
-617	-1,240	Short Term Capital Grants Receipts in Advance		-1,088
-14,494	-15,640	Total Current Liabilities		-26,772
Long Term Liabilities				
-8,000	-8,000	Long Term Borrowing		-14,000
5,895	-719	Pension Liability	19	-813
-42,822	-42,750	Long Term Finance Liability		-45,027
0	0	Deferred Income		0
-6	-6	Long Term Capital Grants Receipts in Advance		-6
-44,934	-51,475	Total Long Term Liabilities		-59,847
141,046	148,669	Net Assets (+) / Net Liabilities (-)		148,391
Financed from:				
34,395	43,138	Usable Reserves	36-40	43,009
106,651	105,531	Unusable Reserves	41-48	105,382
141,046	148,669	Total Reserves		148,391

Alison Betts, Director of Finance

Date:

Cash Flow Statement

2023/24 Restated £'000		Notes	2024/25 £'000
-4,269	Net (surplus) or deficit on the provision of services		1,701
-3,875	Adjust net surplus or deficit on the provision of services for non-cash movements	49	-18,307
8,503	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	49	6,530
359	Net cash flows from Operating Activities		-10,075
-841	Investing activities	49	6,832
1,747	Financing activities	49	-6,145
1,265	Net increase (-) or decrease (+) in cash and cash equivalents		-9,388
2,696	Cash and cash equivalents at the beginning of the reporting period		1,431
1,431	Cash and cash equivalents at the end of the reporting period		10,819

1. Expenditure and Funding Analysis

2023/24 - Restated			2024/25		
Expenditure chargeable to the General Fund £'000	Adjustments between funding and accounting basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000	Expenditure chargeable to the General Fund £'000	Adjustments between funding and accounting basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
4,946	-23	4,923	2,516	3,774	6,290
2,312	3,555	5,867	2,269	796	3,065
4,188	2,188	6,376	7,953	1,872	9,825
0	2,337	2,337	0	2,583	2,583
11,446	8,057	19,503	12,738	9,024	21,762
-10,951	-12,822	-23,773	-12,614	-7,447	-20,060
495	-4,764	-4,269	124	1,577	1,701
5,027			4,532		
-495			-124		
4,532			4,408		

2. Accounting Policies

2.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2024/25 financial year and its position at the year end of 31 March 2025. 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 2024/25 (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 Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current 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 non-current 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 analysed 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

The Council adopted IFRS16 Leases with effect from 1 April 2024. At the inception of a contract, the Council assesses whether a contract contains a lease. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time. The Council considers:

- whether the asset is explicitly or implicitly identified in a contract,
- whether the asset identified in the contract is physically distinct,
- the rights to obtain substantially all of the economic benefits and service potential from the asset,
- the right to direct use.

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.

Leases at peppercorn or nominal lease payments are those leases for which consideration is paid but the lease payments are substantially below market lease payments.

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 – A Right-of-Use Asset

The Code expands the scope of IFRS 16 Leases to include arrangements with nil consideration, peppercorn or nominal payments, and removes the previous classifications of operating and finance leases for lessees.

Initial Measurement

Leases are recognised as right-of-use assets in the Balance Sheet/disclosure note with a corresponding liability at the date from the commencement date.

The right-of-use asset is initially measured at cost, comprising:

- **the amount of the initial measurement of the lease liability,**
- **any lease payments made at or before the commencement date less any incentives received,**
- **any initial direct costs incurred, and**
- **any dilapidation or restoration costs.**

However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value at the commencement date.

The asset recognised is matched by a liability for the obligation to pay the lessor. The lease liability is measured at the present value of lease payments that are not paid at that date, discounted by the interest rate implicit in the lease, or if that cannot be determined the lessee's incremental borrowing rate specific to the term and start date of the lease.

Subsequent measurement

The right-of-use asset is subsequently measured at fair value.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption, and is tested for impairment if there are indicators of impairment.

The lease liability is subsequently measured at amortised cost, using the effective interest method.

The lease liability, and corresponding adjustment to the right-of-use asset, is remeasured when:

- there is a change in future lease payments arising from a change in index or rate such as inflation
- there is a change in the estimate of the amount expected to be payable under a residual value guarantee
- the Council changes its assessment of whether it will exercise a purchase, extension or termination option, or
- there is a change in the lease term.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

Property, Plant and Equipment recognised under 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 has elected to apply recognition exemptions to low value assets (those below £10,000 when new) and to short term leases (leases that expire on or before 31 March 2026, and new leases with a duration of less than 12 months) in accordance with the Code.

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

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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), 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 Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement 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 Movement in Reserves Statement. 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 Movement in Reserves Statement. 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 non-current 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 Movement in Reserves Statement.

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 Comprehensive Income and Expenditure Statement. 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.

Sale and Leaseback transactions – Where the Council (the seller–lessee) transfers an asset to another entity (the buyer–lessor) and leases that asset back from the buyer–lessor, both the seller–lessee and the buyer–lessor shall account for the transfer contract and lease.

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).

Depreciation is calculated on the following bases:-

- Buildings — straight-line allocation over the useful life of the asset as estimated by the valuer - up to 70 years;
- Vehicles — straight-line over the estimated life of the asset - up to 20 years;
- Plant, furniture and equipment — straight-line over the estimated life of the asset - up to 20 years;
- Infrastructure — straight-line over the estimated life of the asset - up to 25 years; 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 non-current 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 His Majesty's Revenue and Customs. VAT receivable is excluded from income.

2.20 West Herts Crematorium

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.

Three Rivers District Council is appointed by the Joint Committee to act as the Lead Authority delivering crematoria services. Transactions and balances related to income and expenditure, assets and liabilities are consolidated in full in the Council's single entity financial statements.

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 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 2025 for 2024/25).

The standards introduced by the 2025/26 Code where disclosures are required in the 2024/25 financial statements in are:

- IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability) issued in August 2023. The amendments to IAS 21 clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.
- IFRS 17 Insurance Contracts issued in May 2017. IFRS 17 replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts.
- The changes to the measurement of non-investment assets within the 2025/26 Code include adaptations and interpretations of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. These include setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible non-investment assets and a requirement to value intangible assets using the historical cost approach. These have the same effect as requiring a change in accounting policy due to an amendment to standards, which would normally be disclosed under IAS 8. However, the adaptations also include a relief from the requirements of IAS 8 following a change in accounting policy as confirmed in paragraph 3.3.1.4.

These changes are not significant and are not expected to have a material effect on the Council's Statement of Accounts

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 2024/25.
- 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 Align Property Partners
- Pension valuations supplied by Barnet Waddingham - 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 Azets 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

Prior period adjustments have been made for errors in relation to:

- The valuation of properties acquired under a finance lease
- Valuation of Operational Assets
- Posting omissions and other General Fund adjustments
- Disclosure Errors in 2023/24

Adjustments are listed in narrative form below, and disclosure impacts are summarised in the tables that follow the narrative

Adjustment 1: Valuation Error on Recognition of Lease Asset

An error in the initial valuation provided for the properties at Hartfield Road, Wimbledon, resulted in incorrect values being recognised for the Investment Property Asset and Finance Lease Liability in 2022/23. This error had subsequent impacts on the calculation of financing costs and flowed through the 2023/24 Accounts.

The following errors related to 2022/23 valuations impact the opening Balances for 2023/24:

Originally the Asset was recognised at a value of £7.950m. The corrected valuation on initial recognition was £42.900m. The asset valuation has been adjusted by £34.950m and the lease liability has been adjusted by (£34.950m).

As a consequence of the valuation error, leasing postings have been recalculated for 2022/23, resulting in immaterial adjustments to the Short-term finance lease liability and Minimum Revenue Provision charge for 2022/23 and 2023/24.

Adjustment 2: Revaluation Errors 2023/24

In 2023/24 the correction to the valuation basis that led to Adjustment 1, also resulted in a revised revaluation in 2023/24.

The asset was originally valued at £4.293m, resulting in a downward revaluation of (£3.657m).

The revised revaluation was £43.100m – an upward revaluation of £0.200m.

Adjustment 3: General Fund Adjustments

3a – Commercial Reserve

The Wimbledon income strip deal is budgeted to make a contribution to general fund resources of £200k. Any surplus or deficit on this position is balanced by a movement to or from the Commercial Reserve as required. In 2023/24 this contribution was calculated prior to the completion of all leasing technical adjustments, and as a consequence the transfer was overstated. An adjustment of £306k has been made to the Commercial Reserve

3b – Collection Fund Reserve

Posting omissions which relate to the Council Tax and NNDR collection fund entries were identified. The final outturn for 2023/24 included anticipated reserve transfers which were not completed, with the result that the closing position on the General Fund was not consistent with the position reported at in the budget outturn report. Adjustments totalling £57k have been posted between the General Fund and Earmarked Reserves.

Adjustment 4: Operational Asset Valuations

Errors were identified in the valuation of Operational Land and Buildings in 2023/24. The late issuance of a revised valuation report prevented these items from being corrected prior to publication of the 2023/24 financial statements.

The errors related to the Aquadrome and temporary accommodation.

The impact on the carrying value of Land and Buildings at 31 March 2024 was £1,232k. The adjustment to revaluation recognised in the revaluation reserve was (£56k). £1,288k was recognised in the Surplus/Deficit on Provision of Services.

Adjustment 5: Note 19 Pension Fund CIES Disclosure

During the external audit process it was noted that the values published in the 2023/24 statement of accounts were inconsistent with the prior year comparators in the 2024/25 draft statement of accounts.

Review of these inconsistencies revealed that changes arising from the 2023/24 audit process which were captured in the Council's working papers were not correctly updated in the published document.

These are errors on the face of the disclosure only and have not required any changes to the amounts posted in the ledger.

Adjustment 6: Disclosure Error in CIES

Review of the Comprehensive Income and Expenditure Statement revealed a disclosure error requiring correction.

Impairment losses on non-current assets charged to the revaluation reserve was incorrectly populated with the value of revaluation decreases posted to the revaluation reserve. This value was already included in the Surplus or Deficit on revaluation of non-current assets.

This is an errors on the face of the CIES disclosure only and has not required any changes to the amounts posted in the ledger.

The table overleaf outlines the disclosures which have been updated for Prior Period Adjustments.

Notes to the Financial Statements

Summary of Restated Disclosures

	Balance Sheet	MIRS	CIES	Cashflow Statement	1 - EFA	8 - Adj in Efa	9 - Adj Under Statute	10 - Income and Expenditure	12 - Financing & Investment I&E	19 - Pension Fund CIES	23 - Mvmt in PPE	25 - Investment Properties	27 - CFR	28 - Leases	36 - Useable Reserves	37 - General Fund	38 - Earmarked Reserves	41 - Unusable Reserves	42 - Capital Adjustment Account	43 - Revaluation Reserve	49 - Cashflow	Group Balance Sheet	Group MIRS	Group CIES	Group Cashflow Statement	
Adjustment 1	X	-	-	-	-	-	-	-	-	-	-	X	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustment 2	X	X	X	X	X	X	X	X	X	-	-	X	-	X	-	-	-	X	X	-	X	X	X	X	X	X
Adjustment 3	-	X	X	-	X	X	-	-	-	-	-	-	-	-	X	X	X	-	-	-	-	-	X	X	-	
Adjustment 4	X	X	X	-	X	X	X	X	-	-	X	-	X	-	-	-	-	X	-	X	-	X	X	X	-	
Adjustment 5	-	-	-	-	-	-	-	-	-	X	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Adjustment 6	-	-	X	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

Page 87

Notes to the Financial Statements

Impact of Adjustments

Balance Sheet – 2022/23

Balance Sheet	2022/23		
	Original Value	Adjustment 1	Restated Value
Investment Properties	13,704	34,950	48,654
Short Term Finance Liabilities	-	- 21	-21
Long-Term Finance Liabilities	- 7,949	- 34,929	- 42,878

Balance Sheet – 2023/24

Balance Sheet	2023/24					Restated Value	Immaterial Changes
	Original Value	Adjustment 1	Adjustment 2	Adjustment 4			
Long Term Assets							
Property, Plant and Equipment	115,924			1,232		117,156	
Investment Property	9,807	34,950	3,857			48,614	
Total Long Term Assets	140,393	34,950	3,857	1,232		180,432	
Current Liabilities							
Short Term Finance Liability	-	-21				- 21	-51
Total Current Liabilities	-15,568	- 21	-	-		-15,589	-51
Long Term Liabilities							
Long Term Finance Liability	-7,949	- 34,929				-42,878	128
Total Long Term Liabilities	-16,674	- 34,929	-	-		-51,603	128
Net Assets (+) / Net Liabilities (-)	143,503	-	3,857	1,232		148,592	77
Financed from:							
Usable Reserves	43,138					43,138	
Unusable Reserves	100,365		3,857	1,232		105,454	77
Total Reserves	143,503	-	3,857	1,232		148,592	77

Comprehensive Income and Expenditure Statement 2023/24

		2023/24 Original	Adjustment 2	Adjustment 4	Adjustment 6	2023/24 Restated
		£'000	£'000	£'000	£'000	£'000
Climate Change, Leisure and Community	Gross Expenditure	10,201		-56		10,145
	Net Expenditure	5,923		-56		5,867
Cost Of Services	Gross Expenditure	53,359		-56		53,303
	Net Expenditure	19,559		-56		19,503
Financing and Investment Income and Expenditure	Gross Expenditure	5,573	-3,801			1,772
	Net Expenditure	2,640	-3,801			-1,161
Surplus (-) or Deficit (+) on Provision of Services	Gross Expenditure	58,154	-3,801	-56		54,297
	Net Expenditure	-412	-3,801	-56		-4,269
Other Comprehensive Income and Expenditure	Surplus or Deficit on revaluation of non-current assets	-8,830		-1,288		-10,118
	Impairment losses on non-current assets charges to the revaluation reserve	12,732			-12,732	0
	Items that will not be reclassified to the Surplus (-) or Deficit (+) on the Provision of Services	10,667	0	-1,288	-12,732	-3,354
Total CIES		10,255	-3,801	-1,344	-12,732	-7,623

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 2025.

The draft Statement of Accounts was authorised for issue by the Section 151 Officer on 30 June 2025

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 2025, 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 2025 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

THIS TABLE IS TO BE UPDATED

Item	Uncertainties	Impact
Property, Plant and Equipment (PPE)	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to 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.</p> <p>The Council engaged Align Property Partners, a qualified RICS surveyor, provide valuations of land and building property assets and Surplus 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. Align Property Partners valuation experts work closely with finance officers on all valuation matters.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>The impact of different valuations would have an impact on the value of non-current assets and unusable reserves on the Balance Sheet changing both by the same amount.</p>
Investment Properties	<p>Investment properties are valued annually at fair value (market value). The Council engaged Align Property Partners, a qualified RICS surveyor, to provide valuations of Investment Properties 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. Align's valuation experts work closely with finance officers on all valuation matters.</p>	<p>Significant changes in the assumptions of future income streams/growth; occupancy levels; ongoing property maintenance and other factors could result in a significantly higher or lower fair value for these assets.</p> <p>The impact of different valuations would have an impact on the value of non-current assets and unusable reserves on the Balance Sheet changing both by the same amount.</p>

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 than the Balance Sheet date. The actual valuations at the Balance Sheet date, which may not be available until sometime later, may give a different value of pension assets, but this is not generally considered to be material.	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 £1.326m. A 1 year increase in life expectancy assumptions would increase the closing defined benefit obligation by 3%.
Arrears	At 31 March 2025, the Council had a short-term debtor balance of £12.839m. A review of significant balances suggested a provision for bad debts of £2.727m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	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 2025, 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.

8. Adjustments in the Expenditure and Funding Analysis

2023/24 - Restated				2024/25				
Adjustments for Capital Purposes	Net Charge for the Pensions Adjustments	Other Differences	Total Adjustments		Adjustments for Capital Purposes	Net Charge for the Pensions Adjustments	Other Differences	Total Adjustments
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
49	70	-141	-23	General Public Services and Economic Development	4,011	-69	-168	3,774
3,328	27	200	3,555	Climate Change, Leisure and Community	1,008	-28	-184	796
1,888	44	257	2,188	Policy and Resources	980	-159	1,052	1,872
0	-13	2,350	2,337	Other Corporate Costs	0	2,496	87	2,583
5,264	127	2,666	8,057	Service Costs	5,998	2,240	786	9,024
-8,738	-277	-3,807	-12,822	Other Income and expenditure not charged to services	971	-2,438	-5,980	-7,447
-3,473	-150	-1,141	-4,764	Surplus (-) or Deficit (+)	6,969	-198	-5,193	1,577

10. Analysis of Income and Expenditure by Nature

2023/24 Restated £'000	Income and Expenditure	2024/25 £'000
-16,179	Fees, charges and other service income	-18,532
-29,164	Government grants and contributions	-26,645
-2,041	Interest and investment income	-2,122
-10,905	Income from council tax and non-domestic rates	-13,852
-778	Proceeds from the disposal of non-current assets	-1,510
-277	Net interest expense on the pension defined liability	-24
-59,344	Total Income	-62,685
17,472	Employee benefits expenses	18,085
35,380	Other service expenses	38,668
548	Depreciation, amortisation, impairments and revaluations	5,639
1,676	Interest payable and similar charges	1,995
55,075	Total Expenditure	64,387
-4,269	Surplus (-) or Deficit (+) on the Provision of Services	1,701

2023/24 £'000	Fees and Charges by Committee	2024/25 £'000
-4,697	General Public Services and Economic Development	-8,423
-2,414	Climate Change, Leisure and Community	-2,570
-9,068	Policy and Resources	-7,539
-16,179	Total Fees and Charges	-18,532

11. Other Operating Expenditure

	2023/24	2024/25
Other Operating Expenditure	£'000	£'000
Capital Receipts	-844	-1,588
Disposal costs charged against capital receipts	0	0
Net Capital Receipts	-844	-1,588
Other Receipts	0	0
Total Receipts	-844	-1,588
Carrying value of non-current assets derecognised	66	78
Disposal costs charged to the General Fund	0	0
Total Disposal costs	66	78
Other Operating Expenditure	-778	-1,510
Adjustments between accounting basis and funding basis	778	1,510
Net Charge to the General Fund	0	0

12. Financing and Investment Income and Expenditure

	2023/24	2024/25
Financing and Investment Income and Expenditure	Restated £'000	£'000
Interest payable and similar charges	1,732	1,995
Gain or Loss on the valuation of pooled investment funds	-133	-69
Interest receivable and similar income	-1,858	-2,053
Income and Expenditure in relation to investment properties	-615	-2,781
Change in fair value of investment properties	40	6,021
Net pensions interest expense	-277	-24
Dividends	-50	0
Financing and Investment Income and Expenditure	-1,161	3,089
Adjustments between accounting basis and funding basis	370	-5,928
Net Charge to the General Fund	-791	-2,839

13. Taxation and Non Specific Grant Income

	2023/24	2024/25
Taxation & Non Specific Grant Income	£'000	£'000
Council Tax Income	-9,988	-10,328
Non Domestic Rates	-917	-3,525
Non Ringfenced Government Grants	-3,269	-4,657
Capital Grants and Contributions	-7,659	-3,130
Total	-21,833	-21,640

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.

	2023/24	2024/25
Members' Allowances	£'000	£'000
Allowances	290	309
Expenses (Travel & Subsistence)	1	2
Total	291	311

15. Audit Fee

	2023/24	2024/25
Audit and Inspection Fees	£'000	£'000
Code of Practice Audit Work*	69	186
Other Fees for Prior Years	176	69
Fees payable for other services provided during the year	0	10
Total	245	265

16. Senior Officer Remuneration

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.

Band £	Number of Employees	
	2023/24	2024/25
50,000-54,999	6	13
55,000-59,999	16	10
60,000-64,999	4	8
65,000-69,999	7	7
70,000-74,999	2	2
75,000-79,999	2	2
80,000-84,999	3	2
85,000-89,999	0	1
90,000-94,999	0	2
95,000-99,999	1	0
105,000-109,999	1	1
145,000-149,999	1	0
150,000-154,999	0	1
Total	43	49

Notes to the Financial Statements

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

2024/25					
Post Holder Information	Salary (Including Fees & Allowances)	Employers Pension Contribution	Total Remuneration Including Pension Contributions	Contributions to (+) from (-) Watford Borough Council	Cost to Three Rivers District Council
	£	£	£	£	£
Chief Executive	151,543	31,803	183,346	0	183,346
Section 151 Officer and Director of Finance*	109,689	20,931	130,620	-6,929	123,691
Associate Director of Strategy Partnerships & Housing	84,173	16,245	100,418	0	100,418
Associate Director of Customer & Community	85,412	16,245	101,657	0	101,657
Associate Director of Legal, Democratic Service & Monitoring Officer	93,563	17,819	111,381	0	111,381
Manager & Registrar at West Herts Crem	59,423	11,469	70,892	0	70,892
Executive Group Head of HR*	0	0	0	28,843	28,843
Total	583,803	114,512	698,315	21,913	720,229
Shared service staff					

2023/24					
Post Holder Information	Salary (Including Fees & Allowances)	Employers Pension Contribution	Total Remuneration Including Pension Contributions	Contributions to (+) from (-) Watford Borough Council	Cost to Three Rivers District Council
	£	£	£	£	£
Chief Executive	147,985	30,562	178,547	0	178,547
Director of Finance (Section 151 Officer)*	99,435	18,952	118,387	-41,426	76,961
Associate Director of Strategy Partnerships & Housing	80,409	15,280	95,689	0	95,689
Associate Director of Customer & Community	78,881	15,224	94,105	0	94,105
Associate Director of Legal, Democratic Service & Monitoring Officer	74,663	14,204	88,867	0	88,867
Manager & Registrar at West Herts Crem	57,974	11,189	69,163	0	69,163
Executive Group Head of HR*	0	0	0	29,884	29,884
Solicitor to the Council (Monitoring Officer) (left August 2023)	19,246	0	19,246	0	19,246
Total	558,593	105,411	664,004	- 11,542	652,462

*Shared Service Staff

17. Exit Packages

Exit packages Band (£)	2023/24			2024/25		
	Compulsory No.	Other No.	Total No.	Compulsory No.	Other No.	Total No.
0 - 19,999	0	0	0	1	3	4
Total	0	0	0	1	3	4
Add new provisions created						
Less amounts provided for in previous year						
Add unused amount of previous year's provision						
Adjust for differences between payments and accruals						
Total cost of exit packages in the Comprehensive Income and Expenditure Statement						

18. Grants

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2024/25:

Grant issuing body	Credited to Taxation and Non Specific Grant Income	2023/24	2024/25	Credited to Services	2023/24	2024/25
		£'000	£'000		£'000	£'000
Department for Levelling Up, Housing and Communities	Business Rate - Section 31 Grant	2,599	3,855	Local Council Tax Scheme Admin Grant	-	-
	New Homes Bonus	18	200	Homelessness	648	715
	COVID 19 Business Rate Reliefs Grant	-	-	Shared Prosperity Fund	189	530
	Taxation Income Guarantee Scheme	-	-	New Burdens Funding	-	-
	Revenue Support Grant	74	79			
	Services Grant	71	14			
	Funding Guarantee	380	510			
Department for Business, Energy & Industrial Strategy				Decarbonisation Grant	1,509	1,013
				Green Homes Grant	1	-
				Council Tax Rebate Grant - Discretionary	-	-
				Welcome Back Fund	-	-
				New Burdens Funding	26	-
Department for Work and Pensions				Housing Benefit Grant	13,780	13,409
				Rent Rebate Subsidy	521	530
				Benefit Admin Grant	208	179
Various	Other Revenue Grants	117	-	Other Revenue Grants	467	2,483
Various	Capital Grants	7,317	1,444	Capital Grants		
Various	Developer Contributions & CIL	342	1,686			
All Grants	Total	10,928	7,788	Total	17,347	18,858

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	
	2023/24 Restated	2024/25
	£'000	£'000
Cost of Services		
Current Service Cost	2,436	2,294
Financing and Investment Income & Expenditure		0
Net Interest Expense	-277	-24
Surplus / Deficit on the Provision of Services	2,159	2,270
Other Comprehensive Income and Expenditure		
Return on plan assets	-5,033	2,598
Actuarial gains (-) and losses (+) from demographic assumptions	-628	-1,735
Actuarial gains (-) and losses (+) from financial assumptions	-5,605	-12,007
Experience gains (-) and losses (+)	3,256	-617
Impact of the Asset Ceiling	14,774	12,053
Remeasurements of the net defined benefit liability (asset)	6,764	292
Total retirement benefits charged to the Comprehensive Income and Expenditure Statement	8,923	2,562
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	142	198
Actual amount charged against the General Fund Balance for pensions in the year	2,301	2,468

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	2023/24	2024/25
	£'000	£'000
Present value of the defined benefit pension obligation	-99,823	-89,768
Fair value of the plan assets	113,878	116,499
Impact of Asset Ceiling Adjustment	-14,774	-27,544
Total Net Liabilities	-719	-813

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

Assets at Fair Value	Local Government Pension Scheme	
	2023/24	2024/25
	£'000	£'000
Opening Balance at 1 April	101,388	113,878
Interest Income	4,962	5,516
Return on plan assets	5,033	-2,598
Employer Contributions	2,301	2,468
Contributions by scheme participants	812	865
Benefits Paid	-4,260	-3,630
Settlements received / (paid)	0	0
Other (Business Combinations)	3642	0
Closing balance at 31 March	113,878	116,499

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

Liabilities	Local Government Pension Scheme	
	2023/24	2024/25
	£'000	£'000
Opening Balance at 1 April	-95,493	-99,823
Current Service Cost	-2,436	-2,294
Interest Expense	-4,685	-4,775
Contributions by scheme participants	-812	-865
Actuarial gains and losses - demographic assumptions	628	1,735
Actuarial gains and losses - financial assumptions	5,605	12,007
Experience gains and losses	-3,256	617
Other actuarial gains and losses	0	0
Benefits Paid	4,260	3,630
Past Service Costs	0	0
(Gain) / Loss from settlements	-3,634	0
Closing balance at 31 March	-99,823	-89,768

Local Government Pension Scheme assets comprised:

Assets	At 31 March 2024		At 31 March 2025	
	£'000	%	£'000	%
Fixed Interest Government Securities				
UK	2,469	2.2%	2,679	2.3%
Overseas	1,577	1.4%	1,281	1.1%
Index Linked Government Securities				
UK	9,873	8.7%	11,883	10.2%
Overseas	-	0.0%	-	0.0%
Corporate Bonds				
UK	3,319	2.9%	3,262	2.8%
Overseas	5,151	4.5%	5,242	4.5%
Equities				
UK	1,122	1.0%	1,165	1.0%
Overseas	34,675	30.4%	29,591	25.4%
Property	15,083	13.2%	15,844	13.6%
Hedge fund	5,492	4.8%	5,708	4.9%
Private Equity	10,117	8.9%	10,135	8.7%
Infrastructure	2,076	1.8%	1,980	1.7%
Unit trust	17,493	15.4%	21,436	18.4%
Derivatives	-3,190	-2.8%	466	0.4%
Insurance Linked Strategies	1,185	1.0%	1,281	1.1%
Private Credit	1,021	0.9%	1,398	1.2%
Cash/Temporary Investments	5,442	4.8%	2,796	2.4%
Net Current Assets				
Debtors	1,081	0.9%	466	0.4%
Creditors	-108	-0.1%	-116	-0.1%
Total	113,878	100%	116,499	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.

Local Government Pension Scheme		
	2023/24	2024/25
Longevity Assumptions:		
Men:		
Longevity from 65 (currently aged 65) (yrs)	21.5	21.2
Longevity from 65 (currently aged 45) (yrs)	22.1	21.9
Women:		
Longevity from 65 (currently aged 65) (yrs)	24.2	24.1
Longevity from 65 (currently aged 45) (yrs)	25.7	25.2
Financial Assumptions:		
Consumer Price Index (CPI) increases	2.75%	2.90%
Rate of increases in salaries	3.25%	3.90%
Rate of increases in pensions and deferred pensions	2.75%	2.90%
Rate for discounting scheme liabilities	4.85%	5.80%

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 2022.

Significant assumptions used by the actuary

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	1%	1,326
0.1% increase in Pension Increase Rate	1%	1,283
0.1% increase in Salary Increase Rate	0%	80
1 year increase in member life expectancy	3%	2,947

Information about the Defined benefit obligation

Funding levels are monitored on an annual basis, and the latest triennial review is based on 31 March 2022 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 2025/26 is £2.470m.

20. Partnership Working

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

2023/24		2024/25		Total Shared Services
Total Cost		Provided by TRDC	Provided by WBC	
£'000		£'000	£'000	£'000
	Services			
1,638	Local Tax Collection	1,586		1,586
1,770	Housing Benefits	1,796		1,796
1,502	Finance	1,541		1,541
812	Human Resources		825	825
1,793	ICT		1,587	1,587
7,516	Total Expenditure	4,923	2,413	7,336
3,013	Paid by Three Rivers District Council	2,088	899	2,987
4,504	Paid by Watford Borough Council	2,835	1,514	4,348

21. 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

The Director of Finance is a Director for Hertfordshire Building Control Ltd, which the council has occasional transactions within the normal course of business, including a £31k payment relating to a service-level agreement.

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

The Chief Executive, Director of Finance and Associate Director of Corporate, Customer & Community are all directors for Three Rivers Commercial Services Ltd.

The Chief Executive and Associate Director of Strategy Partnerships & Housing are both directors 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. During 2024/25 they received payments from TRDC within the normal course of business, including an increase in working capital of £37.5k. There is a loan facility in place between Three Rivers District Council and Three Rivers Homes Limited. The balance outstanding was £4.1m at 31st March 2025.

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

Broste Rivers Group has control over The Building Control (Hertfordshire) Company Ltd, for which the Director of Finance is also a director.

The Chief Executive is the honorary treasurer for West Herts Crematorium. There is an agreement existing between neighbouring authorities (Hertsmere, St Albans, Dacorum, Three Rivers & Watford) to constitute a Joint Committee under the Local Government Act 2000. TRDC is the lead authority of the Joint Committee. In 2024/25, Three Rivers received £255k which included £194k of NNDR payments and £49k relating to a service-level agreement. There was no annual contribution paid this year (2023/24 £50,000).

Key Management – Agency Staff

No key management roles were filled by agency staff members during 2024/25.

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

2024/25	Other Land & Buildings*	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation as at 1 April	104,588	14,666	671	1,424	0	3,089	124,437
Additions	5,027	3,267	0	0	37	1,090	9,421
Revaluation increases (decreases) recognised in the Revaluation Reserve	-4,294	0	0	0	0	0	-4,294
Revaluation increases (decreases) recognised in the Surplus / Deficit on the Provision of Services	-3,937	0	0	0	0	0	-3,937
Impairments	0	-265	0	0	0	0	-265
Derecognition - disposals	0	-2,847	-29	0	0	0	-2,876
Assets reclassified	0	0	0	0	0	0	0
Other movements in cost or valuation	14,693	2,782	0	0	0	0	17,475
Cost or valuation as at 31 March	116,077	17,604	642	1,424	37	4,178	139,961
Depreciation and Impairment as at 1 April	0	-6,841	-441	0	0	0	-7,282
Depreciation charge	-2,424	-1,228	-54	0	0	0	-3,707
Depreciation and impairment written out to the Revaluation Reserve	4,229	0	0	0	0	0	4,229
Derecognition - disposals	0	2,770	29	0	0	0	2,799
Other movements in depreciation and impairment	-2,793	-2,172	0	0	0	0	-4,965
Depreciation and impairment as at 31 March	-974	-7,301	-452	0	0	0	-8,926
Net book Value at 31 March 2024	104,588	7,826	230	1,424	0	3,089	117,156
Net book Value at 31 March 2025	115,088	10,132	176	1,424	37	4,178	131,036

2023/24 Restated	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation as at 1 April	100,130	13,119	586	1,424	0	2,815	118,074
Additions	617	1,763	107	0	0	255	2,742
Revaluation increases (decreases) recognised in the Revaluation Reserve	5,179	0	0	0	0	0	5,179
Revaluation increases (decreases) recognised in the Surplus / Deficit on the Provision of Services	-1,338	0	0	0	0	0	-1,338
Impairment	0	-104	0	0	0	0	-104
Derecognition - disposals	0	-115	0	0	0	0	-115
Assets reclassified	0	4	0	0	0	-4	0
Other movements in cost or valuation	0	0	0	0	0	0	0
Cost or valuation as at 31 March	104,588	14,666	671	1,424	0	3,089	124,438
Depreciation and Impairment as at 1 April	-3,028	-5,853	-395	0	0	0	-9,276
Depreciation charge	-1,910	-1,037	-45	0	0	0	-2,993
Depreciation and impairment written out to the Revaluation Reserve	4,938	0	0	0	0	0	4,938
Derecognition - disposals	0	49	0	0	0	0	49
Depreciation and impairment as at 31 March	0	-6,841	-441	0	0	0	-7,282
Net book Value at 31 March 2023	97,103	7,266	190	1,424	0	2,815	108,798
Net book Value at 31 March 2024	104,588	7,826	230	1,424	0	3,089	117,156

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. In 2023/24 the council elected to undertake a full revaluation of 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. In 2024/25 approximately one third of the Operational Assets were revalued. These valuations were carried out by Align Property Partners Ltd. 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.

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Total
	£'000	£'000	£'000	£'000
Carried at Historical Cost		10,305	1,424	11,729
Valued at Current Value as at:				
31-Mar-25	68,444			68,444
31-Mar-24	47,633			47,633
Total Cost or Valuation	116,077	10,305	1,424	127,806

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. Depreciation commences in the year following acquisition. Freehold land, Investment Properties, Assets under construction, Surplus Assets and Heritage Assets are not depreciated.

23. 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.

2023/24		2024/25			
Total £'000		Musical Instrument £'000	Works of Art £'000	Civic Regalia £'000	Total £'000
146	Valuation at 1 April	90	41	15	146
-	Revaluation increases / decreases recognised in year	-	-	-	0
146	Valuation at 31 March	90	41	15	146

24. Movement in the value of Investment Properties

Investment Properties	2022/23	2023/24	2024/25
	Restated £'000	Restated £'000	£'000
Opening Balance at 1 April	8,988	48,654	48,654
Additions	42,900	0	0
Derecognition		0	0
Lease Remeasurement Impact		0	2,356
Net gain (+) / losses from fair value adjustments	-93	-40	-6,021
Assets reclassified to / from Investment Properties	-3141	0	0
Closing balance at 31 March	48,654	48,614	48,214

Fair Value Hierarchy

All the Council's investment property portfolio has been assessed as Level 3 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 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 valuations for the investment property portfolio as at 31 March 2025 are outstanding. It will be valued in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors.

25. Movement in the value of Intangible Assets

	2023/24	2024/25
	£'000	£'000
Expenditure on Software Licences	27	12
Written out in year of acquisition	-27	12
Net Book Value at 31 March	0	0

26. 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	2023/24 Restated £'000	2024/25 £'000
Capital Financing Requirement as at 1 April	67,745	71,557
Adjustment to CFR for Consolidation Entries		5,700
Capital Investment:		
Property, Plant and Equipment	2,380	8,294
Assets under construction	277	1,090
Infrastructure Assets	85	0
Intangible Assets	27	12
Revenue Expenditure Funded from Capital Under Statute	1,151	1,203
Surplus Assets	0	37
Investment Properties	0	0
Long Term Debtors	3,450	0
Impact of lease remeasurement	0	2,356
	7,370	12,992
Sources of Finance:		
Capital receipts	-863	-1,574
Government Grants and Other Contributions (including S106)	-1,942	-6,429
Capital Expenditure funded from the Revenue Account	-236	-487
Repayment of loans treated as capital receipts	-48	-80
Minimum Revenue Provision	-458	-781
	-3,558	-9,351
Increase (+) / decrease (-) in Capital Financing Requirement	3,812	9,341
Capital Financing Requirement at 31 March	71,557	80,898

27. Leases

Authority as Lessee

The Council has one material lease related to the acquisition of 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	2023/24 - Restated	2024/25
	£'000	£'000
27 - 30 Hartfield Road, SW19 3SG	43,100	39,700
Total	43,100	39,700

Right of Use Assets

This table shows the change in value of right-of-use assets held under leases by the authority.

	Investment Property £000	Total £000
Balance at 1 April 2024	43,100	43,100
Additions	0	0
Revaluations	-5,756	5,756
Depreciation and Amortisation	0	0
Disposals	0	0
Lease Remeasurement	2,356	2,356
Balance at 31 March 2025	39,700	39,700

Transactions Under Leases

Transactions Under Leases	2023/24 £000	2024/25 £000
Operating Leases		
Interest Expense on Lease Liabilities	1,475	1,458
Income from subletting right of use assets	-1,988	-2,083
Cash flow statement		
Minimum Lease Payments	0	0

Maturity Analysis of Lease Liabilities

Maturity Analysis of Lease Liabilities	2023/24	2024/25
	£000	£000
Less than one year	1,514	1,568
One to 5 Years	6,211	6,430
More than 5 Years	86,385	88,565
Total Undiscounted Liabilities	94,110	96,563

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.

Maturity Analysis of Lease Receivables

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 lease payments receivable are:

	2023/24	2024/25
Council as Lessor – Maturity of Lease Receivables	Land and buildings	Land and buildings
	£'000	£'000
Future Minimum leases payments receivable:		
Less than one year	2,964	4,591
One to two years	2,787	2,947
Two to three years	2,851	2,820
Three to four years	2,855	2,353
Four to five years	2,855	2,344
More than 5 years	61,019	52,498
Total undiscounted receivables:	75,330	67,553

28. Long Term Debtors

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

	At 31 March 2024 £'000	At 31 March 2025 £'000
Charges to Registered Properties	16	22
Loan - Grapevine	4,097	4,035
Loan - Bury Lake Young Mariners Base	875	855
Loan - Puckeridge	0	0
Loan - Thrive Homes	0	0
Rent to Mortgage Properties	0	0
Building Control	107	107
LT Loan WCHT - Foxgroves Path	3,450	3,450
Finance Lease Receivables	5,460	1,719
Total	14,004	10,188

29. Short-Term Debtors

	At 31 March 2024 £'000	At 31 March 2025 £'000
Government Departments	326	3,776
Other Local Authorities	674	2,400
Health Authorities	0	0
Payments in Advance	4,544	916
Bodies external to general government (i.e. all other bodies)	8,402	6,975
	13,946	14,067
Less Impairment Allowance Account	-3,168	-2,727
Total	10,778	11,340

30. Creditors

	At 31 March 2024 £'000	At 31 March 2025 £'000
Receipts in Advance		
Government Departments	-246	-226
Other Local Authorities	0	0
Health Authorities	0	0
Other Entities & Individuals	-2,916	-3,076
	-3,163	-3,303
Creditors		
Government Departments	-2,607	-9,494
Other Local Authorities	-3,162	-4,778
Health Authorities	0	0
Other Entities & Individuals	-2,314	-3,782
	-8,083	-18,055
Short Term Creditors and RIA	-11,245	-21,358
Long Term Receipts in Advance	0	0
Total	-11,245	-21,358

31. Cash and Cash Equivalents

	At 31 March 2024 £'000	At 31 March 2025 £'000
Cash at bank and in hand(+)/Overdrawn (-)	1,431	10,819
Total	1,431	10,819

32. Short Term Investments

	At 31 March 2024 £'000	At 31 March 2025 £'000
Royal London Asset Management Cash Plus Fund	2,530	5,001
Short Term Deposits	20,587	19,107
West Herts Crematorium – Public Sector Deposit Fund	0	1,885
Total	23,117	25,993

33. Financial Instruments

At 31 March 2024		Financial Assets		At 31 March 2025	
Short Term	Long Term			Short Term	Long Term
£000	£000			£000	£000
Carried at Amortised Cost					
1,431	0	Cash and Cash Equivalents		10,819	0
6,234	8,545	Debtors		10,424	8,469
20,587	5,460	Investments		20,992	1,719
28,253	14,004	Total at Amortised Cost		42,235	10,188
Carried at Fair Value through Profit & Loss					
2,530	511	Investments		5,001	511
2,530	511	Total at Fair Value through Profit and Loss		5,001	511
4,544	0	Non-Financial Assets*		916	0
35,327	14,515	Total		48,152	10,699

At 31 March 2024		Financial Liabilities		At 31 March 2025	
Short Term	Long Term			Short Term	Long Term
£000	£000			£000	£000
Carried at Amortised Cost					
-9	-8,000	Borrowing		-256	-14,000
-8,083	0	Creditors		-16,680	0
-8,092	-8,000	Total at Amortised Cost		-16,936	-14,000
-3,163	-6	Non-Financial Liabilities*		-3,303	-6
-11,254	-8,006	Total		-21,614	-14,006

*Non-Financial Assets and Liabilities are made up short or long term payments/receipts in advance.

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 2024 £'000	Fair Value At 31 March 2024 £'000	Balance Sheet At 31 March 2025 £'000	Fair Value At 31 March 2025 £'000
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Financial liabilities held at amortised cost:

Long-term loans from PWLB	2	8,000	4,248	14,000	3,713
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Total		8,000	4,248	14,000	3,713
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Liabilities for which fair value is not disclosed *

		15,574		26,684	
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Total Financial Liabilities		23,574		40,684	
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Recorded on balance sheet as:

Short-term creditors		8,082		18,055	
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Short-term borrowing		9		256	
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Short-term provisions		3,074		3,975	
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Short term - Receipts in Advance		4,403		4,391	
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Long-term borrowing		8,000		14,000	
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Long-term creditors - Receipts in Advance		6		6	
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Total Financial Liabilities		23,574		40,684	
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*The fair value of short-term financial liabilities and assets is assumed to approximate to the carrying amount.

Financial Assets	Fair Value Level	Balance Sheet At 31 March 2024 £'000	Fair Value At 31 March 2024 £'000	Balance Sheet At 31 March 2025 £'000	Fair Value At 31 March 2025 £'000
Financial assets held at amortised cost:					
Long Term Debtors to Third Parties	2	8,545	8,545	8,469	5,411
Total		8,545	8,545	8,469	5,411
Assets for which fair value is not disclosed *		35,837		48,663	
Total Financial Assets		44,382		57,132	
Recorded on balance sheet as:					
Short Term Debtors		10,778		11,340	
Short Term Investments		23,117		25,993	
Cash and cash equivalents		1,431		10,819	
Long Term Debtors		8,545		8,469	
Long Term Investments		511		511	
Total Financial Assets		44,382		57,132	

Financial Instruments – Income, Expenses, Gains or Losses

2023/24		2024/25 Financial Liabilities Carried at:		Financial Assets	
Total		Amortised Cost	Amortised Cost	Fair Value through	Total
£'000		£'000	£'000	Profit and Loss	£'000
				£'000	
1,676	Interest Expense	520		0	520
1,676	Total expense in Surplus or Deficit on the Provision of Services	520	0	0	520
					0
-1,858	Interest Income		-2,053	0	-2,053
-133	Increases in fair value			-69	-69
-50	Dividend Income		0		0
-2,041	Total income in Surplus or Deficit on the Provision of Services	0	-2,053	-69	-2,122
-365	Net gain (-) / loss (+) for the year				1,602

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

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

The authority'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. Risk management is carried out by a central treasury team, under policies approved by the council. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

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.

The maturity analysis of financial liabilities is as follows:

At 31 March 2024 £000	Maturity Profile	At 31 March 2025 £000
0	Less than 1 year	0
0	Between 1 and 2 years	0
0	Between 2 and 5 years	0
8,000	More than 5 years	8,000
8,000		8,000

Credit Risk

Credit risk arises from deposits with banks and building societies as well as credit exposure to the Council's customers.

The Council manages credit risk by ensuring that treasury investments are only placed with organisations

of high credit quality as set out in the Treasury Management Strategy. These include commercial entities such as the Council’s bankers with a minimum long-term FITCH credit rating of F1 or higher, the UK government which is unrated, and other local authorities without credit ratings upon which the Council has received independent investment advice.

A limit of £5 million of funds can be placed with any UK local authority whilst there is no limit on the amount of funds that can be placed with the UK government. For specific public bodies there is a limit of £10 million and there is also a limit of £10 million for UK banks and building societies.

The maturity analysis of financial treasury investments is as follows:

At 31 March 2024	Maturity Profile	At 31 March 2025
£000		£000
20,672	Less than 1 year	24,050
0	More than 1 year	0
20,672		24,049

The council manages its exposure to credit risk from trade receivables with its sundry debts recovery policy. The council’s standard payment terms are 21 days, after which, communications are issued to the relevant counterparty. If these reminders are unsuccessful then, depending on the judgement of officers concerning the intricacies of the debt, enforcement action will be taken against the individual counterparty to recover said debt.

The following analysis summarises the Council’s aged debtors, by due date as at 31st March 2025:

Aged Debtors	At 31 March 2024	At 31 March 2025
	£000	£000
Less than 3 months	419	492
Between 3 and 6 months	146	71
Between 6 month and 1 year	75	45
More than 1 year	99	150
Total	739	758

In furtherance of the Council’s objectives, it has lent money to several counterparties (i.e. service loans) which has exposed the authority to the risk of loss for these loans should said counterparties default. The Council has assessed the potential loss of its material service loans and has calculated that a charge of approximately £4,100 would be due to be recognised in the General Fund if the Council’s aforementioned counterparties were to default on their current loan commitments. Such a charge is immaterial and therefore has not been recognised in the General Fund.

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.).

The Council 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 Council. 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.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. 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. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate. If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

At 31 March 2024		Sensitivity Analysis		At 31 March 2025	
£000				£000	
234	Investments - 1% Increase			140	
-80	Borrowings - 1% Increase			0	
154	Net impact on CIES			140	

The approximate impact of the 1% fall in interest rates would be as above with the movements being reversed

35. 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 2024	Additional provisions made in 2024/25	Amounts used in 2024/25	Unused amounts reversed in 2024/25	Balance at 31 March 2025
	£'000	£'000	£'000	£'000	£'000
Land Charges	-87	0	0	0	-87
MMI Insurance	0	0	0	0	0
Business Rates	-2,987	-1,763	862	0	-3,887
Total	-3,074	-1,763	862	0	-3,975

	Balance at 31 March 2023	Additional provisions made in 2023/24	Amounts used in 2023/24	Unused amounts reversed in 2023/24	Balance at 31 March 2024
	£'000	£'000	£'000	£'000	£'000
Land Charges	-87	0	0	0	-87
MMI Insurance	0	0	0	0	0
Business Rates	-346	-2,933	292	0	-2,987
Total	-434	-2,933	292	0	-3,074

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.

36. Movement in Useable Reserves

	31 March 2024 Restated	31 March 2025
	£'000	£'000
Usable Reserves		
General Fund	4,532	4,409
Earmarked Reserves	20,231	23,527
Useable Capital Receipts Reserve	1,805	1,818
Capital Grants and Contributions Reserve	16,569	13,254
Total	43,138	43,009

37. 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:

	2023/24 Restated £'000	2024/25 £'000
Balance at 1 April	5,027	4,532
Net increase / decrease before transfers to		
Earmarked Reserves	3,060	2,097
Transfer to / from Earmarked Reserves	-3,556	-2,221
Balance at 31 March	4,532	4,409

38. 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 2024/25.

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
Commercial Reserve	Sinking Fund related to the Income Strip deal at Hartsfield road, Wimbledon.
Local Government Reform	To support costs of delivering local government reorganisation

	Balance at 31 March 2023 £'000	In year movement 2023/24 Restated £'000	Balance at 31 March 2024 Restated £'000	In year movement 2024/25 £'000	Balance at 31 March 2025 £'000
Section 106 Commuted Sums	-1,006	74	-932	285	-647
Future Capital Expenditure	-158	-13	-171	0	-171
New Homes Bonus	-223	223	0	0	0
Building Control	-350	-1	-351	0	-351
Leavesden Hospital Open Space	-769	15	-754	20	-734
Environmental Maintenance Plant	-92	0	-92	0	-92
Economic Impact	-1,713	183	-1,530	147	-1,383
High Street Innovation Fund	0	0	0	0	0
NNDR Collection Fund	-3,050	-3,230	-6,280	-1,662	-7,894
Benefits equalisation	-79	34	-45	-62	-107
Commercial Reserve	-7,992	-529	-8,521	-483	-9,004
Planning Reserve	0	-88	-88	-112	-200
Grants and Contributions	-1,245	-223	-1,468	-792	-2,260
Local Government Reform	0	0	0	-100	-100
West Herts Crematorium - General	0	0	0	-300	-300
West Herts Crematorium - Repair and Renewal	0	0	0	-237	-237
Total Earmarked Reserves	-16,676	-3,556	-20,232	-3,295	-23,527

39. 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.

	2023/24 £'000	2024/25 £'000
Balance at 1 April	1,823	1,805
Net receipts from sale of assets	844	1,588
Release of deferred capital receipts	1	0
Net receipts from repayment of loans	48	80
Receipts applied to finance capital expenditure	-911	-1,654
Balance at 31 March	1,805	1,818

40. Capital Grants Unapplied Reserve

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

	2023/24	2024/25
	£'000	£'000
Balance at 1 April	10,868	16,569
Applied during the year	-1,958	-6,444
Recognised as income but not applied during the year	7,659	3,130
Balance at 31 March	16,569	13,524

41. Movement in Unusable Reserves

	31 March 2024	31 March 2025
	Restated	
Unusable Reserves	£'000	£'000
Pooled Fund Adjustment Account	180	248
Pensions Reserve	-719	-813
Revaluation Reserve	69,884	66,308
Deferred Capital Receipts Reserve	5,228	1,713
Capital Adjustments Account	33,381	37,752
Collection Fund Adjustment Account	-2,175	427
Accumulated Absences Account	-248	-252
Total	105,531	105,382

42. 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.

2023/24 Restated		Capital Adjustment Account	2024/25	
£'000	£'000		£'000	£'000
	34,517	Balance as at 1 April		33,381
		Adjustment for Consolidation of West Herts Crematorium		6,810
		Balance After Consolidation		40,191
		Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES):		
-2,993		Charges for depreciation for non-current assets	-3,707	
-104		Charges for impairment for non-current assets	-265	
-1,338		Revaluation losses / subsequent gains on Property, Plant and Equipment	-1,655	
-27		Amortisation of Intangible Assets	-12	
-1,151		Revenue Expenditure funded from capital under statute	-1,203	
-66		Amounts of non-current assets written off on disposal or sale as part of the gain/ loss on derecognition	-78	
	-5,678			-6,919
		Adjusting amounts written out of the Revaluation Reserve:		
1,072		Difference between fair value depreciation and historical cost depreciation	1,180	
0		Accumulated gains on assets sold or scrapped	49	
	1,072			1,229
		Capital Financing applied in year:		
863		Use of the Capital Receipts Reserve to finance new capital expenditure	1,574	
1,942		Application of grants to capital financing from the Capital Grants Unapplied account	6,429	
48		Repayment of loans treated as capital receipts	80	
469		Statutory provision for the financing of capital investment charged against the General Fund balance	781	
236		Capital expenditure charged against the General Fund balance	487	
0		Reversal of revenue applied to capital financing in previous years	0	
	3,558			9,351
	-40	Movements in the market value of Investment Properties debited or credited to the CIES		-6,021
	-48	Repayment of loans treated as capital receipts		-80
33,381		Total Balance at 31 March		37,752

43. 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.

2023/24 Restated		Revaluation Reserve		2024/25	
£'000	£'000			£'000	£'000
	60,838	Balance as at 1 April			69,884
22,850		Revaluation of assets		3,804	
-12,732		Impairment of assets		-6,150	
	10,118	Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services			-2,346
-1,072		Difference between fair value depreciation and historical cost depreciation		-1,180	
0		Accumulated gains on assets sold or scrapped		-49	
	-1,072	Amounts written off to the Capital Adjustment Account			-1,229
	69,884	Total Balance at 31 March			66,308

44. 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.

	2023/24	2024/25
Deferred Capital Receipts Reserve	£'000	£'000
Balance as at 1 April	5,229	5,228
Amounts credited in year	0	0
Amounts released to the Usable Capital Receipts Reserve	-1	0
Amounts related to extinguished finance leases written out	0	-3,516
Balance as at 31 March	5,228	1,713

45. 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.

	2023/24	2024/25
Collection Fund Adjustment Account	£'000	£'000
Balance as at 1 April	322	-2,175
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	-2,497	2,601
Balance as at 31 March	-2,175	427

46. 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.

	2023/24	2024/25
Accumulated Absences Account	£'000	£'000
Balance as at 1 April	-197	-248
Settlement or cancellation of previous year's accrual	197	248
Amount accrued at the end of the current year	-248	-252
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement differs from remuneration chargeable in the year under statute	-51	-4
Balance as at 31 March	-248	-252

47. Pension Reserve

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

	2023/24	2024/25
Pension Reserve	£'000	£'000
Balance as at 1 April	5,895	-719
Net charge made for retirement benefits in accordance with IAS19	150	198
Remeasurements of the new defined liability	-6,764	-292
Balance as at 31 March	-719	-813

48. Pooled Fund Adjustment Account

	2023/24	2024/25
	£'000	£'000
Balance at 1 April	0	180
Increase in value of assets held at Fair Value through Profit and Loss	133	69
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	180	248

49. Notes to the Cashflow Statement

Non-cash Movements	2023/24 £'000	2024/25 £'000
Depreciation/amortisation of fixed assets	-3,019	-3,719
Impairment charges/revaluation losses (-) Gains (+)	-1,386	-1,920
Retirement benefit adjustments	150	198
Debt write-offs and Impairment allowances	0	0
Other financial instrument adjustments	0	0
Provisions set aside in the year	-2,640	-901
Deferred capital receipts	0	0
Movement in value of Pooled Funds	133	69
Movement in value of investment properties	-40	-6,021
Carrying amount of non-current asset sold	-66	-78
Transfers from Capital Grants Receipts in Advance	0	0
Previous years' capitalised spend written-off	0	0
Donated assets	0	0
Other non cash adjustment	84	-2,600
Increase/decrease(-) in inventories	-32	1
Increase/decrease(-) in debtors	3,025	-1,325
Increase(-)/decrease in creditors	-84	-2,011
Total adjustments for non-cash movements	-3,875	-18,307

Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities

	2023/24 £'000	2024/25 £'000
- Proceeds from the sale of property, plant and equipment, investment property and intangible assets	844	1,588
Gains on loans & receivables		
Capital Grants credited to surplus or deficit on the provision of services	7,659	3,130
- Cash adjustment	0	1,813
Total	8,503	6,530

	2023/24	2024/25
Investing Activities	£'000	£'000
Purchase of property, plant and equipment, investment property and intangible assets	2,769	9,433
Purchase of short-term and long-term investments	3,291,574	3,545,236
Other payments for investing activities	3,450	6
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-845	-1,588
Capital grants	-8,282	-2,978
Proceeds from short-term and long-term investments	-3,289,379	-3,543,196
Other receipts from investing activities	-128	-82
Total adjustments for investing activities	-841	6,832

	2023/24	2024/25
Financing Activities	£'000	£'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	56
Repayments of short- and long-term borrowing	0	0
Other payments for financing activities	1,747	-6,201
Total adjustments for financing activities	1,747	-6,145

50. Contingent Assets

There are no contingent assets to disclose at 31 March 2025.

51. Contingent Liabilities

Planning Appeals Costs

Planning Applicants have the right to appeal decisions by the Council to refuse planning applications with the Planning Inspectorate. In the event of an appeal the Council may incur additional costs for obtaining Legal Counsel and expert witnesses to defend the appeal. In the event of a successful appeal the applicant may submit a claim for costs to be awarded against the Council. For costs to be awarded the Council must be found to have acted in a way that is not fair, reasonable or robust. A Section 204 appeal has been lodged against a decision. The council will be defending this in court and are currently awaiting confirmation of a court date. Estimated costs if the defence is unsuccessful are £25,000.

52. 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.

Collection Fund

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).

2023/24			2024/25		
National Non- Domestic Rates £000	Council Tax £000	Total £000	National Non- Domestic Rates £000	Council Tax £000	Total £000
Income Receivable:					
	-82,451	-82,451		-86,554	-86,554
-34,428		-34,428	-48,925		-48,925
-16,326		-16,326	-10,631	0	-10,631
	-207	-207	0	-85	-85
	-1288	-1,288	0	-535	-535
	-187	-187		-79	-79
			0	0	0
-50,754	-84,133	-134,887	-59,556	-87,253	-146,808
Expenditure:					
Repayment of previous years surpluses:					
252		252	52		52
63		63	13		13
					0
314		314	65		65
Precepts and demands:					
19,389	10,080	29,469	20,557	10,485	31,042
4,847	63,495	68,342	5,139	67,178	72,318
	9,412	9,412		10,003	10,003
24,236		24,236	25,696		25,696
Charges to the Collection Fund:					
1,487	221	1,708	-1,010	211	-799
6,601		6,601	2,252		2,252
104		104	104		104
			0		0
57,293	83,208	140,501	52,869	87,877	140,747
6,539	-925	5,614	-6,686	625	-6,061
-1,290	1,544	254	5,249	619	5,868
5,249	619	5,868	-1,437	1,244	-193
Fund Balance Allocation (indicative):					
2,100	75	2,175	-575	148	-427
525	474	999	-144	953	810
	70	70		142	142
2,624		2,624	-719		-719

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 2024/25.

2023/24		2024/25				
Equivalent Number of Band D Dwellings	Valuation Band	Total Number of Dwellings in Band	Discounts, Exemptions & Disabled Relief	Total Chargeable Dwellings	Conversion Fraction (Proportion)	Equivalent Number of Band D Dwellings
0	A (Disabled Relief)	1	0	1	5/9	0
372	A	805	-246	559	6/9	372
1,084	B	2,411	-1,017	1,394	7/9	1,084
4,764	C	7,029	-1,669	5,360	8/9	4,764
8,281	D	9,845	-1,564	8,281	9/9	8,281
8,292	E	7,441	-657	6,784	11/9	8,292
5,903	F	4,347	-260	4,087	13/9	5,903
8,020	G	5,028	-216	4,812	15/9	8,020
3,081	H	1,581	-40	1,541	18/9	3,081
39,799		38,488	-5,670	32,818		39,799
-398	Less Allowance for losses on collection					-398
144	Add: Contribution in lieu of tax					144
39,545	Tax Base for Calculation of Council Tax					39,545
0	Add: Adjustment for changes during the year for successful appeals against valuations bandings, new properties, demolitions, disabled persons' relief and empty properties					0
39,545	Council Tax Base for the year					39,545

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 £2,199.87 (£2,098.54 for 2023/24).

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.

2023/24 £000		2024/25 £000
116,822	Total Non-Domestic Rateable Value at 31 March	120,071
51.2	National Non-Domestic Rate Multiplier – Standard (pence)	54.6
49.9	National Non-Domestic Rate Multiplier - Small Business (pence)	49.9

Group Movement in Reserves Statement

	Notes	General Fund Balance	Earmarked Reserves	Capital Receipts Unapplied	Capital Grants and Contbns Unapplied	Share of Joint Venture Reserve	Total Usable Reserves	Total Unusable Reserves	Total Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2023		5,027	16,676	1,823	10,868	352	34,747	106,650	141,397
Movement in reserves during 2023/24									
Total Comprehensive Income and Expenditure		4,269	0	0	0	0	4,269	3,354	7,623
Adjustments between accounting basis and funding basis under statutory provisions	6	-1,209	0	-18	5,700	0	4,473	-4,473	0
Adjustments primarily involving the share of Joint Venture Reserve		0	0	0	0	218	218	0	218
Transfers to / from earmarked reserves	44	-3,556	3,556	0	0	0	0	0	0
Increase (+) or Decrease (-) In Year		-495	3,556	-18	5,700	218	8,960	-1,120	7,841
Balance at 31 March 2024		4,532	20,232	1,805	16,569	570	43,707	105,530	149,238
Movement in reserves during 2024/25									
Total Comprehensive Income and Expenditure		-1,701	0	0	0		-1,701	-2,638	-4,340
Adjustments between accounting basis and funding basis under statutory provisions	6	4,105	0	13	-3,314		805	-4,320	-3,516
Adjustments primarily involving the share of Joint Venture Reserve			768				768	6,810	7,578
Impact of Consolidation of West Herts Crem						255	255	0	255
Transfers to / from earmarked reserves	44	-2,528	2,528	0	0		0	0	0
Increase (+) or Decrease (-) In Year		-124	3,296	13	-3,314	255	126	-149	-24
Balance at 31 March 2025		4,409	23,527	1,818	13,254	825	43,834	105,382	149,216

Group Comprehensive Income and Expenditure Statement

2023/24 Restated				2024/25			
Gross Expenditure	Income	Net Expenditure		Notes	Gross Expenditure	Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
10,484	-5,560	4,924	Infrastructure Housing and Economic Development		15,822	-9,532	6,290
10,145	-4,279	5,867	Leisure, Environment and Communities		7,844	-4,779	3,064
30,300	-23,924	6,376	Policy and Resources		30,089	-20,264	9,825
2,374	-37	2,337	Other Corporate Costs		2,583	0	2,583
53,303	-33,800	19,503	Cost of Services		56,377	-34,575	21,762
		-778	Other Operating Income	14	0	-1,510	-1,510
		-1,161	Financing and Investment Income and Expenditure	15	8,050	-4,961	3,089
		-21,833	Taxation and Non-Specific Grant Income	19	0	-21,640	-21,640
		-4,269	Surplus (-) or Deficit (+) on Provision of Services	5	64,387	-62,685	1,701
		-218	Share of Surplus (-) or Deficit (+) on Provision of Services by Joint Venture				-255
		-4,487	Group Surplus (-) or Deficit (+)				1,447
			Items that will not be reclassified to the Surplus (-) or Deficit (+) on the Provision of Services				
		-10,118	Surplus or Deficit on revaluation of non-current assets	49			2,346
		0	Impairment losses on non-current assets charges to the revaluation reserve	49			0
		6,764	Remeasurements of the net defined benefit liability (asset)	18			292
		-3,354					2,638
0	0	-3,572	Other Comprehensive Income and Expenditure				2,384
		-7,841	Total Group Comprehensive Income and Expenditure				4,086

Group Balance Sheet

At 31 March 2023 Restated £'000	At 31 March 2024 Restated £'000		Notes	At 31 March 2025 £'000
Long Term Assets				
108,798	117,156	Property, Plant and Equipment	22	130,999
48,654	48,614	Investment Property	23	44,949
0	0	Surplus Assets		37
146	146	Heritage Assets	24	146
0	0	Intangible Assets	25	0
863	1,081	Long Term Investments	34	1,336
5,432	5,460	Finance Lease Asset		1,719
5,223	8,545	Long Term Debtors	35	8,469
169,116	181,002	Total Long Term Assets		187,655
Current Assets				
8,274	10,778	Debtors	36	11,340
58	26	Stock		27
20,682	23,117	Short Term Investments	34	25,993
2,696	1,431	Cash and Cash Equivalents	37	10,819
31,710	35,352	Total Current Assets		48,179
Current Liabilities				
-9	-9	Short Term Borrowing	34	-256
-13,378	-11,245	Short Term Creditors and Revenue Receipts in Advance	39	-21,358
-434	-3,074	Provisions due within one year	40	-3,975
-56	-72	Short Term Finance Liability	28,34	-95
-617	-1,240	Short Term Capital Grants Receipts in Advance	42	-1,088
-14,494	-15,640	Total Current Liabilities		-26,772
Long Term Liabilities				
-8,000	-8,000	Long Term Borrowing	34	-14,000
5,895	-719	Pension Liability	18	-813
-42,822	-42,750	Long Term Finance Liability	28,34	-45,027
0	0	Deferred Income	41	0
-6	-6	Long Term Capital Grants Receipts in Advance	42	-6
-44,933	-51,475	Total Long Term Liabilities		-59,847
141,399	149,239	Net Assets (+) / Net Liabilities (-)		149,216
Financed from:				
34,395	43,708	Usable Reserves	43-46	43,834
107,003	105,531	Unusable Reserves	47-53	105,382
141,398	149,239	Total Reserves		149,216

Alison Betts, Director of Finance

Date:

Group Cash Flow

2023/24 £'000		Notes	2024/25 £'000
-4,269	Net (surplus) or deficit on the provision of services		1,447
-3,875	Adjust net surplus or deficit on the provision of services for non-cash movements	54	-18,307
8,503	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	55	6,785
359	Net cash flows from Operating Activities		-10,075
-841	Investing activities	56	6,832
1,747	Financing activities	57	-6,145
1,265	Net increase (-) or decrease (+) in cash and cash equivalents		-9,389
2,696	Cash and cash equivalents at the beginning of the reporting period		1,431
1,431	Cash and cash equivalents at the end of the reporting period		10,820

1. The Group Accounting Policies

The Group Accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2024/25 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.

2023/24 £'000	Three Rivers Homes Limited	2024/25 £'000
-176	Revenue	-209
88	Administrative Expenses	92
84	Finance Cost	84
	Surplus on Revaluation of Investment	
-228	Property	-235
14	Tax	14
-218	(Profit)\Loss for the period	-255
1,652	Property, Plant and Equipment	1,683
1,600	Investment Properties	1,835
50	Debtors (Current Assets)	22
168	Cash and Cash Equivalents (Current Assets)	58
-153	Creditors (Current Liabilities)	-19
-2,237	Creditors (Long term liabilities)	-2,244
1,081	Net Assets	1,335

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)

2023/24		2024/25		
Amounts outstanding at 31 March 2024 £'000		New Loans £'000	Repayments £'000	Amounts outstanding at 31 March 2025 £'000
4,186	Three Rivers Homes Ltd - Grapevine Loan	0	-88	4,098
4,186		0	-88	4,098

Glossary of Terms

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.

Azets Audit Services
Regis House
45 King William Street
London
EC4R 9AN

XX February 2026

Dear Sirs

**Three Rivers District Council
Financial Statements for the year ended 31 March 2025**

This representation letter is provided in connection with the audit of the financial statements of Three Rivers District Council (the "Council") for the year ended 31 March 2025.

I confirm that to the best of my knowledge and belief having made such inquiries as I considered necessary for the purpose of appropriately informing myself:

Financial Statements

- i. I have fulfilled my responsibilities as Section 151 Officer for the preparation of the Council's financial statements in accordance with applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the 2024/25 Code), for being satisfied that they give a true and fair view and for making accurate representations to you.
- ii. I have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The financial statements are free of material misstatements and misclassifications including omissions.
- iv. I have reviewed and approved all audit adjustments made in the financial statements. Any unadjusted misstatements identified during the audit are not considered to be material. (See appendix 1 for details of audit adjustments).
- v. Prior year adjustments have been made to the financial statements where required and these are appropriately disclosed in the financial statements. (See appendix 1 for details of such audit adjustments).

- vi. I have reviewed and approved all disclosures made in the financial statements and I am not aware of any other matters which require disclosure in order to comply with the requirements of UK adopted international accounting standards, as interpreted and adapted by the 2024/25 Code (A summary of the main disclosure changes is at appendix 1).
- vii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- viii. I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error, and I believe that I have appropriately fulfilled these responsibilities.
- ix. The methods, data and significant assumptions used by us in making accounting estimates, including those measured at fair value, are appropriate to achieve recognition, measurement and disclosure that is reasonable in the context of the applicable financial reporting framework. I am satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements.
- x. The Council has satisfactory title to all assets. The Council has no plans or intentions that may materially alter the carrying value and, where relevant, the fair value measurements or classification of assets and liabilities as at 31 March 2025 reflected in the financial statements.
- xi. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- xii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of applicable law and accounting standards.
- xiii. All events subsequent to the date of the financial statements and which require adjustment or disclosure have been adjusted or disclosed.
- xiv. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of UK adopted international accounting standards, and as interpreted and adapted by the Code.
- xv. I believe that the Council's financial statements should be prepared on a going concern basis. I do not expect the Council to demise in its current organisational form; however, my basis for going concern acknowledges that if that situation arose the services would be transferred to another body. I believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xvii. I acknowledge the Council's legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as I am aware, there is no relevant audit information needed by you for the purposes of your audit of which you are unaware.
- xviii. On 5 September 2024 parliament approved the Accounts and Audit (Amendment) Regulations 2024. These Regulations set a publication date for financial statements in respect of 2024/25 of 27 February 2026. The National Audit Office Code of Practice requires that where auditors are unable to conclude their work by this statutory backstop date they should issue either a qualified audit opinion or a disclaimer of opinion. It has not been possible to provide you with the all the required information for you to complete your audit for the year ending 31 March 2025 by the statutory backstop date.

This includes the following:

- a. providing you with:
 - i access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
 - ii all additional information that you might have requested from us for the purpose of your audit; and
 - iii access to all persons within the Council from whom you determined it necessary to obtain audit evidence.
- xix. I have communicated to you all deficiencies in internal control of which management is aware.
- xx. I have disclosed to you the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xxi. I have disclosed to you all information in relation to known fraud or suspected fraud that I am aware of and that affects the Council and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xxii. I have disclosed to you all information in relation to instances of, or allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxiii. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiv. I have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which I am aware.
- xxv. I have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

xxvi. All transactions undertaken by the Council have been recorded in the accounting records and are properly reflected in the financial statements.

Management Commentary

xxvii. The disclosures within the Narrative Report fairly reflect my understanding of the Council's financial and operating performance over the period covered by the financial statements.

Corporate Governance Statement

xxviii. I am satisfied that the Corporate Governance Statement fairly reflects the Council's risk assurance and governance framework and I confirm that I am not aware of any significant risks or weaknesses in governance or internal control that are not disclosed within the Statement.

Yours faithfully

Signature:.....

Name:

Position:

Date.....



Three Rivers District Council

Audit Completion Report
Year ended 31 March 2025

February 2026

Page 155

Agenda Item 6

Your key team members

Paul Grady
Key Audit Partner
Paul.Grady@azets.co.uk

Reshma Ravikumar
Associate Director
Reshma.Ravikumar@azets.co.uk

Page 156
CJ Abellera
Manager
CJ.Abellera@azets.co.uk

Jay Bhuchar
In-charge Auditor
Jay.Bhuchar@azets.co.uk

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.



Contents

Executive summary	4
Quality indicators	8
Audit timeline	11
Materiality	12
Group audit	13
Key audit findings: significant and other risks and areas of focus	15
Key judgements and estimates	54
Other responsibilities	61
Audit adjustments	65
Building back assurance	71
Value for Money	77
Independence and ethics	79

Appendices

Appendix I: Recommendations arising from the audit	83
Appendix II: Fees	95

Additional documents presented

Draft letter of management representations	
Draft audit report (opinion)	

Purpose of this report

This report highlights the significant findings arising from the audit. We are responsible for performing the audit in accordance with International Standards on Auditing (UK), and the National Audit Office Code of Audit Practice and associated Auditor Guidance Notes.

Our audit is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Audit Committee. Under the Code of Audit Practice, we are also required to consider the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources and to report any significant weaknesses we identify. 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 errors or other irregularities, or to include all possible improvements in internal control that a more extensive examination might identify.

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. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements, as a whole, are free from material misstatement, whether caused by fraud or error.

Executive summary

Page 157



Executive summary

This section summarises, for the benefit of Those Charged with Governance, the status of our audit of Three Rivers District Council for the year ending 31 March 2025 and the key findings and other matters arising from our audit.

Financial Statements

As at the date of writing this report, we have completed a number of areas of our scoped audit work. Where our work is concluded we have set out the details of the work undertaken and our findings in the body of this report. Where audit work has been started but not yet concluded we have highlighted the work undertaken to date and the reasons why the work is not able to be concluded.

From the work we have completed, we have identified 6 adjustments to the financial statements that have resulted in a £310k improvement to your reported financial outturn. We have also identified several disclosure amendments. We have also raised recommendations for management as a result of our work.

Management has agreed to amend the accounts for all adjustments identified during the audit.

The quality of the accounts and evidence provided was variable. Management have been responsive and helpful in facilitating the audit which has enabled us to progress the majority of our work in an efficient timescale. However, due to the challenges of undertaking an audit where the previous four years have been disclaimed because of the local authority backstop, it has not been possible to regain full assurance, and it is not possible for us to undertake sufficient work to support an unmodified audit opinion ahead of the backstop date of 27 February 2026. Undertaking work on balances that have not been subject to audit for several years necessarily means the audit on the current year balances takes longer than would ordinarily be the case. The limitations imposed from this lack of assurance on opening balances and closing balances in key areas means we are unable to form an opinion on the 2024/25 financial statements. We therefore intend to disclaim our opinion.

We are also unable to conclude that the other information included in the statement of accounts is consistent with our knowledge of the Council and Group and the financial statements we have audited. This is because we intend to disclaim our opinion.

It is important to note that build back is a comprehensive and time-consuming process which is compounded at a council such as Three Rivers where added complexity is present by virtue of the group accounts, income strip arrangement and other complexities within the asset portfolio. Management has been engaged and supportive. The matters reported in this report are not a reflection of a lack of engagement from management nor a reflection of poor quality in management's processes or preparation. Rather they are unavoidable implications arising from a position wherein the Council's accounts have not been audited for several years.

Under International Standards on Auditing (UK) and the National Audit Office (NAO) Code of Audit Practice 2024, we are required to report whether, in our opinion:

- ▶ The financial statements give a true and fair view of the Council and Group's financial position and income and expenditure for the period; and
- ▶ The Council and Group'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') 2024/25 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.



Executive summary

Financial Statements

We have not altered our audit plan as formally presented to you on 25 June 2025.

Our audit approach has been based on gaining a thorough understanding of the Council and Group's control environment and has been risk based. This included:

- ▶ An evaluation of the Council and Group's internal control environment, including the IT systems and controls; and
- ▶ Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to our key audit risks.

At the completion of the audit, following the audit committee, we are required to undertake the following procedures:

- ▶ Final senior reviews and engagement lead 'stand back' review of the file
- ▶ Receipt and review of the management representation letter
- ▶ Receipt and review of the final, amended statement of accounts, narrative report and annual governance statement, appropriately signed and dated
- ▶ Response from management regarding subsequent events up to the date of the opinion
- ▶ Submission of our Whole of Government Accounts (WGA) return to the National Audit Office (NAO).



Executive summary

Value for money

We have completed our value for money work. Our detailed findings are reported in our Auditor's Annual Report.

We have not identified any significant weaknesses in the Council's arrangements and so are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, under the NAO Code of Audit Practice.

Statutory duties

We have not exercised any of our additional statutory powers and duties.

The Local Audit and Accountability Act 2014 (the Act) requires us to:

- ▶ report to you if we have applied any of the additional powers and duties available to us under the Act; and
- ▶ certify the closure of the audit.

Certificate

We will not be able to certify the closure of the audit until we have completed all work we are requested to undertake as a component auditor for Whole of Government Accounts (WGA), and we receive confirmation from the National Audit Office that the Comptroller and Audit General has certified the WGA for 2024/25.



Financial statements

Page 161



Quality Indicators

The following metrics are important in assessing the reliability of your financial reporting and response to the audit.

KEY:
RED Significant improvement required
AMBER Developing
GREEN Mature

Page 162

Metric	Grading	Commentary
Quality and timeliness of draft financial statements	AMBER	<p>The Council issued its 2024/25 draft financial statements by the statutory reporting date of 30 June 2025. However, the Council subsequently amended and revised these statements and re-issued them on 29 September 2025. In updating the accounts, management has made changes, in the comparators, to figures in the prior-year audited accounts. Some of these changes are material, and we have included the detail on page 51. The changes arose in part as a result of the delayed conclusion to earlier audits in 2020/21, 2021/22 and 2022/23.</p> <p>As part of our review of the draft financial statements for internal consistency, mathematical accuracy, and agreement of prior-year comparators to the audited 2023/24 accounts, we identified a high number of errors, which includes material errors, formula errors, and inconsistencies within the notes and supporting workings. This level of error indicates weaknesses in the Council’s quality assurance processes over the preparation of the draft accounts, we have raised a corresponding control deficiency, which is set out later in the report on page 83.</p> <p>Some of the changes made by management to the prior year comparative figures relate to the level of MRP charged and the closing General Fund balance, which are not material and therefore should not have been amended in the prior-year comparators. Furthermore, changes should not be made retrospectively to MRP, as this is a breach of legal and regulatory requirements. The Council should ensure that the accounts it produces on 30 June each year represent its final draft statements and, importantly, that it does not amend figures in the prior-year comparators unless a material error has been identified, in accordance with International Accounting Standard 1 (IAS 1).</p> <p>We have also noted that the Council has included in its single-entity accounts all the transactions and balances of West Herts Crematorium Joint Committee, which has resulted in restatements of some balances and disclosures in the 2024/25 accounts. We have challenged management on this unusual accounting treatment, and this matter remains outstanding at the time of writing this report.</p>



Quality Indicators

The following metrics are important in assessing the reliability of your financial reporting and response to the audit.

KEY:

RED

Significant improvement required

AMBER

Developing

GREEN

Mature

Page 163

Metric	Grading	Commentary
Quality of working papers provided and adherence to timetable	AMBER	The reissuance of the accounts resulted in delays in receipt of the working papers supporting the accounts which meant that the substantive procedures were commenced later than planned. There are some working papers such as debtors and creditors year-end balance listings that management took time to produce and provide to the audit team. The working papers are of fair quality but a little challenging to follow through. Requests were generally returned in a timely manner with a few exceptions which were outstanding for months. While timely, the responses are often not of the required quality which resulted in the audit team coming back to management for further queries.
Timing and quality of key accounting judgements	AMBER	<p>While we have commenced our review of the significant and key accounting estimates, we are not yet able to conclude on their timing or quality because the detailed testing of these key estimates and judgements is still in progress.</p> <p>From work performed to date, we note the following:</p> <ul style="list-style-type: none"> Valuation of other land and buildings and investment property: no issues identified from the limited procedures performed in year; however, we have rolled forward a recommendation from the prior year around variances between the fixed asset register and valuer's report (see page 55 for further details). Valuation of pension liability: no issues identified from the limited procedures performed in year (see page 32 for further details) Wimbledon income strip: we have identified that the prior period adjustment in the asset valuation was understated by £400k (see page 64 for further details).
Access to finance team and other key personnel	AMBER	The Finance team were responsive throughout the audit; however, delays arose from the time required for them to work through queries and provide considered, accurate responses. There was also a significant delay of more than a month in receiving information from the valuer. These delays collectively extended the timeline for completing our audit procedures and reduced the time available for resolving follow-up queries and progressing other areas of the audit. We also encountered delays in receiving responses from the Revenue & Benefits and the Property team, these were primarily caused by limited capacity resulting from unplanned staff turnover and periods of leave.

Quality Indicators

The following metrics are important in assessing the reliability of your financial reporting and response to the audit.

KEY:
RED Significant improvement required
AMBER Developing
GREEN Mature

Page 164

Metric	Grading	Commentary
Quality and timeliness of narrative report and annual governance statement	GREEN	At the time of writing this report, we have no issues to report. However, we currently have outstanding queries on the agreement of the narrative report. However, we are unable to conclude that the other information included in the statement of accounts is consistent with our knowledge of the Council and Group and the financial statements we have audited. This is because we intend to disclaim our opinion.
Volume and magnitude of identified errors	AMBER	<p>From the work we have been able to undertake, we identified amendments required in the financial statements which are detailed later in this report. Management has agreed to amend the accounts in respect of these matters.</p> <p>The imposition of the backstop has created time constraints which impede our ability to complete all necessary procedures to obtain sufficient appropriate audit evidence and to fulfil the objectives of all the relevant ISAs (UK) in relation to balances.</p> <p>As a result of the material and pervasive nature of missing assurance, and the imminent statutory backstop date of 27 February 2026 for the 2024/25 audit, we intend to disclaim the audit in our audit report.</p>



Audit Timeline

The following metrics are important in assessing the reliability of your financial reporting and response to the audit.



Planning	Interim	Period end: 31 st March	Final accounts	Audit Committee	Completion	Sign off
<ul style="list-style-type: none"> ▶ 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 	<ul style="list-style-type: none"> ▶ Document control design and effectiveness ▶ Discuss audit plan with audit committee ▶ Early testing 		<ul style="list-style-type: none"> ▶ Regular updates with management ▶ Undertake audit testing ▶ Review of narrative report and annual governance statement ▶ Conclude on significant risk areas ▶ Report observations on other risk areas, management judgements ▶ Draft Audit Completion Report ▶ Close-out meeting with management 	<ul style="list-style-type: none"> ▶ Discuss audit findings with audit committee ▶ Issue draft Audit Findings (ISA260) report ▶ Issue Auditor's Annual Report (by 30 November) 	<ul style="list-style-type: none"> ▶ Subsequent events procedures ▶ Management representation letter ▶ Sign financial statements 	<ul style="list-style-type: none"> ▶ Sign audit report opinion ▶ Issue delayed audit certificate

Page 165



Materiality

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial'. The assessment of what is material is a matter of professional judgement and is affected by our risk assessment and the needs of users of the financial statements.

At the planning stage of the audit, we determined overall materiality as £1.067m for the Group and £1m for the Council and performance materiality as £0.690m for the Group and £0.655m for the Council. On production of the financial statements, we reconsidered our materiality determination as communicated in the Audit Plan. We have considered it appropriate to update our materiality due to the change in gross expenditure for 2024/25.

We have determined that no specific materiality levels needed to be set for this audit.

Page 166

	Group £000	Council £000	Explanation
Overall materiality for the financial statements	1,175	1,100	This is approximately 2% of gross revenue expenditure for the group and 1.9% of gross revenue expenditure for the Council. We have used the 2024/25 draft financial statements. This is a common measure for calculating materiality for councils as the users of the financial statements are considered to be most interested in where the Council has expended its income during the year.
Performance materiality	763	726	Performance materiality has been set at 65% of overall materiality. This is based on the internal control environment of the Council and reflects our risk assessed knowledge of the potential for errors occurring. It is intended to reduce, to an acceptably low level, the probability that cumulative undetected and uncorrected misstatements exceed materiality for the financial statements as a whole.
Trivial threshold	58	55	This is set at 5% of the overall materiality calculation. Individual errors above this threshold are communicated to those charged with governance.

Clearly trivial: matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria;
Material: an omission or misstatement that would reasonably influence the users of the financial statements.



Group audit

As group auditors under ISA (UK) 600, we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and regarding the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

For periods commencing on/after 15 December 2023 the auditing standard for group engagements (ISA (UK) 600) has been revised. The key changes that you may see reflected in the audit findings have been outlined below:

- ▶ Revisions to the definitions of a group and component extend the scope of the ISA to encompass a wider range of group scenarios. This means that a single legal entity could fall under the scope of the revised ISA600 based on its internal structure, while multiple legal entities may sometimes be defined as a single component
- ▶ There are increased leadership responsibilities and involvement requirements for the group engagement leader, particularly when component auditors are utilised
- ▶ In the UK, there is a specific requirement for all component auditors to confirm their ability and willingness to comply with the FRC's Ethical Standard, regardless of their local jurisdiction
- ▶ The analytical/desktop review designation, which triggered the lowest requirement for procedures deployed, has been removed from the scope of procedures performed over a component in response to risk

Page 167

Risks at the component level

The risks identified at the Council are set out in this audit findings report. There are no additional risks identified in any of the other components above in respect of the Group audit.

Note that a component may require a statutory audit under UK or overseas company law irrespective of whether an audit is required for group reporting purposes. Management should therefore satisfy themselves that all UK and overseas company law requirements are adhered to on a component-by-component basis.

The table on the next page sets out the components within the group and our audit findings in respect of each component.



Group audit

Component	Scope	Planned audit approach	Audit findings
Three Rivers District Council	Full scope	Full scope statutory audit performed as set out in this report, amended due to impact of disclaimer	Our audit findings have been documented later in this report.
Three Rivers Homes Ltd (Joint Venture)	Specific scope	Specific scope procedures performed by group auditor to ensure accurate treatment of the Council's share in the Joint Venture.	Our work is complete and at the time of writing this report, we have no matters to report.
Three Rivers Commercial Services (TRCS) Ltd (Subsidiary)	None	No procedures planned	Not applicable
Three Rivers Development LLP (joint venture with TRCS Ltd)	None	No procedures planned	Not applicable

Page 168

Full scope Design and perform further audit procedures on the entire financial information of the component;
Specific scope Design and perform further audit procedures on one or more classes of transactions, account balances or disclosures;
None No further audit procedures required



Key audit findings

Page 169



Key audit findings: significant risks

This section includes a summary of audit findings relating to significant risk areas identified at planning and other risk areas that required special consideration or arose during the audit.

Significant risks are defined as risks that require special audit consideration and include risks of material misstatement that are close to the upper range of inherent risk due to their nature and a combination of the likelihood and potential magnitude of misstatement, or are required to be treated as significant risks due to requirements of auditing standards.

The table below summarises the significant risks. Detail behind each risk and the work undertaken is set out on the subsequent pages.

Significant risk	Financial Statement / Assertion Level Risk	Fraud risk?	Approach to controls	Level of judgement / estimation uncertainty	Outcome of work
Management override of controls – Council and Group	Financial Statement Level	Yes	Assess design & implementation	Very high	Our testing over journals is complete and we have no matters to report from work performed. However, we are unable to reach a conclusion in this area as not all of the planned areas of testing for this significant risk have been completed. Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25.
Prior year opinion on the financial statements – Council and Group	Financial Statement Level	No	None	High	We have implemented an overarching build-back plan for the period 2024/25 to 2027/28. Current year findings are reported in this report. In line with our build back plan, we intend to disclaim the opinion for 2024/25.

Page 170



Key audit findings: significant risks

Significant risk	Financial Statement / Assertion Level Risk	Fraud risk?	Approach to controls	Level of judgement / estimation uncertainty	Outcome of work
Wimbledon Income Strip – Council and Group	Financial Statement Level	No	Assess design & implementation	Very high	Work in this area remains ongoing in line with the procedures set out in our build back plan. In line with our build back plan, we intend to disclaim the opinion for 2024/25.
Fraud in revenue recognition – Council and Group	Assertion Level	Rebutted	Process documentation only	Low	We rebutted the risk of fraud in revenue recognition at the planning stage. Standard procedures were required in respect of these balances. In line with our build back plan, we intend to disclaim the opinion for 2024/25.
Fraud in expenditure recognition – Council and Group	Assertion Level	Rebutted	Process documentation only	Low	We rebutted the risk of fraud in expenditure recognition at the planning stage. Standard procedures were required in respect of these balances. In line with our build back plan, we intend to disclaim the opinion for 2024/25.
Valuation of other land and buildings and investment property – Council and Group	Assertion Level	No	Assess design & implementation	High	We have commenced our procedures, and they are currently being finalised in line with our build back plan. We are unable to reach a conclusion in this area. Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25.



Key audit findings: significant risks

Significant risk	Financial Statement / Assertion Level Risk	Fraud risk?	Approach to controls	Level of judgement / estimation uncertainty	Outcome of work
Valuation of the defined pension fund net liability – Council and Group	Assertion Level	No	Assess design & implementation	High	We have undertaken initial agreement of the pension disclosures to the actuary's report and completed an IFRIC 14 assessment in line with our build-back plan. However, we are unable to reach a conclusion in this area until the next triennial fund valuation is finalised, which is scheduled for 2025/26. Along with the other factors outlined in this report, we plan to disclaim the opinion for 2024/25.
Implementation of IFRS 16 – Council and Group	Assertion Level	No	Assess design & implementation	High	We have commenced our procedures, and they are currently being finalised in line with our build back plan. We are unable to reach a conclusion in this area. Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25.

Page 172



Key audit findings: significant risks

Significant risks at the financial statement level

The table below summarises our conclusions on significant risks of material misstatement at the financial statement level for the 2024/25 accounts. These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Management override of controls

Significant risk	Audit approach
<p>Management override of controls - Relates to Council and Group</p> <p>Auditing Standards require auditors to treat management override of controls as a significant risk on all audits. This is because management is in a unique position to perpetrate fraud by manipulating accounting records and overriding controls that otherwise appear to be operating effectively.</p> <p>Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities.</p> <p>Specific areas of potential risk including manual journals, management estimates and judgements and one-off transactions outside the ordinary course of the business.</p> <p>Risk of material misstatement: Very High</p>	<p>We have performed the below procedures to mitigate risks of material misstatement in this area:</p> <ul style="list-style-type: none">• Documented our understanding of the journals posting process and evaluated the design effectiveness of management controls over journals;• Analysed the journals listing and determining the criteria for selecting high risk and/or unusual journals;• Tested high risk and/or unusual journals posted during the year and after the draft accounts stage back to supporting documentation for appropriateness, corroboration and to ensure approval has been undertaken in line with the Council's journals policy;• Gained an understanding of the key accounting estimates and critical judgements made by management. We have also challenged assumptions and considered for reasonableness and indicators of bias which could result in material misstatement due to fraud; and• Evaluated the rationale for any changes in accounting policies, estimate or significant unusual transactions.

Page 173



Key audit findings: significant risks

Management override of controls continued...

Audit findings and conclusion

Our testing over journals is complete. We have not identified any matters to report to you.

However, we cannot draw finalised conclusions from this work as not all of the planned areas of testing for this significant risk have been completed. For instance, we have been unable to reach a conclusion on all accounting estimates used by management in the financial statements, including property valuations and net pension liabilities, and therefore cannot conclude as to whether any management bias in significant account estimates exists, notwithstanding that our understanding of management's judgements and estimates applied to the financial statements does not indicate this may be the case. This is due to the time constraints to perform sufficient procedures on these accounting estimates. The key judgements in the financial statements for 2024/25 are documented later in this report.

Based on the above, we are unable to reach a conclusion on this area. Along with the other factors explained in the report, we therefore plan to issue a disclaimer of opinion for the financial year 2024/25.



Key audit findings: significant risks

Significant risks	Audit approach
<p>Prior year opinion on the financial statements – Relates to Council and Group</p> <p>As a result of the backstop implemented on 28 February 2025, a disclaimer audit opinion was provided on the council and group’s 2023/24 financial statements. Disclaimed audit opinions have also been provided on the council’s accounts for the 2020/21, 2021/22 and 2022/23 years.</p> <p>As a result of prior year disclaimed audit opinion:</p> <ul style="list-style-type: none"> • There is limited assurance available over the Council’s opening balances, including those balances which involve higher levels of management judgement and more complex estimation techniques (e.g., defined benefit pension valuations, land and buildings, council dwellings and investment property valuations, amongst others); and • Significant transactions, accounting treatment and management judgements may not have been subject to audits for one or more years – or at all. This may include management judgements and accounting treatment in respect of significant or complex schemes (such as income strip or major capital initiatives) or transactions which came into effect during the qualified or disclaimed period, going back to 2020/21. <p>The absence of prior year assurance raises a significant risk of material misstatement at the financial statement level that may require additional audit procedures.</p> <p>Inherent risk of material misstatement: High</p>	<p>We have performed the below procedures to mitigate risks of material misstatement in this area:</p> <ul style="list-style-type: none"> • Considered the findings and outcomes of prior year audits and their impact on the 2024/25 audit; • Considered the impact on our audit of qualified or disclaimed audit opinions, particularly regarding opening balances and ‘unaudited’ transactions and management judgements made in the previous years which continue into 2024/25; and • Considered the impact of any changes in Code requirements for financial reporting in previous and current audit years.



Key audit findings: significant risks

Prior year opinion on the financial statements continued....

Audit findings and conclusion

In our audit plan, we communicated the high-level end-to-end indicative build-back plan. This envisages gaining assurance over the accounts from the period from 2024/25 to 2027/28. Our audit approach and procedures deployed in 2024/25 are in line with this approach. Our approach also includes the statutory guidance issued by the National Audit Office (NAO) in Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01 to 06.

Our procedures in 2024/25 fell into two categories:

- **Procedures on the 2024/25 accounts with a view to gaining assurance over the year end position and identifying improvement suggestions for recovery work in future years.** Given the Council's accounts have not been subject to audit for several years, it is not unexpected that more time is needed than in a 'normal' audit when recovering disclaimed positions. Additional time from within the scale was therefore focused on this in line with our build back plan. Our scale fee work in 2024/25 was focused on recovery of year end balance sheet positions, journals, fraud testing and in-year reserves movements and analysis. Our findings from this work are set out throughout this report.
- **Build-back procedures to gain assurance over disclaimed periods of account.** This work involves additional planning, in line with the statutory considerations set out in LARRIG06, additional risk assessment and additional substantive procedures over the disclaimed years. The substantive procedures also include substantive testing of Property, Plant and Equipment movements in disclaimed years and in future years will require substantive testing of income and expenditure transactions.

Build-back risk assessment procedures

Our build-back risk assessment procedures comprised two significant streams: the qualitative risk assessment and the quantitative risk assessment. The qualitative work, guided by LARRIG 06, focuses on assessing the inherent risk of material misstatement in opening General Fund (GF) balances and associated earmarked reserves following prior-year disclaimers. This involves evaluating governance arrangements, the control environment, timeliness of accounts preparation, complexity of reserves, and risks arising from multiple disclaimed opinions. We have considered factors such as changes in personnel, financial systems, budgetary controls, and classification risks between capital and revenue transactions. Our planned response included enhanced inquiry, review of Annual Governance Statements, analytical procedures, and targeted substantive testing to evaluate these risks.



Key audit findings: significant risks

Prior year opinion on the financial statements continued....

Audit findings and conclusion

The quantitative work relates to reconciling and validating movements within the Movement in Reserves Statement (MIRS) back to the last non-disclaimed opinion (2019/20). This includes detailed testing of reserve movements, statutory adjustments and consistency checks across primary statements and supporting notes to evaluate accuracy and completeness of reported balances.

We have undertaken procedures in respect of both the qualitative and quantitative risk assessment streams. We have not yet been able to conclude our procedures due to the impending backstop, but will continue this work as part of 2025/26. It is important to note that build back is a comprehensive and time-consuming process which is compounded at a council such as Three Rivers; added complexity is present by virtue of the complex asset portfolio, group accounts and income strip arrangement. The matters reported below are not a reflection of a lack of engagement from management nor a reflection of poor quality in management's processes or preparation.

Build-back risk assessment: Qualitative stream

We have undertaken a full and comprehensive risk assessment in accordance with LARRIG06. Further information is reported in the build-back section of this report. As part of our procedures under this stream, we had planned to reconcile the financial statements to the general ledger and the trial balance for the current year and each previously disclaimed year, tracing back to the last non-disclaimed opinion dated 31 March 2020. As part of our procedures under this stream, we planned to reconcile the financial statements to the general ledger and trial balance for the current year and each previously disclaimed year, tracing back to the last non-disclaimed opinion issued on 31 March 2020. From the work performed to date, we have identified significant variances, particularly in relation to prior period adjustments posted into the intervening years' statements of accounts.

As part of the risk assessment, we have also performed various other procedures (see detail on page 72). Additional time has been required by both audit and management to investigate these matters. We have agreed with management that there will not be sufficient time to finalise this work ahead of the backstop date. We will therefore continue these procedures as part of the 2025/26 audit.

Page 177



Key audit findings: significant risks

Prior year opinion on the financial statements continued....

Audit findings and conclusion

Build-back risk assessment: Quantitative stream

We have undertaken procedures under this stream, which includes reconciling and validating movements within the Movement in Reserves Statement (MIRS) back to the last clean opinion. During our review, we identified some trivial misstatements and casting errors in each of the years back to 31st March 2021, however overall, the closing balances appear materially accurate and reasonable.

Build-back substantive procedures

A significant volume of substantive procedures are required to build-back assurance and recover the disclaimed opinion. These procedures, in line with our over-arching build-back plan, will take place over the coming years, with specific procedures taking place in 2024/25. In 2024/25, we planned to undertake substantive procedures in respect of Property, Plant and Equipment movements over the disclaimed period, and in respect of the Income Strip transactions over the disclaimed period. We report in the build-back section of this report the procedures undertaken and commentary to date.

Conclusion:

In 2024/25, we have:

- Undertaken full scale fee work on current 2024/25 balances and journals and raised recommendations for management where action is needed to enable full assurance to be gained through audit, focusing our scale fee work on those balances most necessary to recover first under our over-arching build back plan;
- Undertaken significant and comprehensive build-back risk assessment procedures in line with LARRIG06, encompassing both qualitative and quantitative risk assessments; and
- Undertaken procedures to build back assurance in respect of Property, Plant and Equipment and the Income Strip.

Recovering the disclaimed position is a long-term and complex process, involving substantial volumes of audit work and significant time from management to facilitate such work. As set out in our indicative build-back plan, along with the other factors explained in the report, we plan to issue a disclaimer of opinion for the financial year 2024/25. Due to audit opinions on the prior years' financial statements being disclaimed, we have no assurance over the opening balances of the reserves and the balance sheet financial statement line items. This means we have no assurance on the movements in year and cannot gain sufficient audit evidence on the material accuracy of the financial statements at 31 March 2025.



Key audit findings: significant risks

Wimbledon Income Strip

Page 179

Significant risks	Audit approach	Audit findings and conclusion
<p>Wimbledon Income Strip – Relates to Council and Group</p> <p>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.</p> <p>The Council will also need to consider the impact of IFRS16 on the income strip arrangement and how this is accounted for within the financial statements.</p> <p>The accounting transactions of the income strip affect various assertions across multiple items of account in the CIES, balance sheet and Movement in Reserves statement. We have therefore assessed this as a financial statements level risk.</p> <p>Inherent risk of material misstatement: Very High</p>	<p>We have performed the below procedures to mitigate risks of material misstatement in this area:</p> <ul style="list-style-type: none"> Reviewed management’s accounting treatment for this transaction, including revenue flows in year and the value of long and short-term assets and liabilities associated with the scheme Assessed management’s accounting treatment against the requirements of the CIPFA Code and International Financial Reporting Standards. Assessed management’s judgement on the impact of IFRS16 on the accounting for income strip transactions. 	<p>As part of our work, we have documented our understanding of the income strip process and evaluated the design effectiveness of management controls over income strip transactions. Our work on the detailed accounting judgements supporting the income strip remains ongoing. We have also considered management's judgements and accounting treatment for calculating the expected interest rate. As of the date of writing, we have the following observations:</p> <ul style="list-style-type: none"> The leased asset was undervalued in 2022/23. The valuer applied a net income approach, which resulted in a lower valuation. Management challenged the valuer and obtained a new 2022/23 valuation. This resulted in a restatement of the right-of-use asset and lease liability values as at 1 April 2024. We agree with management's challenge and the approach applied to restate the valuation; and A sinking fund contribution of £3.5 million paid to the Council to cover for risks associated with non-payment of tenants and any refurbishment has been received in 2022/23 has been included in the restated right-of-use asset and lease liability. We are considering the appropriateness of this treatment as part of our work. <p>As our procedures are ongoing at the time of writing we are not yet able to conclude over the accuracy and reasonableness of the accounting estimate in the revised valuation, the expected interest rate used and the related restatement accounting entries as well as the appropriateness of the accounting treatment of the sinking fund contribution. We will conclude this work and report further once concluded as part of our 2025/26 reporting.</p>



Key audit findings: significant risks

Significant risks at the assertion level for classes of transaction, account balances and disclosures

The following tables summarise conclusions in relation to significant risks of material misstatement at the assertion level for classes of transaction, account balances and disclosures in the 2024/25 accounts.

Fraud in revenue recognition

Page 180

Significant risk

Fraud in revenue recognition – Relates to Council and group

Material misstatement due to fraudulent financial reporting relating to revenue recognition is a rebuttable presumed risk in ISA (UK) 240.

Having considered the nature of the revenue streams at the Council, we consider that the risk of fraud in revenue recognition can be rebutted due to the following reasons:

- there is little opportunity available to manipulate revenue recognition;
- there is limited incentive to manipulate revenue recognition; and
- the Council's existing income transactions do not provide a significant opportunity to manipulate income between years in any meaningful way or to adopt aggressive recognition policies.

Inherent risk of material misstatement:

- Revenue recognition (Occurrence, Accuracy and Cut-off): Low
- Debtors (Existence and Completeness): Low



Key audit findings: significant risks

Fraud in revenue recognition continued...

Page 181

Audit approach	Audit findings and conclusion
<p>We have performed the below procedures based on their value within the financial statements:</p> <ul style="list-style-type: none"> Documenting our understanding of the Council’s systems for revenue to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements. <p>We have been unable to perform the following procedures specifically designed to address this risk as a result of the back stop:</p> <ul style="list-style-type: none"> Evaluating the Council’s accounting policies for recognition of income and compliance with the CIPFA Code; and Substantively testing material income streams using analytical procedures and sample testing of transactions recognised for the year. <p>In addition to the procedures outlined in the audit plan, we performed the following procedures to further address the cut-off and completeness assertions for revenue. Given that the statements of accounts for the previous four financial years were disclaimed, we considered it important to obtain additional assurance that revenue was recorded in the correct accounting period:</p> <ul style="list-style-type: none"> Substantively testing post and pre-year-end bank receipts and invoices raised in the Accounts Receivable system to ensure completeness and cut-off of transactions. <p>We have also agreed the revenue balances from the financial statements to the General Ledger.</p>	<p>In line with our build back plan, we have not evaluated the Council’s accounting policies for recognition of income and compliance with the CIPFA Code.</p> <p>Substantive testing of material income streams is planned in future years as part of the build-back plan and, in 2024/25, this time was re-focused to support additional work undertaken on journals, ledger reconciliations, property, plant and equipment and significant balance sheet items.</p> <p>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). Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25.</p>



Key audit findings: significant risks

Fraud in expenditure recognition

Significant risk

Fraud in expenditure recognition – Relates to Council and group

We have considered Practice Note 10, which comments that for certain public bodies, the risk of manipulating expenditure could exceed the risk of the manipulation of revenue. We have therefore also considered the risk of fraud in expenditure at the Council, and we are satisfied that this is not a significant risk for the reasons set out below:

- there is little opportunity available to manipulate expenditure recognition;
- there is limited incentive to manipulate expenditure recognition
- the Council's existing expenditure transactions do not provide a significant opportunity to manipulate income between years in any meaningful way or to adopt aggressive recognition policies.
- significant amount of expenditure is in relation to pay, and
- non-pay expenditure reflected in the Council's financial statements exhibits a straightforward nature, characterised by reduced subjectivity, and there is little incentive to management to manipulate expenditure.

Inherent risk of material misstatement:

- Expenditure recognition (Occurrence, Accuracy and Cut-off): Low
- Creditors (Existence and Completeness): Low

Key audit findings: significant risks

Fraud in expenditure recognition continued....

Page 183

Audit approach	Audit findings and conclusion
<p>We have performed the below procedures based on their value within the financial statements:</p> <ul style="list-style-type: none"> Documenting our understanding of the Council’s systems for expenditure to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements. <p>We have been unable to perform the following procedures specifically designed to address this risk as a result of the back stop:</p> <ul style="list-style-type: none"> Evaluating the Council’s accounting policies for recognition of expenditure and compliance with the CIPFA Code; and Substantively testing material expenditure streams using analytical procedures and sample testing of transactions recognised for the year. <p>In addition to the procedures outlined in the audit plan, we performed the following procedures to further address the cut-off and completeness assertions for expenditure. Given that the statements of accounts for the previous four financial years were disclaimed, we considered it important to obtain additional assurance that revenue was recorded in the correct accounting period:</p> <ul style="list-style-type: none"> Substantively testing post and pre-year-end bank payments and invoices received in the Accounts Payable system to ensure completeness and cut-off of transactions; and <p>We have also agreed the expenditure balances from the financial statements to the General Ledger.</p>	<p>In line with our build back plan, we have not evaluated the Council’s accounting policies for recognition of expenditure and compliance with the CIPFA Code.</p> <p>Substantive testing of material expenditure streams is planned in future years as part of the build-back plan and, in 2024/25, this time was re-focused to support additional work undertaken on journals, ledger reconciliations, property, plant and equipment and significant balance sheet items.</p> <p>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). Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25.</p>



Key audit findings: significant risks

Valuation of other land and buildings and investment property

Significant risks

Valuation of other land and buildings and investment property (key accounting estimate) – Relates to Council and group

Revaluation of other land and buildings and investment property should be performed with sufficient regularity so that carrying amounts are not materially misstated.

The Council carries out a rolling programme of revaluations to ensure all property, plant and equipment required to be measured at fair value is revalued at least every three years and it undertakes a full revaluation of its investment property annually.

Management engage the services of a qualified valuer, who is a Regulated Member of the Royal Institute of Chartered Surveyors (RICS) to undertake these valuations as of 31 March 2025.

The valuations involve a wide range of assumptions and source data and are therefore sensitive to changes in market conditions. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external expert valuers and the methods, assumptions and source data underlying the fair value estimates.

These valuations represent a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of other land and buildings and investment property as a significant risk.

Inherent risk of material misstatement:

- Other Land and Buildings and Investment Property (valuation): High

Key audit findings: significant risks

Valuation of other land and buildings and investment property continued....

Audit approach	Audit findings and conclusion
<p>We have performed the below procedures to mitigate risks of material misstatement in this area:</p> <ul style="list-style-type: none"> • Evaluating management processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; • Evaluating the competence, capabilities and objectivity of management’s valuation expert; • Considering the basis on which the valuations are carried out and challenging the key assumptions applied; • For a sample of assets revalued in year, testing the information used by the valuer to ensure it is complete and consistent with our understanding; • Ensuring revaluations made during the year have been input correctly to the fixed asset register and the accounting treatment within the financial statements is correct; and • Evaluating the assumptions made by management for any assets not revalued during the year and how management are satisfied that these are not materially different to the current value. • A change in audit approach was taken since planning, because we had no assurance over the prior year asset values which movements in valuation were planned to be assessed against. <p>We have been unable to complete performance of the following procedure specifically designed to address this significant risk as a result of the back stop:</p> <ul style="list-style-type: none"> • For a sample of assets revalued in year, testing the information used by the valuer to ensure it is complete and consistent with our understanding. 	<p>We have started but not been able to conclude our work for the following reasons:</p> <ul style="list-style-type: none"> • delays in ability to reconcile the fixed asset register with the trial balance, and valuation report after working through with management; and • delays in response from valuer and their assumptions and calculations. <p>Based on the above, we have rolled forward a recommendation around variances between the fixed asset register and valuer's report, but are unable to reach a conclusion on this area. Along with the other factors explained in the report, we therefore plan to issue a disclaimer of opinion for the financial year 2024/25.</p> <p>Our plan is to conclude our work on PPE valuations for 2024/25 during the 2025/26 audit.</p>

Page 185



Key audit findings: significant risks

Valuation of pension assets and liabilities

Page 186

Significant risks	Audit approach
<p>Valuation of pension assets and liabilities (IAS19) (key accounting estimate) – Relates to Council and group</p> <p>An actuarial estimate of the net defined pension liability/asset is calculated on an annual basis under IAS 19 ‘Employee Benefits’, and on a triennial funding basis, by an independent firm of actuaries with specialist knowledge and experience. The triennial estimates are based on the most up to date membership data held by the pension fund and a roll forward approach is used in intervening years, as permitted by the CIPFA Code.</p> <p>The calculations involve a number of key assumptions, such as discount rates and inflation and local factors such as mortality rates and expected pay rises. The estimates are highly sensitive to changes in these assumptions and the calculation of any asset ceiling when determining the value of a pension asset. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external experts (the actuary) and the methods, assumptions and source data underlying the estimates.</p> <p>This represents a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of the net pension liability/asset as a significant risk.</p> <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> • Pension assets and liabilities (valuation): High 	<p>We had planned to perform the below procedures to mitigate risks of material misstatement in this area:</p> <ul style="list-style-type: none"> • Evaluating managements processes for the calculation of the estimate, the instructions issued to management’s expert (the actuary) and the scope of their work; • Evaluating the competence, capabilities and objectivity of the actuary; • Assessing the controls in place to ensure that the data provided to the actuary by the Council and their pension fund was accurate and complete; • Evaluating the methods, assumptions and source data used by the actuary in their valuations, with the support of an auditors’ expert; • Evaluating whether any asset ceiling was appropriately considered (if applicable) when determining the value of any pension asset included in the financial statements; • Assessing the impact of any significant differences between the estimated gross asset valuations included in the financial statements and the Council’s share of the investment valuations in the audited pension fund accounts’; and • Ensuring pension valuation movements for the year and related disclosures have been correctly reflected in the financial statements.



Key audit findings: significant risks

Valuation of pension assets and liabilities continued....

Audit findings and conclusion

We have performed the following procedures:

- Agree the pension disclosures to the IAS 19 report provided by the actuary;
- Assess that the asset ceiling applied by management is in line with IFRIC 14; and
- Agree the assumptions used by the actuary is within the range expected using an auditor's expert.

We have started, but not been able to conclude our work for the following reasons:

- We have not been able to gain any assurance over year-on-year movements, interest costs, interest on assets, actual return on asset, share of assets and service costs due to the prior year balances being disclaimed, meaning we have no assurance over opening balances. These areas are directly influenced by the opening balances.
- In addition, we have not been provided with assurance by the pension fund auditor over membership of the pension fund back to the last triennial valuation.

Due to audit opinions on the prior years' financial statements being disclaimed, we have no assurance over the opening balances of the pension liability. This means we have no assurance on the movements in year and cannot gain sufficient audit evidence on the material accuracy of the valuation of the pension fund liability as at 31 March 2025.

Therefore, we are unable to reach a conclusion on this area. Along with the other factors explained in the report, we therefore plan to disclaim the audit for the financial year 2024/25. More detailed findings on our consideration of this estimate are contained later in this report.

Key audit findings: significant risks

Implementation of IFRS 16

Page 188

Significant risks	Audit approach
<p>Implementation of IFRS 16 (key accounting estimate) - Relates to Council and Group</p> <p>IFRS 16 was adopted and implemented by local government bodies under the Code of Audit Practice from 1 April 2024. Under IFRS 16 a lessee is required to recognise a right of use asset and associated lease liability in its Balance Sheet. This will result in significant changes to the accounting for leased assets and the associated disclosures within the financial statements for the year ended 31 March 2025.</p> <p>The implementation of this new accounting standard also represents a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurement upon recognition of the right of use asset and associated lease liability. We have therefore identified the implementation of IFRS 16 as a significant risk.</p> <p>The Council will also need to consider the impact of IFRS16 on the income strip arrangement and how this is accounted for within the financial statements.</p> <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> Lease liabilities and right of use assets (valuation and completeness): High 	<p>We had planned to perform the below procedures to mitigate risks of material misstatement in this area:</p> <ul style="list-style-type: none"> Assessing the appropriateness of the Council’s approach to identification of leases captured within the scope of IFRS 16, with a particular focus on ensuring completeness of leases; Performing a walkthrough of the council’s systems and processes to capture the data required to account for right of use lease assets and associated liability in accordance with IFRS 16; Reviewing the council’s accounting policies for the year ended 31 March 2025 to reflect the requirements of the new accounting standard; Assessing the existence, valuation, accuracy and completeness of the right of use assets and associated lease liabilities, and the related disclosures within the financial statements; Assessing and testing Council’s method of valuing the lease liability attributed to the Wimbledon Lease income strip scheme; and Evaluating whether Right of Use assets and lease liabilities have been appropriately remeasured in line with the requirements of IFRS 16 as set out in the CIPFA Code.



Key audit findings: significant risks

Implementation of IFRS 16 continued....

Audit findings and conclusion

We have been unable to perform the following procedures specifically designed to address this significant risk as a result of the back stop, except for the following:

- Performed a walkthrough of the council's systems and processes to capture the data required to account for right of use lease assets and associated liability in accordance with IFRS 16;
- Reviewed the Council's contract register to ensure that any arrangements that are within the scope of IFRS 16 has been properly included and accounted for; and
- Agreed the right-of-use asset and lease liability figure in the accounts to the trial balance.

In relation to the Wimbledon income strip, we have been able to perform the following:

- Documented our understanding of the income strip process and evaluated the design effectiveness of management controls over income strip transactions. Our work on the detailed accounting judgements supporting the income strip remains ongoing. We have also considered management's judgements and accounting treatment for calculating the expected interest rate.

As of the date of writing, we have the following observations:

- The leased asset was undervalued in 2022/23. The valuer applied a net income approach, which resulted in a lower valuation. Management challenged the valuer and obtained a new 2022/23 valuation. This resulted in a restatement of the right-of-use asset and lease liability values as at 1 April 2024. We agree with management's challenge and the approach applied to restate the valuation; and
- A sinking fund contribution of £3.5 million paid to the Council to cover for risks associated with non-payment of tenants and any refurbishment has been received in 2022/23 has been included in the restated right-of-use asset and lease liability. We are considering the appropriateness of this treatment as part of our work.

Therefore, we are unable to reach a conclusion on this area. Along with the other factors explained in the report, we therefore plan to disclaim the audit for the financial year 2024/25. More detailed findings on our consideration of this estimate are contained later in this report.



Key audit findings: other risks

Other risks

This section summarises conclusions in relation to other identified risks which, although not considered to be significant, required specific consideration during the audit, or were risks otherwise identified during the course of the audit

Identified risk	Audit approach
<p>Other risk: Minimum revenue provision (MRP)</p> <p>Linked to the risk of 'misstatements due to fraud and error', we consider specific areas where management makes significant judgements that impact charges to the General Fund balance. Local authorities are required to charge a 'Minimum Revenue Provision' (MRP) to the General Fund in each financial year related to borrowing. The calculation of this charge is based on the Capital Financing Requirement. Local authorities have flexibility in how they calculate MRP but need to ensure the calculation is prudent. In calculating a prudent provision, local authorities are required to have regard to statutory guidance. There is a risk that the Council may not been appropriately prudent in its calculation of MRP and/or not followed the relevant statutory guidance.</p>	<p>We have performed the following procedures to mitigate risks of material misstatement in this area:</p> <ul style="list-style-type: none">• Gaining an understanding of the processes and controls put in place by management to calculate the Minimum Revenue Provision (MRP);• Assessing and reviewing the calculation of the Capital Financing Requirement (CFR) to ensure it is appropriate and consistent with other notes in the financial statements;• Reviewing the MRP Policy statement and confirming consistency with prior year or any changes thereof;• Evaluating the appropriateness of the Council's MRP policy; and• Evaluating whether the MRP has been appropriately calculated in accordance with the latest statutory guidance.



Key audit findings: other risks

Other risk: Minimum revenue provision (MRP) continued....

Audit findings and conclusion

We have undertaken our procedures in this area except for assessing and reviewing the calculation of the CFR for appropriateness and internal consistency with other notes in the financial statements. For work completed, we have noted the following:

- £183k MRP charge was calculated based on 60-year useful life which is permitted on the MRP guidance only where the Council has an opinion from an appropriately qualified professional advisor that the assets will deliver service functionality over the said useful life. At the issuance of this report, we have not received this evidence from management. We have raised a control recommendation on this in the “Recommendations” section of this report.
- £300k MRP charge relates to the West Herts Crematorium Joint Committee. As part of our procedures in other areas of the audit, we have noted that the Council has included in its single entity accounts all the transactions and balances of the joint in the 2024/25 accounts. We have challenged management for this unusual accounting treatment and is still open at the issuance of this report. We also have not received the supporting workings for this MRP charge.
- For the remaining £298k MRP charge, we have not identified any issues over the appropriateness of the Council’s MRP policy and compliance with the latest statutory guidance.

We have started our work in assessing and reviewing the calculation of the CFR to ensure it is appropriate and consistent with other notes in the financial statements but were not able to conclude due to time constraints and the imposition of the backstop date.

Overall, as we do not have any assurance over the opening CFR, we therefore do not have assurance over the closing CFR. We therefore cannot fully conclude on the accuracy of the MRP calculation. Based on the above, we are unable to reach a conclusion on this area. Along with the other factors explained in the report, we therefore plan to issue a disclaimer of opinion for the financial year 2024/25.



Key audit findings: other balances and areas of testing

Testing area	Commentary	Conclusion
Fixed Asset Existence and Ownership	<p>We have:</p> <ul style="list-style-type: none"> • Reconciled the Fixed Asset Register to the financial statements. • Selected a sample of fixed assets for detailed testing. • Physically observed the selected assets to confirm their existence and to identify any indicators of impairment. • We were able to perform all planned procedures except for confirming ownership of the assets. Work on confirming ownership has commenced; however, it was not completed for the 16/55 of the samples selected for testing due to delays in receiving sufficient and appropriate evidence from management. <p>Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.</p>	We have started but not been able to conclude our work for the reasons set out to the left.
Fixed Asset Additions £5,383k	<p>We have:</p> <ul style="list-style-type: none"> • Agreed the ledger breakdown for additions to the General Ledger and Fixed Asset Register and the note for property, plant and equipment; • Selected samples for testing to verify accuracy, valuation and existence of the transactions; and • Tested 5 samples and noted no issues. For the remaining 2 samples, we have not received complete supporting evidence from the management. <p>Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.</p>	We have started but not been able to conclude our work for the reasons set out to the left.



Key audit findings: other balances and areas of testing

Testing area	Commentary	Conclusion
<p>Fixed Asset Disposals Cost £2,876k Accumulated depreciation £2,799k</p>	<p>We have:</p> <ul style="list-style-type: none"> • Agreed the ledger breakdown for additions to the General Ledger and Fixed Asset Register and the note for property, plant and equipment; • Selected samples for testing to verify accuracy and occurrence of the transactions, where we have noted the following: <ul style="list-style-type: none"> ○ One sample relates to derecognition of the West Herts Crematorium on the Council's fixed asset register. This is due to the Council including all the transactions and balance of West Herts Crematorium Joint Committee in the 2024/25 accounts. We have challenged management for this unusual accounting treatment and is still open at the issuance of this report. ○ Two samples relate to derecognition of fully depreciated assets where the Council has not been able to provide us sufficient and appropriate evidence that those assets are no longer in use or exist as at year-end. From conversations with management, this is a result of poor recordkeeping of asset additions in the previous years where purchases of multiple assets are only included in a single line in the fixed asset register and there were no proper monitoring of those after recognition. Hence, the approach taken by management is to derecognise those at the end of their useful life. Proceeds from sale of assets that cannot be properly traced back to the fixed asset register is recognised in full as a gain and capital receipt in the CIES. We have raised a control recommendation in relation to this issue. <p>Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.</p>	<p>We have started but not been able to conclude our work for the reasons set out to the left.</p>
<p>PPE – net other movements in cost and valuation £12,510k</p>	<p>This balance relates to the consolidation of assets from West Herts Crematorium into the single entity Balance Sheet. We have reconciled this balance to the fixed asset register, however, as stated in other sections within this report, we have been unable to conclude on the consolidation of West Herts Crematorium into the single entity accounts. As such, we have omitted these assets from our testing. The testing of this balance will be resumed if it is confirmed that the assets should be kept on Three Rivers Council's single entity balance sheet.</p> <p>Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.</p>	<p>We have started but not been able to conclude our work for the reasons set out to the left.</p>



Key audit findings: other balances and areas of testing

Testing area	Commentary	Conclusion
<p>Short-Term Debtors £9,661k (gross: £12,388k; allowance for impairment: -£2,727k)</p>	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> • Agreed the ledger breakdown to the TB and supporting notes for short-term debtors and payments in advance. • Selected samples to verify accuracy and existence of the balances as at year-end except for £1,904k debtors control account balance where we experienced delays in receiving the appropriate breakdown/analysis. Hence, we were unable to gain assurance over the said balance. • We have not identified any issues on the samples selected for various debtor balances totalling £5,263k; council tax related debtors of £1,458k; and non-domestic rates related debtors of £1,739k. • Recalculated the £1,095k council tax debtors from precepting authorities related to their share in the cumulative collection fund deficit where we have not noted any issues. However, since we do not have any assurance over the collection fund accounts, we therefore cannot conclude over the accuracy of this debtor balance. • Evaluated the management’s assumptions in determining the allowance for impairment, reperformed the aging of outstanding debtor balances and impairment allowance calculation and assessed the reasonableness of the estimate made. An allowance for impairment of (£1,716k) has been provided for against the general fund debtor balance. We were unable to satisfy ourselves over the accuracy and completeness of the aging schedule on some balances where allowance for impairment of (£1,471k) has been provided for. Hence, we were unable to gain assurance over the said balance. <p>From the work performed, we have identified a (£297k) classification error related to the Council’s share in NNDR overpayments which should have been mapped in short-term creditors which management has agreed to adjust for.</p> <p>Due to time constraints in meeting the backstop deadline, as per our agreement with management, we have backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.</p>	<p>We have started but not been able to conclude our work for the reasons set out to the left.</p>



Key audit findings: other balances and areas of testing

Testing area	Commentary	Conclusion
Long-Term Debtors £8,469k	<p>We have:</p> <ul style="list-style-type: none"> • Agreed the ledger breakdown to the TB and supporting notes for long-term debtors. • Selected samples to verify accuracy and existence of the balances as at year-end. • Sought direct confirmation from the counterparties, with management's consent, for the value of the investments shown in the accounts; • Received independent confirmations for all of them except for Watford Community Housing. Hence, we were unable to gain assurance over the £3,450k long-term debtor balance; and • Verified the classification of investments as short-term and long-term for the disclosure purposes. <p>No issues were noted for the rest of the long-term debtor balance apart from the £3,450k above where we have not been able to receive the direct confirmation from the counterparty.</p>	We have started but not been able to conclude our work for the reasons set out to the left.



Key audit findings: other balances and areas of testing

Testing area	Commentary	Conclusion
Investments <ul style="list-style-type: none"> • Long term £511k • Short term £25,993k 	We have: <ul style="list-style-type: none"> • Agreed the ledger breakdown for short- and long-term investments to the financial statements. • Sought direct confirmation from the financial institutions, with management’s consent, for the value of the investments shown in the accounts; • Received independent confirmations for all some of the investments; • Verified the classification of investments as short-term and long-term for the disclosure purposes; and • Calculated interest accrued based on the direct confirmations received from financial institutions. <p>No issues were identified from our testing.</p>	Our testing over this area is complete. We have not identified any matters to report to you.
Cash and cash equivalents £10,819k	We have: <ul style="list-style-type: none"> • Obtained an understanding of process and control over cash and cash equivalents: • Agreed the ledger breakdown to the trial balance and supporting notes for cash and cash equivalents; • Obtained and tested bank reconciliation statement for the bank accounts as at the year- end where reconciling items were noted; • Sought direct confirmation from the financial institutions, with management’s consent, for the value of each bank accounts as at 31 March 2025 and have received the responses. No issues has been identified in the balances confirmed; <p>No issues noted in our testing.</p>	Our testing over this area is complete. We have not identified any matters to report to you.
Provisions <ul style="list-style-type: none"> • Short term £3,975k 	We have: <ul style="list-style-type: none"> • Reconciled the provisions per the financial statements to underlying records and the General Ledger; • Received the workings supporting the Non-domestic Rate Appeals provision from management, as the only material provision in the overall balance; • Tested the Non-domestic Rate appeals provision through sample testing. <p>Due to the prior years’ accounts being disclaimed, we have no assurance on the opening provision balances and therefore the movement in year for Non-domestic Rate Appeals provisions.</p>	We have started but not been able to conclude our work for the reasons set out to the left.



Key audit findings: other balances and areas of testing

Testing area	Commentary	Conclusion
Creditors £19,987k	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> • Agreed the ledger breakdown to the TB and supporting notes for short-term creditors and receipts in advance. • Selected a sample of transactions to verify accuracy and existence of the balances as at year-end except for the following: <ul style="list-style-type: none"> ○ creditors control and payroll creditor balance amounting to £2,850k where we experienced delays in receiving the appropriate breakdown/analysis. Hence, we were unable to gain assurance over the said balance; and ○ share in precepting authorities of NNDR overpayments amounting to £445k where management was unable to provide a detailed listing for us to sample from due to the limitations of the NDR system, Academy. Hence, we were unable to gain assurance over the said balances. • We have not identified any issues on the samples selected for various creditor balances totalling £3,044k; council tax related creditors of £333k; and non-domestic rates related creditors of £5,352k. • Recalculated the £862k NDR creditors from precepting authorities related to their share in the cumulative collection fund deficit where we have not noted any issues. However, since we do not have any assurance over the collection fund accounts, we therefore cannot conclude over the accuracy of this creditor balance. • We were unable to conclude work on the following creditor balances: <ul style="list-style-type: none"> ○ levy and safety net creditor of £3,552k where a major input in the calculation is the NDR income during the year where we do not have any assurance over; and ○ NNDR pool accrual of £2,831k due to the nature of the accrual and difficulty by management to provide sufficient evidence in relation to the accrual. <p>From the work performed, we have identified a £307k creditor balance which was incorrectly accounted for twice. Management has agreed to adjust for the said misstatement.</p> <p>Due to time constraints in meeting the backstop deadline, as per our agreement with management, we have backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.</p>	<p>We have started but not been able to conclude our work for the reasons set out to the left.</p>



Key audit findings: other balances and areas of testing

Testing area	Commentary	Conclusion
Borrowings <ul style="list-style-type: none"> • Long term £14,000k • Short term £256k 	We have: <ul style="list-style-type: none"> • Agreed the ledger breakdown to the trial balance; • Tested all the borrowings as at year end to verify accuracy and existence of the balances as at year-end; • We obtained direct confirmation from third parties where applicable and matched the amount for borrowings to the confirmations; and • Verified the classification of borrowing as short-term and long-term for the disclosure purposes. • Upon our review of the borrowings, we identified misstatements related to classification and disclosure. No issues noted in our testing.	Our testing over this area is complete. We have not identified any matters to report to you.
Reserves	We have: <ul style="list-style-type: none"> • Evaluated the completeness of the statutory adjustments included in the 2024/25 movement in reserves statement; • Reconciled the internal consistency of reserves movements in year with other parts of the financial statements; and • Not been able to conclude the accuracy of the movements as the movements and the closing balance are directly influenced by the opening balance. 	We have started but not been able to conclude our work for the reasons set out to the left.
REFCUS £5,241k	We have: <ul style="list-style-type: none"> • Agreed the ledger the REFCUS listing provided by the client to the amount per the accounts; • Selected samples for testing to verify completeness, cut off, accuracy and occurrence of the transactions; and • Tested 4 samples and noted no issues. For the remaining 1 sample, we have not received complete supporting evidence from the management. This sample amount is £3.9m and is a reversal of a payment in advance from 23/24. Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.	We have started but not been able to conclude our work for the reasons set out to the left.



Key audit findings: other balances and areas of testing

Testing area	Commentary	Conclusion
Collection fund	<p>Planned procedures included:</p> <ul style="list-style-type: none"> • Obtaining the council tax system report for council tax and its reliefs for the year and reconciling it to the Collection Fund Income and Expenditure (I&E) Account; • Obtaining the NNDR system report for NNDR and its reliefs for the year, which we matched to the collection fund income and expenditure account; • Selecting samples of council tax reliefs and NNDR reliefs from the underlying listings to test the accuracy and occurrence of these transactions; • Performing analytical procedures over council tax and NNDR income in accordance with the Collection Fund Income and Expenditure Account; • Testing precepts, council tax demand and business rates expenditure, and their allocation to the relevant precepting authorities in line with the Collection Fund disclosures; and • Testing the bad debt allowance and its allocation to the relevant precepting authorities <p>We have only performed the testing on the bad debt allowance and allocation to precepting authorities as part of the work performed on collection fund related debtors and creditors. The movement in the allowance shown as part of charges to the collection fund on the Collection Fund I&E Account is calculated as the difference between closing and opening balance of the bad debt allowance. While we have gained assurance over the closing balance, we have no assurance over the opening balance of the bad debt allowance. Hence, we cannot conclude over the accuracy of the movement during the year.</p> <p>We were unable to perform the other planned procedures enumerated above. In line with our communications and agreement with management, the audit effort was prioritised towards balance sheet financial statement areas, balance sheet build-back work, and the testing of management override of controls, including journal entry testing. Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year.</p> <p>Therefore, we were unable to obtain assurance on this area.</p>	We have started but not been able to conclude our work for the reasons set out to the left.



Key audit findings: other balances and areas of testing

Testing area	Commentary	Conclusion
Cash flow statement	<p>We have:</p> <ul style="list-style-type: none"> Obtained the working paper for cashflow statement and its related notes as at the year end from the management for the draft financial statements. <p>We had planned to perform the below procedures:</p> <ul style="list-style-type: none"> Reconciled the movements in year to other parts of the accounts to confirm internal consistency. However, as these movements are directly influenced by opening balances, over which we have no assurance, we are not able to confirm the accuracy of the movements presented. <p>However, due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.</p>	We have started but not been able to conclude our work for the reasons set out to the left.
Group accounts	<p>We have:</p> <ul style="list-style-type: none"> Obtained management’s consolidation working papers; and Tested the share of the joint venture, Three Rivers Homes Limited, recognised in the group financial statements. <p>No issues noted from this testing.</p>	Our testing over this area is complete. We have not identified any matters to report to you.
West Herts Crematorium Accounting Treatment	From the work performed on other areas of the financial statements, we have identified that the Council has included in its single-entity accounts all the transactions and balances of West Herts Crematorium Joint Committee in the 2024/25 accounts. We have challenged management on this unusual accounting treatment, and this matter remains outstanding at the time of writing this report. The impact of this potential adjustment is pervasive and likely to be material in nature.	We have started but not been able to conclude our work for the reasons set out to the left.



Key audit findings: other balances and areas of testing

Testing area	Commentary	Conclusion
Grant income <ul style="list-style-type: none"> Government grants and contributions £26,338 Capital grants and contributions £3,130 	We have: <ul style="list-style-type: none"> Reconciled the government grants and contributions income and capital grants and contributions income as per the financial statements to the trial balance; and Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area, specifically over occurrence and accuracy.	We have started but not been able to conclude our work for the reasons set out to the left.
Fees and charges income £18,532k	We have: <ul style="list-style-type: none"> Agreed the trial balance to the supporting notes for fees and charges income; and Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area, specifically over occurrence and accuracy.	We have started but not been able to conclude our work for the reasons set out to the left.
Taxation income £13,582k	We have: <ul style="list-style-type: none"> Agreed the trial balance to the supporting notes for income from council tax and non-domestic rates; and Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area, specifically over occurrence and accuracy.	We have started but not been able to conclude our work for the reasons set out to the left.
Interest and investment income £2,122k	We have: <ul style="list-style-type: none"> Agreed the trial balance to the supporting notes for interest and investment income; and Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area, specifically over occurrence and accuracy.	We have started but not been able to conclude our work for the reasons set out to the left.



Key audit findings: other balances and areas of testing

Testing area	Commentary	Conclusion
Completeness of income	<p>We have:</p> <ul style="list-style-type: none"> • Searched for unrecorded transactions by selecting and testing a substantive sample of invoices added to the accounts receivable system pre and post year end to ensure they were accounted for in the correct period; • Searched for unrecorded transactions by selecting and testing a substantive sample of cash receipts from the bank statements pre and post year end to ensure they were accounted for in the correct period; and • No issues were identified from our sample testing. 	Our testing over this area is complete. We have not identified any matters to report to you.
Employee benefit expenditure £18,085k	<p>We have:</p> <ul style="list-style-type: none"> • Agreed the trial balance to supporting notes for employee benefit expenditure. <p>However, due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.</p>	We have started but not been able to conclude our work for the reasons set out to the left.
Depreciation and amortisation £5,639k	<p>We have:</p> <ul style="list-style-type: none"> • Reconciled the depreciation of non-current assets as per the note in the financial statements to the trial balance; • Agreed the depreciation expense shown in the financial statements to the Fixed Asset Register; • Performed analytics on the depreciation expense for accuracy and completeness. • We were able to confirm the in-year expense shown. However, the closing balance is directly influenced by the opening balance and therefore we are unable to conclude the expense is correctly accounted for. <p>Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.</p>	We have started but not been able to conclude our work for the reasons set out to the left.

Page 202



Key audit findings: other balances and areas of testing

Testing area	Commentary	Conclusion
Impairments and revaluations £6,150k	We have: <ul style="list-style-type: none"> • Reconciled the impairment and net revaluation movements of non-current assets as per the note in the financial statements to the trial balance; • Agreed the balance shown in the financial statements to the Fixed Asset Register; and • We were unable to confirm the in-year expense shown as this is a balancing figure calculated using the disclaimed opening balance and therefore, we are unable to conclude the expense is correctly accounted for. <p>Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.</p>	We have started but not been able to conclude our work for the reasons set out to the left.
Other services expenditure £42,306k	We have: <ul style="list-style-type: none"> • Agreed the trial balance to supporting notes for other services expenditure • Agreed the expense ledger breakdown to the TB and supporting note for other operating expenditure. <p>Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.</p>	We have started but not been able to conclude our work for the reasons set out to the left.
Gain on the disposal of assets £1,510k	We have: <ul style="list-style-type: none"> • Reconciled the gain on disposal of non-current assets as per the financial statements to the GL and Fixed Asset Register; • Received workpapers supporting the disposals; • Been unable to verify the calculated gain as the carrying values in the Fixed Asset Register have been disclaimed due to the backstop in recent years; and <p>Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.</p>	We have started but not been able to conclude our work for the reasons set out to the left.



Key audit findings: other balances and areas of testing

Testing area	Commentary	Conclusion
Completeness of expenditure	<p>We have:</p> <ul style="list-style-type: none"> • Searched for unrecorded liabilities by selecting and testing a substantive sample of invoices added to the accounts payable system post year end to ensure they were accounted for in the correct period; • Searched for unrecorded liabilities by selecting and testing a substantive sample of cash payments from the bank statements post year end to ensure they were accounted for in the correct period; and • Received evidence for two sample items, which are currently under review by the audit team. <p>Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.</p>	We have started but not been able to conclude our work for the reasons set out to the left.



Key audit findings: other procedures

Other specific procedures we have undertaken in 2024/25 include the following:

- ▶ Responding to any actual or suspected non-compliance with laws and regulations of which we have become aware;
- ▶ Reviewing minutes of meetings including, but not limited to, full Council, Cabinet and the Audit Committee;
- ▶ IT General controls and work under ISA315;
- ▶ Business process documentation and walkthroughs;
- ▶ Agreeing opening balances and comparative figures to prior year financial statements;
- ▶ Agreeing the financial statements to the Council's trial balance and general ledger;
- ▶ Checking financial statements for internal consistency and arithmetic accuracy;
- ▶ Confirming the audit fee reported in the financial statements;
- ▶ Undertaking a high-level review of the accounts to assess for material omissions or disclosure errors;
- ▶ Undertaking a high-level Audit Manager and Engagement Lead review of the 2024/25 financial statements;
- ▶ Confirming that accounts have been issued and approved in line with The Accounts and Audit Regulations 2015;
- ▶ Procedures in respect of subsequent events after the balance sheet date, including enquiries of management;
- ▶ Updating our planning and risk assessment and procedures on receipt of the financial statements (post-statement procedures) including re-considering our materiality thresholds;
- ▶ Updating our scoping procedures following receipt of the financial statements;
- ▶ Undertaking comprehensive build-back scoping across all disclaimed years;
- ▶ Undertaking post-statement analytical procedures;
- ▶ Reviewing the form and content of the Narrative Report;
- ▶ Evaluating any misstatements identified; and
- ▶ Drafting an Audit Plan and Audit Completion Report and presenting these to the Audit Committee.



Key audit findings: other areas of focus

Area of focus	Issue	Audit findings and conclusion
Significant matters on which there was disagreement with management	There were no significant matters on which there was disagreement with management.	None noted.
Significant management judgements which required additional audit work and / or where there was disagreement over the judgement and / or where the judgement is significant enough that we are required to report it to those charged with governance before they consider their approval of the accounts	<p>Wimbledon Income Strip 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 such as the sinking fund contribution received at lease inception. As part of work performed, it was revealed during the 2024/25 audit that asset was incorrectly valued at lease inception and this resulted in a restatement of the prior year periods by management in the re-issued accounts. We have also considered management's judgements and accounting treatment for calculating the expected interest rate.</p> <p>West Herts Crematorium Joint Committee Accounting The Council has included in its single-entity accounts all the transactions and balances of West Herts Crematorium Joint Committee in the 2024/25 accounts. We have challenged management on this unusual accounting treatment, and this matter remains outstanding at the time of writing this report.</p>	Our work on the detailed procedures on both judgements remains ongoing. In line with the build-back plan, the completion of this work will not enable the disclaimer to be lifted and, along with the other factors explained in the report, we therefore plan to issue a disclaimer of opinion for the financial year 2024/25.
<p>Concerns identified in the following:</p> <ul style="list-style-type: none"> • Consultation by management with other accountants on accounting or auditing matters • Matters significant to the oversight of the financial reporting process • Adjustments / transactions identified as having been made to meet an agreed system position / target 	No concerns were identified.	None noted.



Key audit findings: other areas of focus

Area of focus	Issue	Audit findings and conclusion
<p>Prior year adjustments identified</p>	<p>Within the draft accounts re-published on 29 September 2025, management have processed several prior period adjustments (PPAs) to correct historic errors:</p> <ol style="list-style-type: none"> 1. <u>Valuation of properties acquired under a finance lease</u>: Error was identified on a finance-leased investment property associated with the Wimbledon income strip, requiring significant restatement of both the asset value and associated lease liabilities. 2. <u>Posting omissions and other General Fund adjustments</u>: Errors were found in prior-year reserve movements, including mis-posted entries relating to the Wimbledon income strip arrangement and Collection Fund balances. These required adjustments to opening balances. 3. <u>Valuation of operational assets</u>: Some operational properties (e.g., Aquadrome and temporary accommodation) were incorrectly valued in the prior year and needed retrospective correction. <p>As these PPAs affects the balance sheet, in accordance with IAS 1, management is also required to add a third balance sheet to show the impact of the opening balance to 2023/24 financial year.</p> <p>In addition, management have restated the prior-year accounts following the decision to include the West Herts Crematorium Joint Committee’s balances within the single entity statements. As mentioned in previous sections, the appropriateness of this treatment remains under review with management. These adjustments, however, have not been disclosed within the Prior Period Adjustment note.</p> <p>Finally, within the re-published draft accounts on 29 September 2025, we identified a high number of inconsistencies between the prior year accounts and figures disclosed for 2023/24 balances, where it was not stated that the balances in the prior-year have been re-stated. We have not separately presented these inconsistencies due to the high number of them, but we have identified 35 which were material and 35 which were immaterial.</p>	<p>Due to the missing assurance for prior periods and the time constraints imposed by the statutory backstop we have not completed all our planned procedures and will issue a disclaimer of opinion.</p>



Key judgements and estimates

Page 208



Key judgements and estimates

Key judgements and estimates, as well as other judgements and estimates made by management, are set out in the table below along with audit commentary on these judgements and estimates in line with the enhanced requirements for auditors.

Significant judgement or estimate	Value in accounts £000	Summary of management's approach	Audit comments and assessment
Land and buildings valuations (key accounting estimate)	£111,050	<p>The other land and buildings revalued include specialised buildings and land valued on a Depreciated Replacement Cost (DRC) basis and Existing Use in Value (EUV) basis.</p> <p>The Council has engaged an external valuer, Align, to value the asset portfolio on a three-year rolling valuation basis. This is the second year of the engagement.</p> <p>This has led to an overall net increase of £6,462k from the 31 March 2024 asset value (£104,588k). This increase includes movements other than revaluations, such as additions, derecognition of asset components and depreciation.</p>	<p>Our work to assess this estimate began with reconciling the values per the fixed asset register with the trial balance and valuation report, which was delayed due to numerous inconsistencies between the valuation report and asset register.</p> <p>We then selected a sample of revalued land and building assets to test the valuer's assumptions and calculations, the supporting evidence for their calculations, as well as the accuracy of journal postings by management to recognise this accurately.</p> <p>We then experienced long delays in receiving response and evidence from the valuer, as such this testing was unable to be completed in time for the audit back stop</p> <p>We have rolled forward a recommendation from the prior year around variances between the fixed asset register and valuer's report.</p> <p>We are unable to form a conclusion. Our opinion will be disclaimed.</p>



Key judgements and estimates

Significant judgement or estimate	Value in accounts £000	Summary of management's approach	Audit comments and assessment
Investment property valuations (key accounting estimate)	£44,949	<p>The investment properties revalued include assets revalued using the Existing Use in Value (EUV) basis.</p> <p>The Council has engaged an external valuer, Align, to value the asset portfolio on a three-year rolling valuation basis. This is the second year of the engagement.</p> <p>This has led to an overall net decrease of £3,265k from the 31 March 2024 asset value (£48,214k). This increase includes movements other than revaluations, such as lease remeasurement.</p>	<p>Our work to assess this estimate began with reconciling the values per the fixed asset register with the trial balance and valuation report, which was delayed due to numerous inconsistencies between the valuation report and asset register.</p> <p>We then selected a sample of revalued investment property assets to test the valuer's assumptions and calculations, the supporting evidence for their calculations, as well as the accuracy of journal postings by management to recognise this accurately.</p> <p>We then experienced long delays in receiving response and evidence from the valuer, as such this testing was unable to be completed in time for the audit back stop.</p> <p>We have rolled forward a recommendation from the prior year around variances between the fixed asset register and valuer's report.</p> <p>We are unable to form a conclusion. Our opinion will be disclaimed.</p>



Key judgements and estimates

Significant judgement or estimate	Value in accounts £000	Summary of management's approach	Audit comments and assessment																								
Valuation of the defined pension fund net liability (key accounting estimate)	(813)	<p>The Council's total net pension liability is held with the Hertfordshire Pension Fund. The Pension Fund use Barnett Waddingham, an external actuary, to provide the valuation of the Council's share of the Pension Fund's assets and liabilities. A full valuation is required every three years. Following receipt of the actuary's report, which showed a net asset position, management considered the requirements of IFRIC 14 and concluded with a net liability in the financial statements.</p> <p>The year end valuation of net pension liability was £813k, a net increase of £94k from 2023/24 (£-719k).</p>	<p>We have undertaken the following in the course of our testing:</p> <ul style="list-style-type: none"> Reviewed the adequacy of the disclosure in the financial statements; Reviewed the reasonableness and accuracy of the IFRIC14 assessment prepared by the actuary and the impact on the asset ceiling; and Used our auditor's expert (PwC) to assess assumptions made by the actuary. <table border="1" data-bbox="1098 568 2420 982"> <thead> <tr> <th>Assumption</th> <th>Actuary value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>5.8%</td> <td>5.6 – 5.95%</td> <td>Within range</td> </tr> <tr> <td>Pension increase rate</td> <td>2.9%</td> <td>2.85 – 2.95%</td> <td>Within range</td> </tr> <tr> <td>Salary growth</td> <td>3.9%</td> <td>1% above pension increase</td> <td>Within range</td> </tr> <tr> <td>Life expectancy: males currently 45-65</td> <td>21.2</td> <td>19.2 – 21.8</td> <td>Within range</td> </tr> <tr> <td>Life expectancy: females currently 45-65</td> <td>24.1</td> <td>22.7 – 24.3</td> <td>Within range</td> </tr> </tbody> </table> <p>However, we have been unable to perform the following procedures this financial year:</p> <ul style="list-style-type: none"> Assessed the competence, capability and independence of management's expert actuary; Assessed the actuarial approach taken to confirm reasonableness of approach; Reviewed completeness and accuracy of the underlying information used to determine the estimate; and Reviewed the reasonableness of the Council's share of local pension scheme assets. <p>Due to audit opinions on the prior years' financial statements being disclaimed, we have no assurance over the opening balances of the pension liability. This means we have no assurance on the movements in year and cannot conclude on the valuation of the pension fund liability as at 31 March 2025.</p>	Assumption	Actuary value	PwC range	Assessment	Discount rate	5.8%	5.6 – 5.95%	Within range	Pension increase rate	2.9%	2.85 – 2.95%	Within range	Salary growth	3.9%	1% above pension increase	Within range	Life expectancy: males currently 45-65	21.2	19.2 – 21.8	Within range	Life expectancy: females currently 45-65	24.1	22.7 – 24.3	Within range
Assumption	Actuary value	PwC range	Assessment																								
Discount rate	5.8%	5.6 – 5.95%	Within range																								
Pension increase rate	2.9%	2.85 – 2.95%	Within range																								
Salary growth	3.9%	1% above pension increase	Within range																								
Life expectancy: males currently 45-65	21.2	19.2 – 21.8	Within range																								
Life expectancy: females currently 45-65	24.1	22.7 – 24.3	Within range																								



Key judgements and estimates

Significant judgement or estimate	Value in accounts £000	Summary of management's approach
Minimum revenue provision	781	<p>The Council is responsible on an annual basis for determining the amount charged for the repayment of debt. This is known as the Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>The year end MRP charge was £781k, a net increase of £323k from 2023/24.</p> <p>Following consultation MHCLG have clarified and updated the regulations and the statutory guidance for minimum revenue provision. Although these take full effect from April 2025, the consultation highlighted that the intention was not to change policy, but to clearly set out in legislation the practices that authorities should already be following.</p> <p>This guidance clarifies that capital receipts may not be used in place of a prudent MRP, that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted from the calculation unless exempted by statute.</p>

Page 212



Key judgements and estimates

Minimum Revenue Provision (continued) – Audit comments and assessment

We have carried out the following work:

- Considered whether the Council’s policy on MRP complies with statutory guidance;
- Assessed the reasonableness of any changes to the Council’s MRP policy from the prior year;
- Assessed and benchmarked the Council’s MRP charge as a percentage of the opening capital financing requirement. A charge higher than 2% is considered a sufficiently prudent estimate. The Council’s MRP charge as a percentage of CFR is 1.15%. This may indicate higher risk of MRP being insufficient to secure longer term financial resilience.
- Assessed and benchmarked the Council’s total debt as a percentage of the capital financing requirement. A percentage lower than 100% is considered sufficiently prudent. The Council’s total debt as a percentage of CFR is 17.60%.

For work completed, we have noted the following:

- £183k MRP charge was calculated based on 60-year useful life which is permitted on the MRP guidance only where the Council has an opinion from an appropriately qualified professional advisor that the assets will deliver service functionality over the said useful life. At the issuance of this report, we have not received this evidence from management. We have raised a control recommendation on this in the “Recommendations” section of this report.
- £300k MRP charge relates to the West Herts Crematorium Joint Committee. As part of our procedures in other areas of the audit, we have noted that the Council has included in its single entity accounts all the transactions and balances of the joint in the 2024/25 accounts. We have challenged management for this unusual accounting treatment and is still open at the issuance of this report. We also have not received the supporting workings for this MRP charge.
- For the remaining £298k MRP charge, we have not identified any issues over the appropriateness of the Council’s MRP policy and compliance with the latest statutory guidance.

Overall, as we do not have any assurance over the opening CFR, we therefore do not have assurance over the closing CFR. We therefore cannot fully conclude on the accuracy of the MRP calculation. Based on the above, we are unable to reach a conclusion on this area. Along with the other factors explained in the report, we therefore plan to issue a disclaimer of opinion for the financial year 2024/25.

Page 213



Key judgements and estimates

Significant judgement or estimate	Value in accounts £000	Summary of management's approach	Audit comments and assessment
Depreciation	3,707	<p>Depreciation is charged on a straight-line basis over the useful lives of Property, Plant, and Equipment assets, except for those without a determinable life (e.g., freehold land) or not yet in use (e.g., assets under construction).</p>	<p>We performed a predictive analytical review of the depreciation balance, considering changes in useful lives and other in-year movements. We have discussed and investigated any variances outside of expectations with management.</p> <p>We have not identified any issues that require reporting to Those Charged with Governance.</p>
Non-domestic rate provisions	3,887	<p>Non-domestic rate provisions are made for possible refunds from a business rate appeals and can vary depending on factors such as; the type of appeal and type of property, together with its geographical location and the probability of appeal success.</p> <p>Estimates have been made for the provision for refunding ratepayers who may successfully appeal against the rateable value of their properties. This includes the current and previous financial years. The estimate is based on those ratepayers who have appealed.</p> <p>The year end Non-domestic provision charge was £3,887k, a net decrease of £900k from 2023/24 (£2,987k).</p> <p>Other provisions except for the non-domestic rate provision are below materiality.</p>	<p>Due to the prior years' accounts being disclaimed and the time constraints imposed by the statutory backstop, we have not completed all our planned procedures and will issue a disclaimer of opinion.</p>



Other responsibilities

Page 215



Financial statements: other responsibilities

Matter	Commentary	Findings
Matters in relation to fraud	We have previously discussed the risk of fraud with management and the audit committee. We have not been made aware of any other incidents in the period. No other issues have been identified during the course of our audit from the work we have been able to complete.	As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a final conclusion on this area.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed from the work we have been able to complete.	As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a final conclusion on this area.
Matters in relation to compliance with laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations, and we have not identified any instances from the audit work we have been able to complete.	As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a final conclusion on this area.
Written representations	A letter of management representations has been requested from the Council.	Please refer to the letter of representation included alongside this report.
Confirmation requests from third parties	We requested permission from the Council for us to send confirmation requests to their financial institutions, comprising Lloyds Bank, BLYM, Watford Community Housing and Three Rivers Homes Ltd. All requested confirmations have been received except one, from Watford Community Housing to support the Long-Term Debtors balance in the financial statements.	As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a final conclusion on this area.
Disclosures	From the work completed, our review found no material omissions in the financial statements that management has not agreed to correct.	We have not completed all planned audit procedures required to allow us to reach a final conclusion on this area.

Page 216



Financial statements: other responsibilities

Matter	Commentary	Findings
Going concern	<p>As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570). Management prepared the financial statements on a going concern basis applying the continuation of services provision set out in Practice Note 10. We have confirmed that this is appropriate as there is no known intention to transfer the services provided by the Council outside the public sector. We have not identified any material uncertainties relating to going concern at the Group or Council.</p>	<p>As we have been unable to conclude our audit in advance of the backstop date, we have not been able to obtain sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> • a material uncertainty related to going concern has not been identified • management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Other information (Narrative report and Annual Governance Statement)	<p>We are required to read and 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 and our knowledge obtained from the audit or otherwise appears to be materially misstated. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or whether risks are satisfactorily addressed by internal controls.</p>	<p>As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a final conclusion on this area.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception:</p> <ul style="list-style-type: none"> • If the annual governance statement does not comply with the disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit • Where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness. 	<ul style="list-style-type: none"> • As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a final conclusion on this area. • We have not identified a significant weakness with respect to the value for money arrangements within the Council.



Financial statements: other responsibilities

Matter	Commentary	Findings
Specified procedures for the Whole of Government Accounts	<p>We are required to carry out specified procedures on behalf of the NAO on the WGA consolidation pack under WGA group audit instructions. Group instructions were issued in August 2025 which set out the procedures that the NAO require from component auditors. However, the NAO may direct auditors of components below the audit threshold to undertake additional work.</p> <p>The Council does not exceed the audit threshold for detailed testing set out in the group instructions. Submission of a partial assurance statement is required.</p>	We will complete and submit a partial assurance statement after issue of our auditor’s report and await further guidance on whether or not any additional testing is required.
Certification of closure of the audit	We are required to certify the closure of the audit on completion of all audit work for the financial year required under the Code.	We cannot issue our certificate of closure until the Comptroller and Audit General has certified the WGA for 2024-25. Our auditor’s report will therefore include a delayed certificate.
Statutory powers and duties	We are required to report by exception if we have applied our other statutory powers or duties during the audit.	We have not exercised any of our additional statutory powers or duties.



Audit adjustments

Page 219



Audit adjustments

Adjusted misstatements

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. Details of items corrected following discussions with management are as below.

Detail	CIES £000 DR (CR)	Balance sheet £000 DR (CR)	Impact on total net expenditure £000 DR (CR)	Impact on useable reserves £000 DR (CR)
Income and Expenditure miscoding We identified a miscoding in the CIES between Financing and Investment Income and Policies and Resources line. DR Policy and Resources (Cost of Services) CR Financing and Investment Income and Expenditure	 1,532 (1,532)	 	 1,532 (1,532)	 1,532 (1,532)
Movement in balances between draft accounts and re-issued accounts Management submitted draft accounts before final accounts were ready, with changes to balances when re-issuing accounts on 29 September 2025. DR Property, Plant and Equipment CR Short Term Creditors CR Short Term Finance Liability DR (Surplus)/Deficit on Provision of Services CR Usable reserves DR Unusable reserves	 217	 884 (5) (17) (1,496) 417	 217	 217 (1,496)

Page 220



Audit adjustments

Adjusted misstatements continued...

Detail	CIES £000 DR (CR)	Balance sheet £000 DR (CR)	Impact on total net expenditure £000 DR (CR)	Impact on useable reserves £000 DR (CR)
<p><u>Wimbledon Finance Lease Valuation</u> As part of our build-back work on additions, we have picked up the Wimbledon Lease Addition in 2022/23 which has been subsequently restated due to its undervaluation. A restatement was made in the opening 2023/24 balance of the asset which we have determined to be understated by £400k.</p>				
DR Investment Property (Opening Balance at 1 April 2024)		400		
CR Capital Adjustment Account (Opening Balance at 1 April 2024)		(400)		
DR Change in Fair Value of Investment Property	400		400	400
CR Investment Property		(400)		
CR General Fund (Adjustment between accounting and funding basis)		(400)		(400)
DR Capital Adjustment Account		400		
<p><u>Misclassification between Short Term Debtors and Short Term Creditors</u> From our work on collection fund debtors and creditors, we have noted that the Council's share of NNDR overpayments has been incorrectly mapped as part of short-term debtors instead of short-term creditors</p>				
DR Short Term Debtors		297		
CR Short Term Creditors		(297)		



Audit adjustments

Adjusted misstatements continued...

Detail	CIES £000 DR (CR)	Balance sheet £000 DR (CR)	Impact on total net expenditure £000 DR (CR)	Impact on useable reserves £000 DR (CR)
<p>Housing Benefit Creditor Sample We have noted that one of our samples for short-term creditors testing related to housing benefit accrual which has been accounted for twice in error.</p> <p>DR Short Term Creditors CR Policy and Resources (Cost of Services)</p>	(307)	307	(307)	(307)
<p>Housing Benefit and Rent Allowances Accrual We have obtained a breakdown of the creditors control account where we have noted that £1,335k of housing benefit and £46k rent rebates accrual has been incorrectly classified as creditors.</p> <p>DR Short Term Creditors CR Short Term Debtors</p>		(1,381) 1,381		
Overall impact	310	(310)	310	(1,586)

Page 222



Audit adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit.

Disclosure / issue / omission	Outcome	Adjustment agreed?
Note 22 – Movement in the value of Property, Plant & Equipment Management incorrectly disclosed the cost of other land & buildings as at 31 March 2025 as £110,957k instead of £112,038k.	Management has agreed to change the disclosure.	Y
Note 22 – Movement in the value of Property, Plant & Equipment Management incorrectly disclosed the cost of total Property, Plant & Equipment as at 31 March 2025 as £134,842k instead of £135,923k.	Management has agreed to change the disclosure.	Y
Note 22 – Movement in the value of Property, Plant & Equipment Management incorrectly disclosed the depreciation and impairment of Vehicles, Plant, Furniture & Equipment as at 31 March 2025 as £7,301k instead of £7,471k.	Management has agreed to change the disclosure.	Y
Note 33 – Financial Instruments Management incorrectly disclosed Total Financial Assets as £53,431k instead of £53,492k.	Management has agreed to change the disclosure.	Y
Note 38 – Earmarked Reserves Management incorrectly disclosed Commercial Reserve as £9,306k instead of £9,000k.	Management has agreed to change the disclosure.	Y
Note 38 – Earmarked Reserves Management incorrectly disclosed Total Earmarked Reserves as £23,220k instead of £22,869k.	Management has agreed to change the disclosure.	Y
Note 40 – Capital Grants Unapplied Reserve Management incorrectly disclosed balance as £13,524k instead of £13,255k.	Management has agreed to change the disclosure.	Y

Page 223



Audit adjustments

Misclassification and disclosure changes - continued

The table below provides details of misclassification and disclosure changes identified during the audit.

Disclosure / issue / omission	Outcome	Adjustment agreed?
Collection Fund Management incorrectly disclosed Total National Non-Domestic Rates Expenditure as £52,869k instead of £52,738k.	Management has agreed to change the disclosure.	Y
Collection Fund Management incorrectly disclosed Total Expenditure as £140,747k instead of £140,616k.	Management has agreed to change the disclosure.	Y
Group CIES Management incorrectly disclosed Group Surplus or Deficit for 2023/24 as -£630k instead of -£4,087k.	Management has agreed to change the disclosure.	Y
Balance Sheet Management has restated numerous 2023/24 balances, as such the prior-year comparator for the 2024/25 balances have been restated . In accordance with IAS 8, management are required to include a third balance sheet to highlight these restated balances.	Management has agreed to change the disclosure.	Y



Building back assurance

Page 225



Building back assurance

We set out below the work we have done to build back assurance from disclaimed years of audit. Our work has been undertaken in accordance with the statutory guidance set out in Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01 to 06

Build back activity	Commentary
<p>Risk Assessment (LARRIG 06)</p> <p>We are required by LARRIG 06 to evaluate the inherent risk of material misstatement in the opening general fund balances and associated earmarked reserves following prior year disclaimers.</p> <p>This in turn informs the volume of work necessary to recover assurance over the reserves position as a 1 March 2025.</p>	<p>We have considered the guidance set out in LARRIG 06 issued by the National Audit Office to determine the risk of material misstatement in the general fund reserves of the Council at 31 March 2025.</p> <p>This involved a detailed assessment of a number of risk factors, as set out in LARRIG 06, including consideration of the following:</p> <ul style="list-style-type: none"> • Whether the Council has a history of timely production of the financial statements • The number of years for which disclaimed opinions have been issued • The complexity and volume of movement in reserves over the disclaimed period • The strength of the control environment in place over the period of disclaimed opinions • Changes in key personnel, financial reporting systems or key processing activities during the disclaimed period • Previous reporting of significant deficiencies in control, significant weaknesses in arrangements to secure VFM or material or other misstatements • The level of reserves in place over the disclaimed period • Issues reported by Internal Audit and in the Annual Governance Statements

Page 226



Building back assurance

Outcome

We have undertaken comprehensive procedures in this area as part of our build-back risk assessment, in accordance with the requirements and statutory considerations set out in LARRIG06. As part of our procedures under this stream, we planned to reconcile the financial statements to the general ledger and trial balance for the current year and each previously disclaimed year, tracing back to the last non-disclaimed opinion issued on 31 March 2020.

From the work performed to date, we have identified significant variances, particularly in relation to prior period adjustments posted into the intervening years' statements of accounts.

We have also undertaken the following work:

- A consistency review of the 2023/24, 2022/23, 2021/22 and 2020/21 narrative reports against the financial statements;
- Review of the Annual Governance Statements for 2023/24, 2022/23, 2021/22 and 2020/21;
- Review of the Head of Internal Audit Opinions back to the year ended 31 March 2021;
- Review of the Minimum Revenue Provision for the 2023/24, 2022/23, 2021/22 and 2020/21 financial years;
- Design and implementation assessments of income and expenditure processes and controls for the 2022/23, 2021/22 and 2020/21 financial years;
- Review of the composition of the fixed asset register back to the year ended 31 March 2021, as well as reconciliations between the fixed asset register and accounts for the same period;
- Review of capital and revenue budgets and outturn for the period back to the year ended 31 March 2021; and
- Consistency review of the reserve movements within the financial statements for 2023/24, 2022/23, 2021/22 and 2020/21 financial years.

Additional time has been required by both audit and management to investigate these matters. We have agreed with management that there will not be sufficient time to finalise this work ahead of the backstop date. We will therefore continue these procedures as part of the 2025/26 audit.

Based on the work completed to date, we have concluded that Three Rivers District Council is at the higher end of the risk spectrum for build-back purposes. This reflects the presence of several high-risk factors identified in LARRIG06, including the complexity of the Council's financial statements, the significant income strip investment and related transactions, the size and nature of the asset portfolio, and the challenges encountered in reconciling historic accounts to the trial balance across the disclaimed period.

As a result, full build-back procedures will be required in future years for income and expenditure relating to the disclaimed period.



Building back assurance

Build back activity	Commentary	Audit view
<p>Phase 2: Build back of assurance in respect of Property, Plant and Equipment over the disclaimed period</p> <p>In order to build back assurance over the reserves, we are required to undertake substantive testing of movements in property, plant and equipment over the disclaimed period.</p>	<p>We have undertaken procedures to substantively test valuations, depreciation, disposals, additions, reclassifications and other PPE movements back to the last non-disclaimed audit opinion. The work also included reconciling the Fixed Asset Register (FAR) to the general ledger balances and reconciling both of these to the accounts for each disclaimed year. In undertaking this work we identified a number of issues in the prior year disclosures.</p> <p>Valuations: Work on valuations for the 2023/24 financial year were performed, because the council had a revaluation performed over all land and building assets, from which we could build back assurance. Due to delays in reconciling the fixed asset register with the trial balance, and valuation reports, as well as delays in valuer responses and evidence, work was unable to be completed and will be picked up as part of build back for 2025/26.</p> <p>Depreciation: We have been able to reconcile depreciation within the fixed asset register to the trial balance and accounts for each year of disclaimed opinion, however, through our analytical review we are unable to conclude on the accuracy of the depreciation charged each year due complexities with the council's fixed asset register and useful life associated with numerous assets which lead to inconsistencies.</p> <p>Disposals: We were able to reconcile the disposals on the fixed asset register and the accounts for 2021/22, 2022/23, 2023/24 but not for 2020/21. The published 2020/21 accounts did not include derecognition of fully depreciated assets with a gross book value of £8,671k. This has been changed in the comparative table in the published 2022/23 accounts. We have received listings and selected samples to test for the disclaimed periods where disposals are material. Majority of the samples picked related to derecognition of fully depreciated assets where the Council has not been able to provide us sufficient and appropriate evidence that those assets are no longer in use or exist as at year-end. From conversations with management, this is a result of poor recordkeeping of asset additions in those years where purchases of multiple assets are only included in a single line in the fixed asset register and there were no proper monitoring of those after recognition. Hence, the approach taken by management is to derecognise those at the end of their useful life. Proceeds from sale of assets that cannot be properly traced back to the fixed asset register is recognised in full as a gain in the CIES. We have raised a recommendation on this issue in our report.</p>	<p>We have started but not been able to conclude our work for the reasons set out to the left. All time allocated to this task for 2024/25 has been utilised and the constraints posed by the statutory backstop date means the work has not yet been able to be concluded</p> <p>We will continue our work on this in 2025/26.</p>



Building back assurance

Build back activity	Commentary	Audit view
<p>Phase 2: Build back of assurance in respect of Property, Plant and Equipment and Investment Property over the disclaimed period (continued)</p>	<p>Additions: We were able to reconcile the disposals on the fixed asset register and the accounts for all of the disclaimed periods. We have received listings and selected samples to test where additions are material. The results of the work performed is summarised below.</p> <ul style="list-style-type: none"> • 2020/21 – Gained assurance over 6/9 samples; 3 remaining samples where we have open queries / requests for evidence that remains open as at writing of this report. • 2021/22 – Gained assurance over 3/5 samples; 2 remaining samples where we have open queries / requests for evidence that remains open as at writing of this report. • 2022/23 – Gained assurance over 6/10 samples; 3 remaining samples where we have open queries / requests for evidence that remains open as at writing of this report; 1 sample relating to the Wimbledon Lease addition which has been determined by management to be incorrect. This has been presented in the 2024/25 accounts as a prior period adjustment on the opening balance of the investment property as at 1 April 2024. • 2023/24 – Gained assurance over 3/5 samples; 2 remaining samples where we have open queries / requests for evidence that remains open as at writing of this report. <p>Reclassifications: We were able to reconcile the disposals on the fixed asset register and the accounts for all of the disclaimed periods. We have received listings and selected samples to test where reclassifications are material. We were not able to conclude on the appropriateness of the reclassification samples selected due to the following reasons:</p> <ul style="list-style-type: none"> • 2021/22 – Received evidence for all of our 3 samples but were unable to process the evidence due to the time constraints and imposition of backstop date; and • 2022/23 – We have not received evidence for all of our 4 samples <p>Consequently, further work remains outstanding for valuations across the disclaimed years to recover assurance and build back to the last clean opinion.</p>	<p>We have started but not been able to conclude our work for the reasons set out to the left. All time allocated to this task for 2024/25 has been utilised and the constraints posed by the statutory backstop date means the work has not yet been able to be concluded.</p> <p>We will continue our work on this in 2025/26.</p>



Building back assurance

Build back activity	Commentary	Audit view
<p>Phase 2: Build back of assurance in respect of other balances directly influenced by the opening position over the disclaimed period</p> <p>In order to build back assurance over balances where the closing position is directly influenced by the opening position, we are required to undertake substantive testing of movements in these balances over the disclaimed period.</p>	<p>We have commenced our procedures in this area, but further work is required in order to conclude. The balances in question include:</p> <ul style="list-style-type: none"> • Wimbledon income strip transactions: work has commenced in this area and is currently ongoing; • Long term debtors: work has commenced in this area and is currently ongoing; • Collection fund debtors and creditors: work has commenced in this area and will be concluded once historic, related income and expenditure and collection fund transactions have been substantively tested and recovered; • Pension liability: work has commenced in this area and will be concluded following the pension fund triennial valuation due in 2025/26; and • Provisions: additional work is required in respect of the NNDR appeals provision as the closing balance is directly influenced by the opening position. 	<p>Due to time constraints imposed by the backstop date, we were unable to fully conclude our build-back work on other balance sheet line items.</p>
<p>Phase 3: Build back of assurance in respect of unusable and useable reserves</p>	<p>We have undertaken our procedures, which includes reconciling and validating movements within the Movement in Reserves Statements (MIRS) for each disclaimed audit period back to the last clean opinion.</p> <p>During our review, we identified some trivial misstatements and casting errors in each of the years back to 31st March 2021, however overall, the closing balances appear materially accurate and reasonable.</p>	<p>All time allocated to this task for 2024/25 has been utilised and we are satisfied that the reserves statements are materially accurate.</p>



Value for money

Page 231



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 2024 and the requirements of Auditor Guidance Note 3 ('AGN 03').

We have completed our value for money work. Our detailed findings are reported in the following commentary in this report.

We have not identified any significant weaknesses in the Council's arrangements and so are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Page 232

Reporting criteria	Planning – risk of significant weakness identified?	Final – significant weakness identified?	Recommendations made		
			Statutory	Key	Other
Financial sustainability How the body plans and manages its resources to ensure it can continue to deliver its services	No	No	No	No	Yes
Governance How the body ensures it makes informed decisions and properly manages risk	No	No	No	No	Yes
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	No	No	No	No



Independence and ethics

Page 233



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.
- ▶ 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.

Page 234

Non-audit service fees

Service	2024/25 Fee £	Threats identified	Safeguards
Housing Benefit (HBAP) certification	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.



Appendices

Page 235



Appendices

Appendix I: Recommendations arising from the audit	83
Appendix II: Fees	95



Recommendations

Page 237



Appendix I: Recommendations

Recommendations identified during the course of our audit

The matters reported here are limited to deficiencies 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. Recommendations arising from our value for money work are reported separately in our Auditor’s Annual Report.

Page 238

Assessment	Issue	Recommendation	Management response
RED	<p>Preparation of financial statements</p> <p>The Council issued their 2024/25 draft financial statements by the statutory reporting date of 30 June 2025. However, the Council subsequently amended and revised these statements and re-issued them on 29 September 2025. In updating their accounts, management has made changes, in the comparators, to figures in the prior year audited accounts. Some of these changes are not material, MRP as an example, and thus should not have been amended in the prior year comparators. Moreover, changes should not be made retrospectively to MRP as this is a breach of legal and regulatory requirements.</p>	<p>The Council should ensure the accounts it produces on 30 June each year are its final draft statements and, importantly, should ensure it does not amend figures in the prior year accounts comparators unless a material error has been identified in line with International Accounting Standard 1 (IAS1).</p>	Management response required
RED	<p>Quality review of financial statements</p> <p>During the audit we noted several disclosure errors in the financial statements that were communicated to management and corrected. Upon reflection we noted that these deficiencies occurred due to weakness in the financial statements’ preparation and review processes.</p>	<p>The Council should ensure they do a thorough quality check of the financial statements ahead of publishing the statements and presenting for audit.</p>	Management response required

Appendix I: Recommendations

Recommendations identified during the course of our audit (continued)

Assessment	Issue	Recommendation	Management response
AMBER	<p>Asset Life Used in Minimum Revenue Provision (MRP) not in line with MRP guidance</p> <p>From our review of the MRP workings, we have noted that £183k MRP charge was calculated based on 60-year useful life on capital expenditure from prior years. This is permitted on the MRP guidance only where the Council has an opinion from an appropriately qualified professional advisor that the assets will deliver service functionality over the said useful life. At the issuance of this report, we have not received this evidence from management.</p>	<p>We recommend for management to have sought a professional advisor opinion when deciding to calculate the MRP over the maximum useful life of 50 years as per the statutory guidance.</p>	Management response required
AMBER	<p>NDR Overpayments Detailed Listing</p> <p>As part of our collection fund related debtors and creditors, we have requested detailed breakdown of the NNDR credits and overpayments figure. Management was unable to provide a detailed listing for us to sample from due to the limitations of the NNDR system, Academy.</p>	<p>Management should reach out to their external supplier to understand how to extract such report.</p>	Management response required

Page 239

Key: **Significant** effect on financial statements **Limited** effect on financial statements **Low** improvement point / best practice



Appendix I: Recommendations

Recommendations identified during the course of our audit (continued)

Assessment	Issue	Recommendation	Management response
AMBER Page 240	<p>Poor Recordkeeping of Asset Additions in the Fixed Asset Register (FAR) Two of our PPE disposals samples relate to derecognition of fully depreciated assets where the Council has not been able to provide us sufficient and appropriate evidence that those assets are no longer in use or exist as at year-end. From conversations with management, this is a result of poor recordkeeping of asset additions in the previous years where purchases of multiple assets are only included in a single line in the fixed asset register and there were no proper monitoring of those after recognition. Hence, the approach taken by management is to derecognise those at the end of their useful life. Proceeds from sale of assets that cannot be properly traced back to the fixed asset register is recognised in full as a gain in the CIES.</p>	<p>We recommend that management record asset additions as separate lines in the FAR to enable proper monitoring.</p>	<p>Management response required</p>

Key: **Significant** effect on financial statements **Limited** effect on financial statements **Low** improvement point / best practice



Appendix I: Recommendations from IT audit

Recommendations identified by our IT audit team.

We set out here the recommendations we have identified as part of our Technology Risk review.

Assessment	Issue	Recommendation	Management response
AMBER	<p>There is no testing of specific backups and restorations, for the purposes of disaster recovery (DR) testing or to validate the ability to restore from backups. DR testing is offered as an additional service by OneAdvanced and is not undertaken regularly unless part of the service. OneAdvanced confirmed verbally that smaller scale restoration testing has been completed in order to verify the process is operational, however this was not specific to W3R. Backup restoration is typically done at the request of clients following major system updates.</p> <p>OneAdvanced do not prepare assurance reports, such as a SOC 1 / SOC 2 report, to verify backup and recovery processes.</p> <p><u>Risk:</u></p> <p>There is an increased likelihood of data loss and/or delays in data recovery due to weaknesses in the backup and recovery processes.</p>	<p>Consider engaging OneAdvanced to undertake DR testing to validate the ability to restore from backups.</p>	<p>Backups of data are taken regularly. The entire virtual infrastructure is replicated at a second data centre (more than 30 miles away) each night for Disaster Recovery (DR) purposes. the backups are monitored daily to ensure they were successfully completed. Alerts are sent to our IT function if there are any errors</p>

Page 241

Key: **Significant** effect on financial statements **Limited** effect on financial statements **Low** improvement point / best practice



Appendix I: Recommendations from IT audit

Assessment	Issue	Recommendation	Management response
GREEN	<p>The password configuration for the eFinancials system is consistent with the password requirements within the ICT Acceptable Use Policy, however the password requirements within the ICT Acceptable Use Policy does not align with good practice. For example, the Policy does not state requirements for account lockout thresholds, account logout durations or the use of MFA. The system configuration does not align with best practice for password history and multi-factor authentication.</p> <p><u>Risk:</u></p> <p>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).</p>	<p>Update the ICT Acceptable Use Policy to ensure that password requirements align with good practice and amend password configuration for the eFinancials system in line with updates.</p>	<p>ICT Acceptable Use Policy updated.</p> <p>The password policy in Efin matches the policy for our AD passwords - this has been in place since May 2024.</p> <p>NB AD policy is based on best practice as recommended by NCSC, Nb we apply SSO / MFA wherever available / possible</p>
GREEN	<p>The ICT Problem and Incident Management Policy remains in draft form, dated November 2024. The draft Policy incorrectly refers to the ICT Acceptable Use Policy in the header, and also does not state the requirements for Policy maintenance, review and approval.</p> <p><u>Risk:</u></p> <p>The lack of policy is likely to drive an inconsistent approach to the design, implementation and/or operating effectiveness of the processes and controls.</p>	<p>Update the ICT Problem and Incident Management Policy to ensure that the correct title is in the header, and outline the requirements for maintenance, review, and approval.</p> <p>Present the Policy to the relevant oversight group for approval and communicate the final version to staff.</p>	<p>Reviewed December 2025. Version 2.0 is now the live version, Policy Update Schedule amended to reflect this.</p>

Page 242

Key: **Significant** effect on financial statements **Limited** effect on financial statements **Low** improvement point / best practice



Appendix I: Recommendations from IT audit

Assessment	Issue	Recommendation	Management response
GREEN	<p>The Council has in place a Security Incident Response Plan which sets out the requirements for annual testing and lessons learned activities. The organisation does not undertake regular testing of security incident response planning.</p> <p><u>Risk:</u></p> <p>There is a risk that the Security Incident Response Plan is ineffective due to lack of annual testing and lessons learned. This may result in inability to respond to real security incidents, and minimise damage and downtime.</p>	<p>The Security Incident Response Plan should be subject to regular testing to assess the effectiveness of response and recovery procedures. Tests should encompass formats such as desktop scenarios and simulations. Testing should be documented, with lessons learned activities performed and used to inform planning going forward.</p>	<p>The original CMT report on the BC exercise was in November 2024. A follow-up report went to CMT in March 2025.</p>
GREEN	<p>The organisation has mandatory training in place for employees which must be completed annually. Completion rates were low at 68.59%.</p> <p><u>Risk:</u></p> <p>There is a risk that staff are not informed of their responsibilities and expected practices in relation to cyber security due to unsatisfactory completion rates for mandatory cyber security training. This may result in staff not possessing the knowledge to recognise, manage and report cyber security threats and other security incidents.</p>	<p>The Council should review the compliance process for mandatory training, ensuring that there is a documented escalation procedure for failure to comply with mandatory training requirements. There should also be regular reporting of mandatory training completion rates to the CMT.</p>	<p>Completion rates are reported to the CMT.</p> <p>Re starters and leavers, the probation policy has a clause enforcing completion of mandatory training as a condition of probation being passed. The responsibility for signing off on the probation is with the line manager</p>

Key: **Significant** effect on financial statements **Limited** effect on financial statements **Low** improvement point / best practice



Appendix I: Recommendations from IT audit

Page 244

Assessment	Issue	Recommendation	Management response
<p style="text-align: center; color: white; font-weight: bold; font-size: 1.2em;">GREEN</p>	<p>The Council does not risk assess suppliers and third parties against Council-specific requirements. The South East Government Warning, Advisory and Reporting Point (SEGWARP) framework is leveraged for supplier health checks, however there is no further due-diligence to support assessment of suppliers against specific requirements for the Council.</p> <p><u>Risk:</u></p> <p>There is a risk of exposure to potential cyber security threats from suppliers and third parties due to lack of proactive risk assessments. This may result in disruption to the Council, as well as financial loss and reputational damage.</p>	<p>The Council should implement a process by which suppliers and third parties are subject to risk assessment both at initial procurement and throughout their contract. This assessment should be based on a pre-defined set of requirements set by the organisation to form a baseline maturity which third-parties must meet. Periodic reassessment of suppliers should be undertaken at contract renewal, in response to any significant changes, and using a risk-based approach which considers the criticality to the organisation.</p>	<p>Suppliers are vetted when they join the framework and there is no confirmed evidence to confirm compliance for the duration of the framework therefore this will be the responsibility of the Contracting Authority to check.</p> <p>Pre-award of the tender procurement completion, an ICT-related questionnaire must be completed for each vendor, and assessed by W3R.</p> <p>Additionally, our tender process includes assessment of tenderers' compliance, financial status, security posture etc. This includes DR & BCP questions.</p> <p>Contract extension would be awarded on the prevailing conditions from the contract.</p>

Key: **Significant** effect on financial statements **Limited** effect on financial statements **Low** improvement point / best practice



Appendix I: Recommendations from IT audit

Assessment	Issue	Recommendation	Management response
<p style="text-align: center; color: white; font-weight: bold; font-size: 1.2em;">GREEN</p>	<p>The Council has identified and documented cyber security related risks at an operational level. Cyber and digital risks are recorded within the corporate risk register, with information such as date raised, risk owner, risk rating and control measures.</p> <p>There is a weakness in the information recorded against each risk, with due dates not documented.</p> <p><u>Risk:</u></p> <p>There is a risk of unclear timelines and untimely action due to lack of deadlines in place for risks. This may result in poor accountability and risks escalating to become more severe.</p>	<p>Agree deadlines for risks, ensuring there is regular tracking and update until actions are complete.</p>	<p>Strategic Risk Register was updated in October 2025. The Register was approved by Policy & Resources Committee on 01 Dec 2025.</p> <p>An ICT Security management team meets monthly to review a large number of reports from various systems, and an action log which is reviewed & updated each month with timelines, and feeds in to the ICT Cyber Risk Register, which in turn is reviewed quarterly with actions, & timelines.</p>

Key: **Significant** effect on financial statements **Limited** effect on financial statements **Low** improvement point / best practice



Appendix I: Internal control recommendations

Follow up of prior year recommendations

Assessment 2023/24	Issue	Recommendation	Auditor update 2024/25	Outcome
GREEN	<p>PPE reconciliation</p> <p>While reconciling the PPE note and Fixed Asset Register (FAR) to the valuer's report, we identified variances between the PPE note/FAR and the valuers report.</p>	<p>Management should ensure that they review and reconcile the figures as per the Fixed Asset Register to the valuer's report and the financial statements.</p>	<p>While we have noticed a slight improvement in 2024/25, we have still identified significant variances in our reconciliation between the PPE note, the FAR and the valuers' report.</p>	<p>Action in progress. Recommendation remains open</p>
GREEN	<p>Review of valuer's outputs</p> <p>While performing PPE walkthrough, we noted that there is no evidence of the review of the actual draft valuation report by management and property team.</p>	<p>Management should ensure that there are adequate processes in place to enable timely review of the valuation report.</p>	<p>While we have noticed a slight improvement in 2024/25, management can still improve against this recommendation.</p>	<p>Action in progress. Recommendation remains open</p>

Page 246



Appendix I: Internal control recommendations

Follow up of prior year recommendations raised by the IT audit team

Assessment 2023/24	Issue	Recommendation	Outcome
AMBER	<p>Shared accounts which have admin privileges and are not attributable to an individual with no secure storage are present.</p> <p>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.</p>	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.	Action completed. Recommendation closed.
GREEN	<p>The password configurations within the Finance system did not match the password policy.</p> <p>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).</p>	We recommend that the password configuration should updated be to be in line with the password policy of 12 characters and complexity enabled.	Action completed. Recommendation closed.
GREEN	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.	Action completed. Recommendation closed.

Page 247



Appendix I: Internal control recommendations

Follow up of prior year recommendations raised by the IT audit team

Assessment 2023/24	Issue	Recommendation	Outcome
GREEN	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.	Action completed. Recommendation closed.

Page 248



Fees

Page 249



Appendix II: Fees

Our fees for the year ending 31 March 2025 are set out in the PSAA scale fees communication and are shown below and on the next page

Audit fees	Proposed fee £	Final fee £
<i>Scale fee – base fee for the audit of the Council (and Group’s) financial statements (as set out in the scale fees issued by PSAA)</i>		
<p>Core work: Undertaking work on balances that have not been subject to audit for several years necessarily means the audit on the current year balances takes longer than would ordinarily be the case. Additional time from within the scale was therefore focused on this in line with our build back plan. Our scale fee work in 2024/25 was focused on recovery of year end balance sheet positions, journals, balance sheet testing and in-year reserves movements and analysis. Our findings from this work, including challenges encountered, are set out throughout this report. This fee also includes all work relating to value for money and IT general controls. Our Auditor’s Annual Report was issued in November 2025, contained 8 recommendations and covered a wide breadth of risk areas. Our ITGC work is reported in this document and comprises 7 recommendations.</p>	185,941	185,941
<p>In year quality and preparation issues: Management has been engaged and supportive. The matters reported in this report are not a reflection of a lack of engagement from management nor a reflection of poor quality in management’s processes or preparation. Rather they are unavoidable implications arising from a position wherein the Council’s accounts have not been audited for several years.</p>		0
<i>Other fees</i>		
<p>IFRS16 Leases: work needed to audit the new standard. PSAA have confirmed this work is not included in the above scale fee</p>	TBC	7,142
<p>Sub total</p>	TBC	193,083

Page 250



Appendix II: Fees

Our fees for the year ending 31 March 2025 are set out in the PSAA scale fees communication and are shown below and on the next page

Audit fees	Proposed fee £	Final fee £
<i>Disclaimer fees</i>		
Disclaimer fees: in year disclaimer planning and reporting. Additional work required to issue the disclaimer of opinion. This includes the extended reporting contained in this report and the audit plan, additional review and consultation requirements and additional file documentation requirements.	TBC	18,342
<i>Build back fees</i>		
LARRIG06 qualitative risk assessment: This includes all work to do on the LARRIG06 comprehensive build-back risk assessment, the identification of historic risk factors and the full consideration of the Council's complexity and control environment for all audit years back to 2021/21.	TBC	17,527
LARRIG06 quantitative risk assessment: Includes all work to date on MIRS movements, analysis and assessment over the disclaimed years, the identification of historic anomalies and an assessment of the position over the full disclaimed period.	TBC	13,433
PPE build back work to date to the last clean opinion over 3 disclaimed years: This includes all work over additions, disposals, reclassifications, other PPE movements and depreciation to date for each audit year back to 2020/21.	TBC	27,788
Income strip build back work to date over the 3 disclaimed years: This includes work to date tracing historic accounting transactions over the past three years of the income strip scheme back to 2020/21.	TBC	15,600
Sub total	TBC	92,690
Sub-total carried forward from previous page	TBC	193,083
Total audit fees	TBC	285,773

Page 251



Appendix II: Fees

Analysis of build back fees

Component	Description	Fee for build back work	Fee for build back quality and preparation	Total fee for build back work
Opinion	Fee for work on opinion planning, undertaking and reporting	92,690	0	92,690
Value for money	Fee for work on VFM planning, undertaking and reporting	Included above	0	Included above
Total		92,690		92,690

Page 252

Total fees

Non audit fees for other services	Proposed fee £	Final fee £
Housing Benefit (HBAP) certification	28,000	TBC
Total non audit fees	28,000	TBC
Fees brought forward for the core audit and build back, plus disclaimer reporting costs (see previous page)	TBC	285,773
Total fees charged	TBC	TBC

The audit fees charged reconcile to the fees disclosed in the financial statements.

As per PSAA's Scale Fees Consultation, the scale fees did not include the new requirements of IFRS16 Leases. Additional Fees charged are subject to the fees variation process as outlined by the PSAA. MHCLG has announced additional funding for councils to meet the cost of work undertaken to issue disclaimed opinions and recover (build back) assurance over prior disclaimed periods with a view to returning to unmodified opinions at a future date.





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Independent Auditor's Report to the members of Three Rivers District Council

Report on the audit of the financial statements

Disclaimer of opinion on the financial statements

We were appointed to audit the financial statements of Three Rivers District Council (the 'Council') and its subsidiaries (the 'Group') for the year ended 31 March 2025, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cashflow and related notes to the financial statements, including accounting policies and other information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25.

We do not express an opinion on the financial statements of the Council or the Group. Due to 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 (the "Amendment Regulations") require the Council to publish its financial statements and our opinion thereon for the year ended 31 March 2025 by 27 February 2026 (the "Backstop Date"). This date has been put in law with the purpose of clearing the backlog of historical financial statements in English local government.

We have been unable to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Council's and group's financial statements for the year ended 31 March 2025 as a whole are free from material misstatement. In addition, we have been unable to obtain sufficient appropriate evidence over the disclosed comparative figures for the year ended 31 March 2024 by the backstop date as a result of disclaimed opinions in previous financial years. Therefore, we were unable to determine whether any adjustments were necessary to the opening balances as at 1 April 2024 or whether there were any consequential effects on the Council's and group's income and expenditure for the year ended 31 March 2025. Any adjustments from the above matters would have a consequential effect on the Council's and group's net assets and the split between usable reserves and unusable reserves as at 31 March 2025 and 31 March 2024 and on the Council and group income and expenditure and cash flows for the years then ended.

We have concluded that the possible effects on the financial statements of undetected misstatements arising from these matters could be both material and pervasive. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Council to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2025 by 27 February 2026.

Opinion on other matters required by the Code of Audit Practice

The Council are responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon.

Under the Code of Audit Practice published by the National Audit Office in November 2024 on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") we are required to consider, based on the work undertaken in the course of the audit of the financial statements, whether the other information published together with the audited financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Because of the significance of the matters described in the 'Basis for disclaimer of opinion' section of our report, we have been unable to form an opinion whether the other information published together with the financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception under the Code of Audit Practice

Under the Code of Audit Practice we are also required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE, or is misleading or inconsistent with information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

Because of the significance of the matter described in the 'Basis for disclaimer of opinion' section of our report, we have been unable to consider the form and content of the Annual Governance Statement.

Responsibilities of the Council and the Chief Finance Officer

As explained in the Statement of responsibilities for the statement of accounts, the Council is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director Finance. The Chief Finance Officer is responsible for the preparation of the Council's 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 2024/25, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance 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 Finance Officer is responsible for assessing the Council's and Group'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 there is an intention by government to cease the provision of the services provided by the Council. The Chief Finance Officer is required to comply with the requirements set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Council's and the Group'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 the financial statements. In reaching this judgement we have complied with the requirements of the Code of Audit Practice and have had regard to the Local Audit Reset and Recovery Implementation Guidance published by the National Audit Office and endorsed by the Financial Reporting Council.

We are independent of the Council and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matter described in the 'Basis for disclaimer of opinion' section of our report.

Report on other legal and regulatory matters

Reports in the public interest or use of other statutory powers

Under the Code of Audit Practice, we are required to report to you if, in the course of or at the conclusion of the audit, we:

- issue a report in the public interest under Section 24 of the Local Audit and Accountability Act 2014;
- make a written recommendation to the Council under section 24 of the Local Audit and Accountability Act 2014;
- 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;
- issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

We have nothing to report in this respect.

Responsibilities of the Council

As explained in the Statement of responsibilities, the Council is required to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets. The Council is responsible for putting in place proper arrangements for securing 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 review of the Council's arrangements for securing 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 be satisfied that the Council 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 Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements.' When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Council ensures that it makes informed decisions and properly manages its risks; and
- 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.

We have documented our understanding of the arrangements the Council has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

Delayed certificate

We cannot formally conclude the audit and issue an audit certificate for Three Rivers District Council for the year ended 31 March 2025 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice (the "Code") until we have completed all our responsibilities mandated by the Code.

Our Whole of Government Accounts work for the year ended 31 March 2025, as mandated under the National Audit Office's group instructions, is currently outstanding and confirmation has not yet been received from the National Audit Office that the Whole of Government Accounts audit for 2024-25 has been certified by the Comptroller and Auditor General.

We are satisfied that this work does not have a material effect on the financial statements, or on our conclusion on the Council's arrangements for securing economy, efficiency, and effectiveness in its use of resources for the year ended 31 March 2025.

Use of our report

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

Name, Key Audit Partner

for and on behalf of Azets Audit Services, Local Auditor

location

date

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Azets Audit Services
Regis House
45 King William Street
London
EC4R 9AN

[Date]

Dear Sirs

**Three Rivers District Council
Financial Statements for the year ended 31 March 2025**

This representation letter is provided in connection with the audit of the financial statements of Three Rivers District Council (the "Council") for the year ended 31 March 2025.

I confirm that to the best of my knowledge and belief having made such inquiries as I considered necessary for the purpose of appropriately informing myself:

Financial Statements

- i. I have fulfilled my responsibilities as Section 151 Officer for the preparation of the Council's financial statements in accordance with applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the 2024/25 Code), for being satisfied that they give a true and fair view and for making accurate representations to you.
- ii. I have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The financial statements are free of material misstatements and misclassifications including omissions.
- iv. I have reviewed and approved all audit adjustments made in the financial statements. Any unadjusted misstatements identified during the audit are not considered to be material. (See appendix 1 for details of audit adjustments).
- v. Prior year adjustments have been made to the financial statements where required and these are appropriately disclosed in the financial statements. (See appendix 1 for details of such audit adjustments).

- vi. I have reviewed and approved all disclosures made in the financial statements and I am not aware of any other matters which require disclosure in order to comply with the requirements of UK adopted international accounting standards, as interpreted and adapted by the 2024/25 Code (A summary of the main disclosure changes is at appendix 1).
- vii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- viii. I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error, and I believe that I have appropriately fulfilled these responsibilities.
- ix. The methods, data and significant assumptions used by us in making accounting estimates, including those measured at fair value, are appropriate to achieve recognition, measurement and disclosure that is reasonable in the context of the applicable financial reporting framework. I am satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements.
- x. The Council has satisfactory title to all assets. The Council has no plans or intentions that may materially alter the carrying value and, where relevant, the fair value measurements or classification of assets and liabilities as at 31 March 2025 reflected in the financial statements.
- xi. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- xii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of applicable law and accounting standards.
- xiii. All events subsequent to the date of the financial statements and which require adjustment or disclosure have been adjusted or disclosed.
- xiv. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of UK adopted international accounting standards, and as interpreted and adapted by the Code.
- xv. I believe that the Council's financial statements should be prepared on a going concern basis. I do not expect the Council to demise in its current organisational form; however, my basis for going concern acknowledges that if that situation arose the services would be transferred to another body. I believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xvii. I acknowledge the Council's legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as I am aware, there is no relevant audit information needed by you for the purposes of your audit of which you are unaware.
- xviii. On 5 September 2024 parliament approved the Accounts and Audit (Amendment) Regulations 2024. These Regulations set a publication date for financial statements in respect of 2024/25 of 27 February 2026. The National Audit Office Code of Practice requires that where auditors are unable to conclude their work by this statutory backstop date they should issue either a qualified audit opinion or a disclaimer of opinion. It has not been possible to provide you with the all the required information for you to complete your audit for the year ending 31 March 2025 by the statutory backstop date.

This includes the following:

- a. providing you with:
 - i. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
 - ii. all additional information that you might have requested from us for the purpose of your audit; and
 - iii. access to all persons within the Council from whom you determined it necessary to obtain audit evidence.
- xix. I have communicated to you all deficiencies in internal control of which management is aware.
- xx. I have disclosed to you the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xxi. I have disclosed to you all information in relation to known fraud or suspected fraud that I am aware of and that affects the Council and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xxii. I have disclosed to you all information in relation to instances of, or allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxiii. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiv. I have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which I am aware.
- xxv. I have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

xxvi. All transactions undertaken by the Council have been recorded in the accounting records and are properly reflected in the financial statements.

Management Commentary

xxvii. The disclosures within the Narrative Report fairly reflect my understanding of the Council's financial and operating performance over the period covered by the financial statements.

Corporate Governance Statement

xxviii. I am satisfied that the Corporate Governance Statement fairly reflects the Council's risk assurance and governance framework and I confirm that I am not aware of any significant risks or weaknesses in governance or internal control that are not disclosed within the Statement.

Yours faithfully

Signature:.....

Name:

Position:

Date.....

AUDIT COMMITTEE – 19 February 2026

PART I – DELEGATED

1 Summary

- 1.1 This report sets out the Audit Committee's latest Work Programme to enable the Committee to make updates as required.

2. Details

- 2.1 The Audit Committee meets five times per financial year between 1 April and 31 March. The work programme is presented at each meeting of the Committee to enable any changes to be made and to provide Members with updated information on future meetings.
- 2.2 The work programme includes a rolling annual training programme which is delivered prior to each committee. The following topics form the programme:
- Role of the Audit Committee
 - Statement of Accounts
 - Treasury Management
 - Internal Audit
 - Risk Management
- 2.3 Additional 'deep dive' training is arranged for members of the committee ahead of approval of the audited Statement of Accounts.
- 2.4 The following items are standing items on the agenda and are presented at each meeting of the Committee:
- Internal Audit Report – SIAS Audit Client Manager
 - Financial and Budgetary Risks – Head of Finance
 - Committee Work Programme
- 2.5 The programme of ad hoc reports scheduled to be presented to this Committee in the next 12 months is shown in the table below:

Financial Year 2025/26		
Date	Report	Officer Responsible
24 March 2026	TRAINING: Internal Audit <ul style="list-style-type: none"> • SIAS Internal Audit Plan • Accounting Policies 2025/26 • Risk Management Framework • Standing Items 	Client Audit Manager Client Audit Manager Director of Finance Emergency Planning and Risk Manager
28 May 2026	TRAINING: Statement of Accounts <ul style="list-style-type: none"> • Treasury Management Annual Report 2024/25 • SIAS Annual Assurance Statement & Internal Audit Annual Report • Approval of the draft Statement of Accounts 2024/25 and Annual Governance Statement • Standing Items 	Director of Finance Director of Finance Client Audit Manager Director of Finance

23 July 2026	<p>TRAINING: Role of the Audit Committee</p> <ul style="list-style-type: none"> • Fraud Annual Report • SIAS Board Annual Report • Standing Items 	<p>Director of Finance</p> <p>Fraud Manager</p> <p>Client Audit Manager</p>
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3 Options/Reasons for Recommendation

3.1 The recommendation allows the Committee to determine its work programme.

4 Policy/Budget Implications

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

5 Financial, Legal, Equal Opportunities, Staffing, Environmental, Community Safety, Customer Services Centre, Website and Risk Management Implications

5.1 None specific.

6 Recommendation

6.1 That the Committee consider and makes necessary changes to its Work Programme.

Background Papers

Reports and minutes – Audit Committee

Report prepared by: Alison Betts – Director of Finance

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